

FY25 Responsible Investment Report

| HESTA |
Super with impact



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About this report

HESTA's FY25 Responsible Investment Report outlines activity undertaken in support of our responsible investment program as part of delivering on our Super with impact™ purpose.

Covering the period 1 July 2024 to 30 June 2025 (unless otherwise noted), this report details progress across HESTA's financially material risks and opportunities, illustrated through case studies, engagement and voting activity, and disclosure of capital allocation aligned with the United Nations Sustainable Development Goals (SDGs). This is reported using the SDI AOP Taxonomy, an international framework that classifies investments based on their alignment with the SDGs and their potential to contribute to them.

For the first time, climate change disclosure has been integrated into this report, reflecting our preparation for mandatory disclosure under the Australian Sustainability Reporting Standards (ASRS).¹ This marks a change from our previous approach, where detailed Climate Change Reports and shorter Climate Change Updates were issued in alternate years. Past reports are available at hesta.com.au/climate-action.

Our reported Scope 1 and 2 normalised portfolio emissions - representing HESTA's share of emissions from the companies we invest in - is a key indicator of progress towards our 2030 interim portfolio emissions reduction target. The relevant disclosures required in relation to these targets are made in HESTA's Climate Change Statement hesta.com.au/climate-action. Our normalised portfolio emissions have been subject to independent limited assurance. We expect to continue and expand assurance of our climate-related disclosures in line with the phased introduction of ASRS requirements.

HESTA is a single legal entity with no subsidiaries, so the full legal structure is included within the organisational boundary. This boundary is defined using the financial control approach.

We encourage you to read this report alongside the FY25 Annual Report and our climate-related information at hesta.com.au/climate-action.

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

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

¹ While this report includes climate change disclosures in anticipation of future mandatory reporting requirements under the ASRS, it is important to note that HESTA is not yet subject to these mandatory disclosure requirements. The climate-related information provided in this report is voluntary and may not fully align with all future ASRS requirements. We are proactively incorporating these elements to enhance our reporting transparency and prepare for future compliance obligations.

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. This is part of Super with impact™ – our commitment to more than one million members who trust us to grow and protect their retirement savings.

We're pleased to present our second Responsible Investment Report, which outlines how we manage financially material risks and opportunities to deliver strong, long-term returns to our members and help accelerate progress to a more sustainable world.

Responsible investment is at the heart of how we invest. Since our first renewable energy investment in 2006, we've remained focused on responding to the long-term, systemic challenges that shape the world - including climate change, gender inequality, nature loss, and the need for decent work. These issues continue to be financially material and central to delivering sustainable investment returns.

This year marks a significant milestone for HESTA as we have recently surpassed \$100 billion in funds under management for the first time. Achieving this scale not only demonstrates the trust our members place in us but also enhances our ability to deliver strong returns. Our increased size allows us to access new investment opportunities, seek to drive positive change, and further embed responsible investment principles across our portfolio, enabling us to continue to deliver long-term value for our members.

While the world continues to experience rapid change, our long-term focus and active ownership priorities remain strong. We continue to monitor key global shifts - from geopolitical and economic shocks to transformative technologies such as AI - and assess their impact on our portfolio.

We're proud of the difference HESTA continues to make through delivering investment excellence with impact - one of the three pillars of our Super with impact™ purpose. This includes engaging directly with large emitters on stronger climate action and holding boards accountable on governance and culture risks.

We know there is more to do. We continue to call on Australian companies to step up their efforts on climate, nature, gender equality and decent work, which are all essential to building long-term value and supporting members' retirement outcomes.

We encourage you to read this report alongside our Annual Report.

HESTA is deeply proud to help our members face the future with confidence. We hope this report gives you that same confidence in our enduring commitment to responsible investment and our Super with impact™ purpose.



**Hon Nicola Roxon,
Chair**

**Debby Blakey,
CEO**

Key highlights from FY25



\$6.4bn

invested in climate solutions such as renewable energy and sustainable property²

41%

reduction in normalised portfolio emissions from the 2020 baseline at 30 June 2024³



1,680

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

37,938

votes cast at the AGMs of Australian and globally listed companies in FY25



\$14.5bn

of HESTA's portfolio invested in alignment with the United Nations Sustainable Development Goals²



31%

of ASX300 Executive Leadership Team positions are held by women. 17 companies have single gender executive teams⁴



Sustainable Plus classification

awarded by Responsible Investment Association Australasia (RIAA) for our Sustainable Growth investment option^{^*}



SUSTAINABLE PLUS
— CERTIFIED BY RIAA —

² As at 30 June 2025.

³ Normalised portfolio emissions refer to the scope 1 and 2 carbon-equivalent emissions intensity of our portfolio per \$AUD million invested.

⁴ Chief Executive Women. (2025). 2025 CEW Census: Women in Leadership https://cew.org.au/hubfs/25_01%20CEW%20CENSUS%20DISPATCH%20A3.pdf?hsLang=en-au%20

[^] Product ratings and awards are only one factor to be taken into account when making a decision about a financial product. See hesta.com.au/ratings for more information.

^{*} The RI Certification Symbol is issued by Responsible Investment Association Australasia (RIAA) ACN (641 046 666), AFSL (554110) and signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the Sustainable Growth investment option adheres to the operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Sustainable Growth investment option is assessed against RIAA's Responsible Investment Standard. The Certification Symbol is a Trademark of RIAA. For detailed information about RIAA, the Symbol and the Sustainable Growth investment option's methodology, performance, stock holdings, remuneration and details about other responsible investment products certified by RIAA, refer to responsiblereturns.com.au and our Financial Services Guide. The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and if the advice relates to the acquisition, or possible acquisition, of a particular financial product. Certifications are current for 24 months and subject to change at any time.

Super with impact™

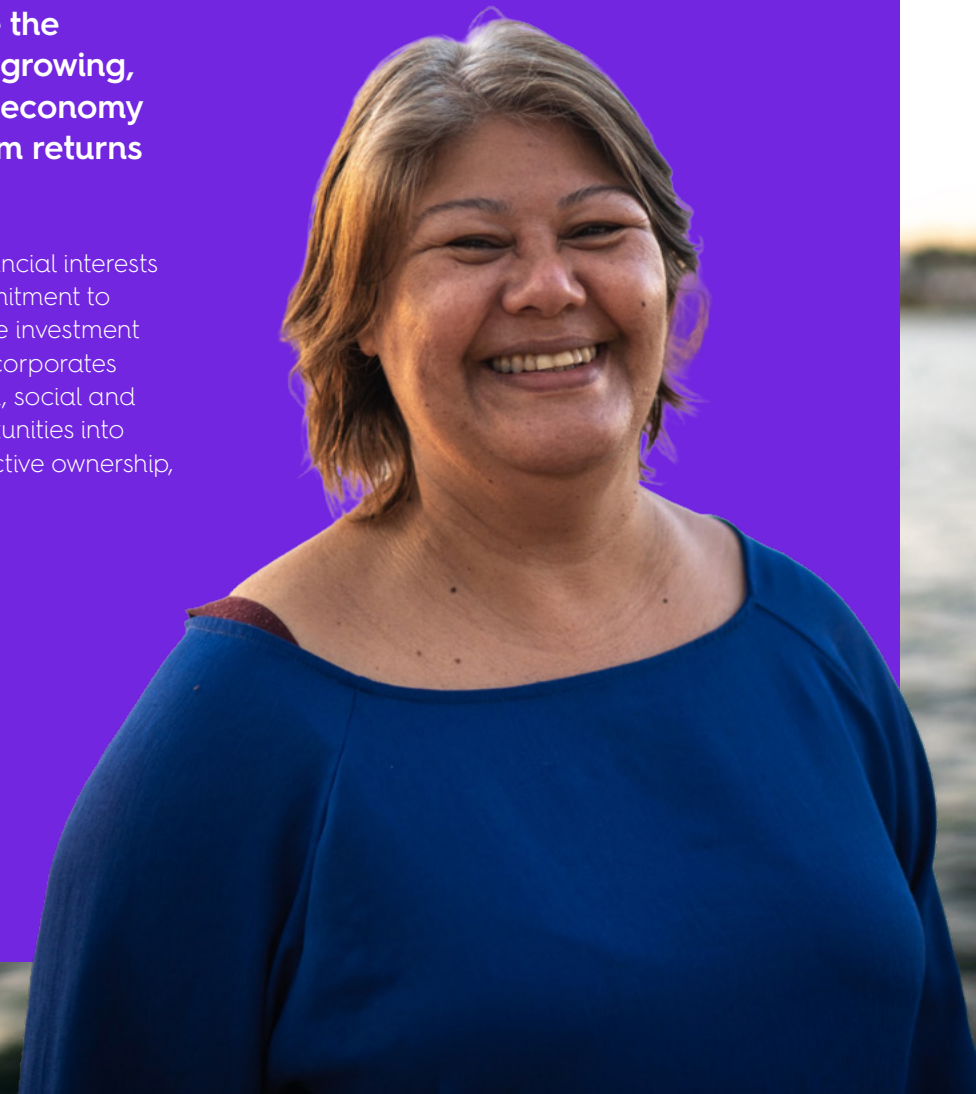
At HESTA, our purpose is to invest in and for people who make our world better.

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.

We believe that members' best financial interests are served by having 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 and active ownership, to deliver strong, long-term returns.



Identifying financially material risks and opportunities

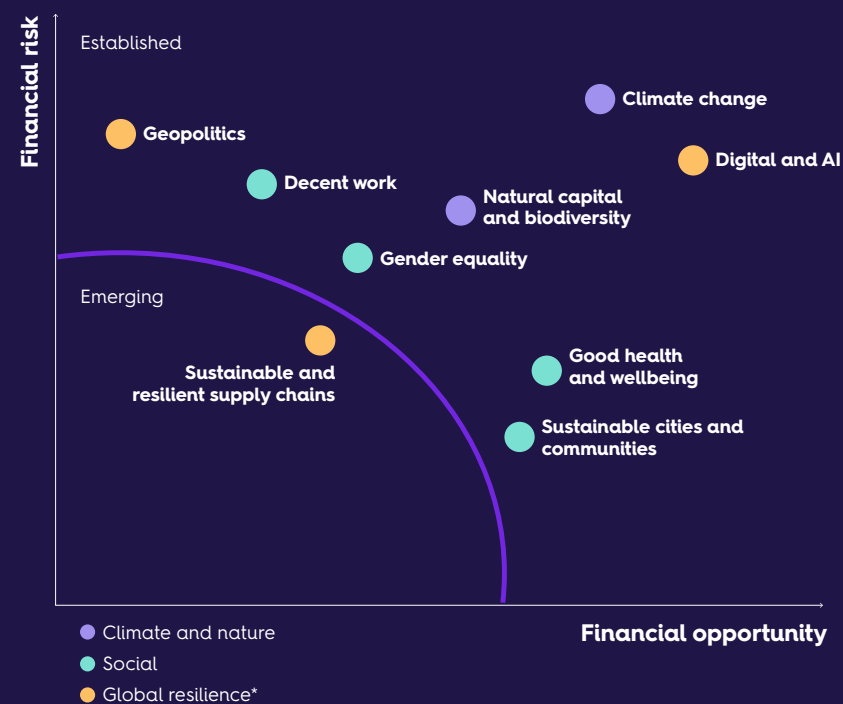
To understand which risks and opportunities are most financially material to our investment portfolio, we conduct a materiality assessment. This involves analysing the system level economic costs and opportunities of a wide range of factors, considering portfolio exposures, and listening to the perspectives of our members and other key stakeholders.

By combining these insights, we seek to identify and prioritise the risks and opportunities likely to be most material to investment performance and member outcomes over the long term. This process helps keep our responsible investment approach focused on evolving global challenges and our members' best financial interests.

Our most recent assessment confirmed that climate change, natural capital and biodiversity, good health and wellbeing, gender equality, and decent work remain material - alongside sustainable cities and communities which continues to be an area of focus.

Our responsible investment work program focuses on these areas of financially material risk and opportunity, which we view as linked to select SDGs. We endorse the ambitions of the SDGs and aspire to contribute to outcomes aligned with the aims of these select SDGs through our capital allocation and active ownership. We believe this is aligned with members' best financial interests since the SDGs are a focus of global policy and initiatives and therefore associated with material financial opportunities and risks.

Materiality matrix



We considered a broad range of risks and opportunities during our materiality assessment. This matrix displays those that were prioritised as most material.

* Please see page 8 for more information.

Integration into investment decision-making

Managing financially material risks and opportunities is essential to deliver strong, long-term returns for our members and help accelerate our contribution to a more sustainable world. We do this by selecting the appropriate combination of capital allocation and active ownership levers and pursuing implementation. This balanced approach helps us preserve and grow value over the long-term.

We adopt a total portfolio approach (TPA) which provides us insight into forward looking opportunities and risks across global asset classes.

We invest in strategies managed by internal teams and external managers, bringing together diverse investment capabilities and market perspectives. All members of the Investment Management team are responsible for integrating responsible investment into investment processes.

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

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.



HESTA's priority SDGs

Gender equality



Climate change



Natural capital and biodiversity



Decent work



Good health and wellbeing



Sustainable cities and communities



A new focus area, global resilience, addresses the growing need to prepare for and respond to complex global challenges. These include risks such as cybersecurity threats, advances in technologies such as artificial intelligence, disruptions in global supply chains, and geopolitical and economic uncertainties. At the same time, they present opportunities for those who adapt effectively.

While we continue to develop our program of work focused on this emerging area, we have called on companies to ensure their boards have the right mix of skills to address these challenges and to plan for diverse future scenarios.

We endorse the ambitions of the United Nations SDGs as an ambitious framework to address systemic risks and identify areas of opportunity.

Measuring our capital alignment to the SDGs

To track the progress of our capital allocation in support of the SDGs, we use the Sustainable Development Investments Asset Owner Platform (SDI AOP).⁵

Based on the SDI AOP taxonomy, at 30 June 2025, HESTA had \$14.5 billion, or 14.6% of the portfolio in investments aligned to priority and broader SDGs.

The taxonomy uses a look-through approach, examining how much of a company's revenue is linked to specific SDG targets.

While we seek to invest in companies that support the SDGs, we also consider many other factors to make investment decisions.

Member research found that **87%** of HESTA's members who were surveyed believe it is important that super funds invest in socially and environmentally responsible companies and assets.*

Sustainable Development Goal		\$million invested of total fund*
	No poverty	\$46M
	Zero hunger	\$28M
	Good health and wellbeing	\$6720M
	Quality education	\$47M
	Clean water	\$114M
	Affordable and clean energy	\$2153M
	Industry, innovation and infrastructure	\$240M
	Sustainable cities	\$4596M
	Responsible consumption	\$226M
	Climate action	\$121M
	Life below water	\$7M
	Life on land	\$174M
Total		\$14472M

Totals may not sum due to rounding.

* Includes both Accumulation and Income Stream.



⁵ Information on the taxonomy can be found at <https://www.sdi-aop.org/sdi-classification/>

* This figure reflects the views of surveyed members only, not the entire HESTA membership.

Our governance framework

HESTA's governance framework supports oversight and accountability across operations and investment decisions, including a commitment to responsible investment aligned with members' best financial interests.

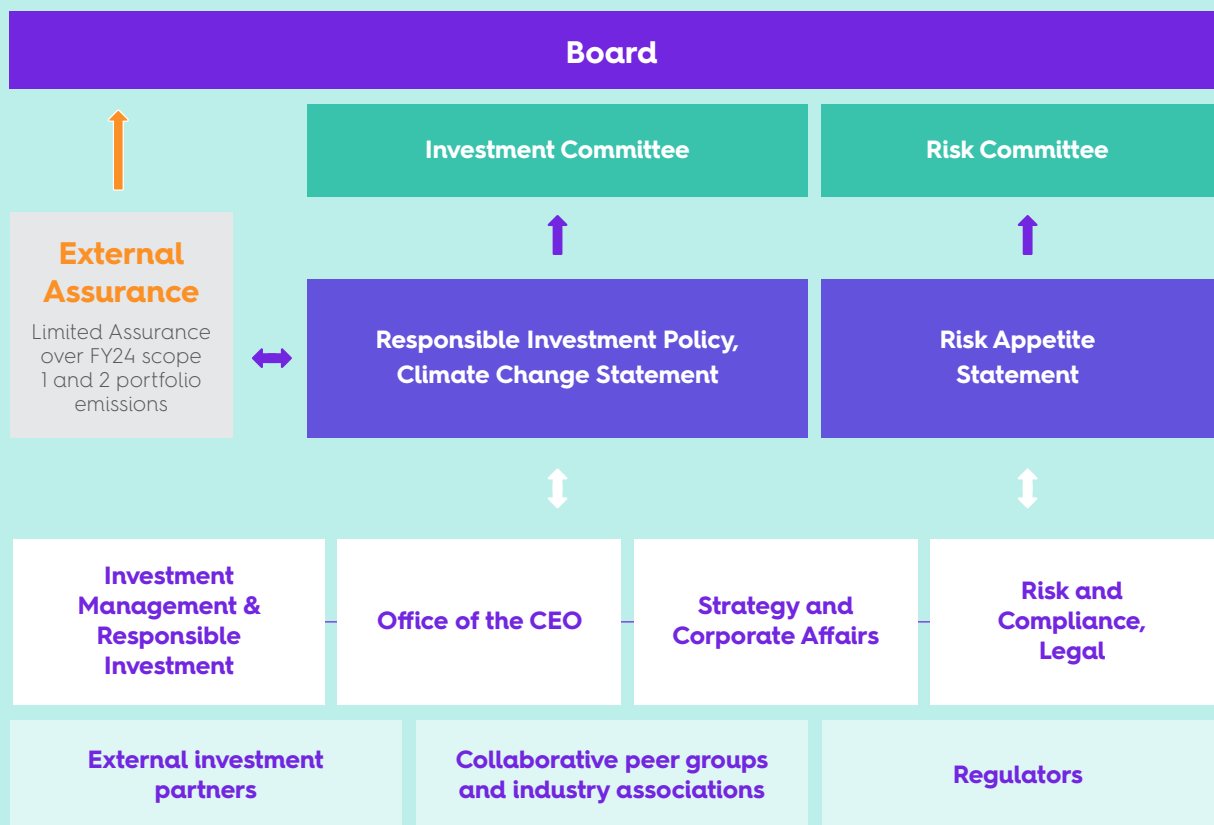
The **Responsible Investment Policy** ('RI Policy') outlines the principles and commitments that guide our approach. It forms part of HESTA's Investment Governance and Risk Management Frameworks.

Responsible investment risk is identified in HESTA's Risk Appetite Statement as part of our Risk Management Framework and Strategy. Our approach to managing this risk focuses on considering financially material responsible investment factors that may affect returns, while also taking members' responsible investment expectations into account, in line with our duty to act in their best financial interests.

The business functions supporting responsible investment include responsible investment management, integration, active ownership and communications. These are supported by clearly documented procedures and appropriate risk controls. Any current and emerging issues are identified, escalated, and managed through regular updates to the Executive.

HESTA publicly discloses information and supporting data on our responsible investment activities through our Responsible Investment Report, Annual Report, Annual Member Meeting and website, with additional updates disclosed to members and employers through regular digital communications.

Responsible Investment within the HESTA Governance Framework



Accountability and responsibilities

HESTA takes a fund-wide integrated approach to managing responsible investment. The following summarises the board and management's respective responsibilities for oversight and monitoring of responsible investment.

HESTA Board

- Responsible for the Fund's management of investments, aligned with members' best financial interests.
- Approves and reviews the investment beliefs, of which responsible investment is a component.
- Approves portfolio exclusions and restrictions related to responsible investment.

HESTA Risk Committee

- Responsible for the HESTA Risk Appetite Statement and settings, as informed by the Fund's strategic and business plans.
- Oversight of the controls and procedures in place to support and promote good risk management culture and process at HESTA, including responsible investment risks.

HESTA Finance, Audit and Compliance Committee

- Assists the Board in discharging its duties in relation to the financial management, performance and reporting obligations of HESTA.
- Oversight of compliance related breaches and incidents, including any related to responsible investment.
- Oversight of the legislative and regulatory environment, including any changes that may influence HESTA's ability to implement its responsible investment program.

HESTA Investment Committee

- Oversight of the implementation of HESTA's investment strategy and responsible investment program.
- Approves the Responsible Investment Policy.
- Oversight of the implementation of HESTA's Climate Change Transition Plan.

HESTA Executive & CEO

- Accountable for the Responsible Investment Policy and program of work, consistent with the overall strategy of HESTA and alignment with external positioning.
- Oversight of financially material responsible investment risks and opportunities.
- Oversight of progress towards climate-related targets.

Responsible Investment and Investment Management teams

- Leads the implementation of the Responsible Investment Policy and develops the responsible investment approach.
- Integrates financially material responsible investment factors into investment decision-making.
- Establishes active ownership priorities and seeks to progress related outcomes.
- Report to the Board on the progress of responsible investment priorities and climate change targets.
- Report any incidents related to adherence to the Responsible Investment Policy to the Executive.

As part of performance management, HESTA's Investment Management team are assigned key performance indicators related to responsible investment. Indicators include responsible investment integration, management of investment risks and opportunities and contributing to the progression of the Climate Change Transition Plan.

Climate-related governance

As long-term investors, managing climate-related risks and opportunities is a core governance responsibility grounded in our duty to act in our members’ best financial interests. As an APRA-regulated entity, we align our climate risk management practices with the Australian Prudential Regulation Authority’s (APRA) guidance CPG 229 and participated in APRA’s climate self-assessment survey.

We embed climate considerations across our investment, capital allocation and risk management, and seek to align with the Australian Sustainability Reporting Standards (ASRS).

Skills and Competency

To deliver on HESTA’s responsible investment approach, relevant skills and competencies in the area of responsible investment are required across the Board, CEO and Executive team, the Investment Management function, and broader support functions.

During FY25, members of HESTA’s Board furthered their skills and competency in responsible investment through a combination of HESTA facilitated board sessions and external formalised learning. Education was provided through attendance at annual conferences hosted by industry associations⁶, and by academics and subject matter experts related to HESTA’s responsible investment focus areas on climate change, human rights and natural capital and emerging themes like artificial intelligence.

The CEO and Executive team also deepened their expertise through participation in global boards and advisory groups, attendance at key industry conferences, and direct engagement with international thought leaders.

Key responsible investment skills and competencies specific to investment management teams include:

System-level thinking ⁷	Ability to distil complex problems, understand their inter-relationships, research and gather evidence, and design programs that contribute to positive change for HESTA members, the community and the economy.
Responsible investment subject matter knowledge	Understanding of the superannuation system, investment design and management, and asset classes. Knowledge of subject matter related to priority SDGs, governance standards, and how to use this knowledge to support investment decision-making.
Responsible investment governance	Ability to design frameworks supported by policies, tools and processes to help HESTA deliver its responsible investment approach and comply with relevant obligations.
Responsible investment advice and integration	Ability to advise investment teams and partners on responsible investment issues, industry practice, manager assessments, thematic opportunities and how to integrate responsible investment into investment decision-making.

For HESTA’s investment team, skills and competency were strengthened through relevant training by industry organisations. External learning was supplemented by specialist internal events and on the job training. All new employees at HESTA undertake induction, which is conducted over 1.5 days and includes investment and responsible investment education.

Information on the selection, appointment, and monitoring of investment managers, including how climate-related risks are managed within investment processes, is provided in the Climate Risk Management section (see page 43).

6 Attendance at annual conferences hosted by the Australian Council of Super Investors (ACSI), the Association of Super Funds of Australia (ASFA) and Australian Institute of Super Trustees (AIST).

7 <https://public.unpri.org/sustainable-financial-system/what-is-system-level-investing/12737.article>

Responding to financially material risks and opportunities

Why it matters

Our experience has shown us that strong, long-term returns rely on both company performance and the strength of the market. This requires that companies thoughtfully manage a broad range of financially material risks and opportunities. Responsible investment factors, such as climate change, gender equality, natural capital and biodiversity, and decent work, are increasingly shaping investment risks and opportunities. We believe that addressing these challenges, and fostering collaboration between investors and companies, is essential to achieving strong outcomes for our members and the broader economy.

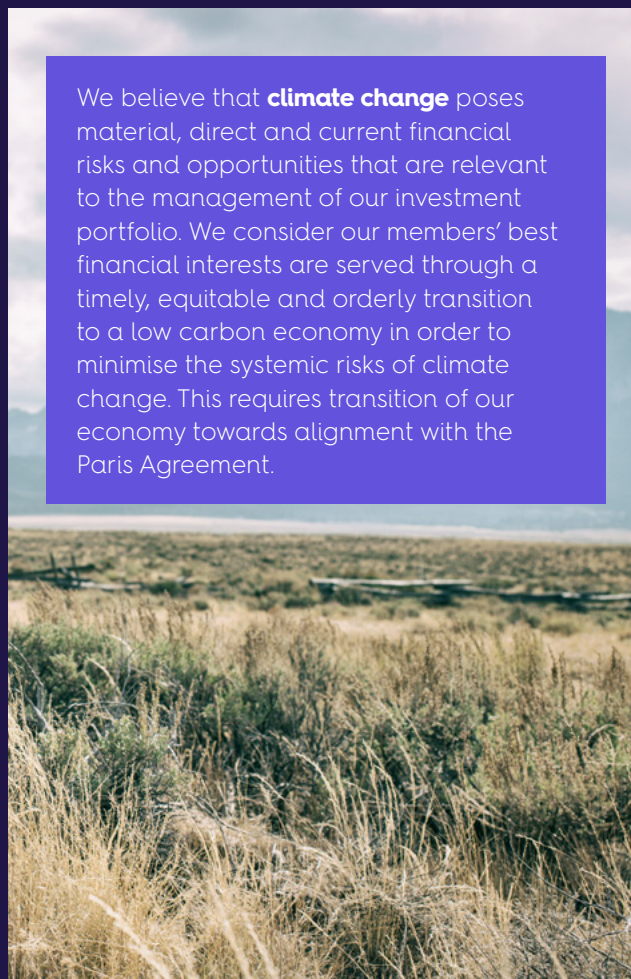


In our *FY24 Responsible Investment Report*, we laid the foundations for financially material risks and opportunities, outlining why each is important for individuals, business and investor returns, and how we are responding. Our actions in response to these risks and opportunities span capital allocation, active ownership and public policy advocacy, all with a focus on driving systemic change that seeks to benefit our portfolio and member returns, and contribute to positive outcomes in the real economy.

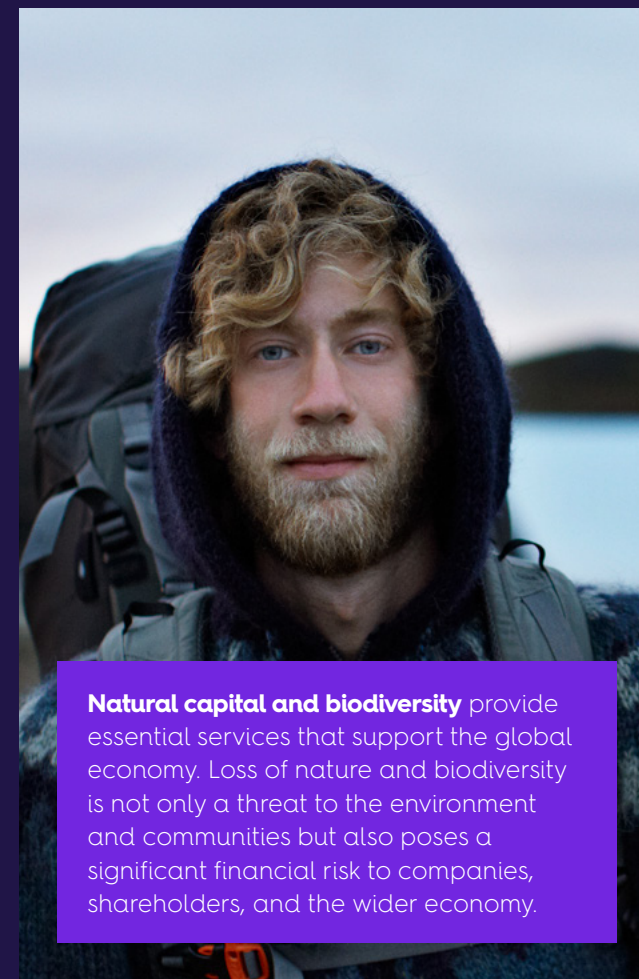
We invite you to explore the full *FY24 Responsible Investment Report* to learn more about our program of work over many years and the outcomes we aim to deliver for our members.



Gender equality is an enabler of a growing, sustainable, and inclusive economy. When gender inequality persists, it can harm economic performance, affect investment returns, and impact the retirement outcomes of HESTA members - around 80% of whom are women.



We believe that **climate change** poses material, direct and current financial risks and opportunities that are 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 a low carbon economy in order to minimise the systemic risks of climate change. This requires transition of our economy towards alignment with the Paris Agreement.

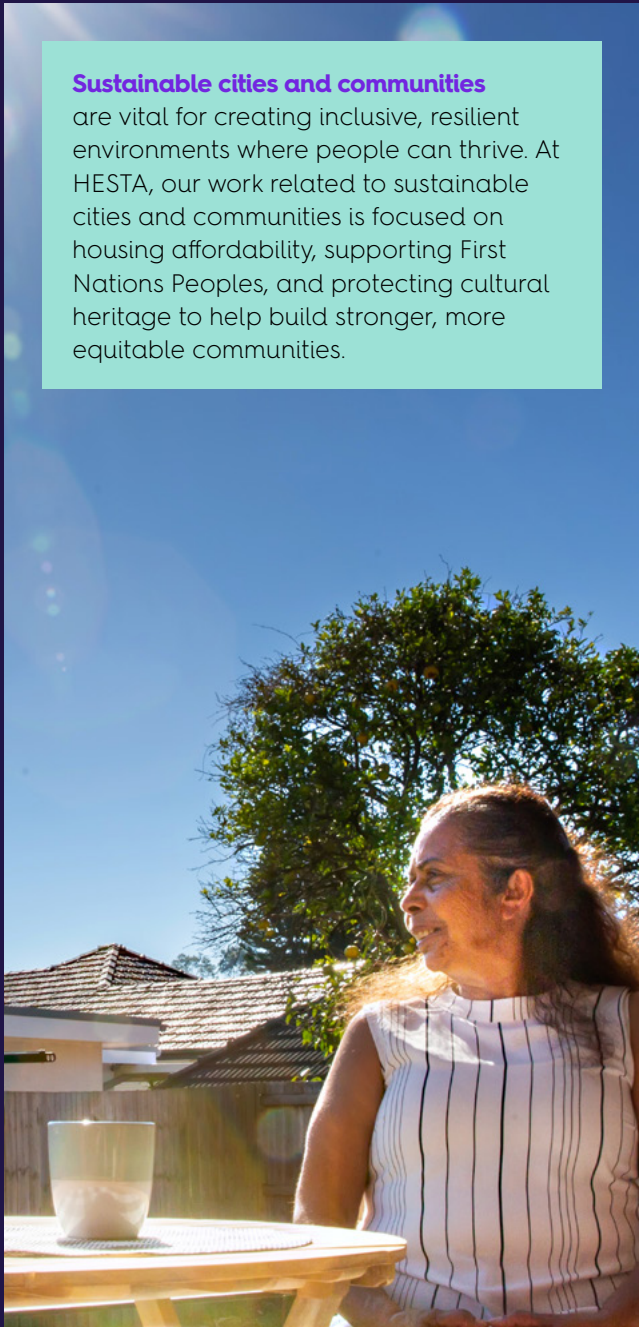


Natural capital and biodiversity provide essential services that support the global economy. Loss of nature and biodiversity is not only a threat to the environment and communities but also poses a significant financial risk to companies, shareholders, and the wider economy.



Good health and wellbeing

are essential for HESTA members, many of whom work in the health and community services sector. Healthy people are more productive, earn higher incomes, and reduce costs related to illness. This supports a stable economy, which in turn helps deliver strong, long-term investment returns.



Sustainable cities and communities

are vital for creating inclusive, resilient environments where people can thrive. At HESTA, our work related to sustainable cities and communities is focused on housing affordability, supporting First Nations Peoples, and protecting cultural heritage to help build stronger, more equitable communities.



Decent work is the foundation of a sustainable, inclusive economy and directly improves the lives of our working members. High-quality jobs boost consumer confidence, drive long-term productivity, and help reduce social support costs. These benefits create opportunities for sustained economic growth and stronger investment returns for our members.

Gender equality

Key actions in FY25

Published our biennial report on gender diversity in the investment teams of our external managers. The report showed modest but continued improvement, with women now representing 28% of investment team roles, up from 24% in 2022.

Continued leadership of 40:40 Vision, coordinating engagement opportunities and encouraging target setting and progress toward 40:40:20 in ASX300 Executive Leadership Teams. You can find more information at hesta.com.au/4040vision and in our case study on page 17.

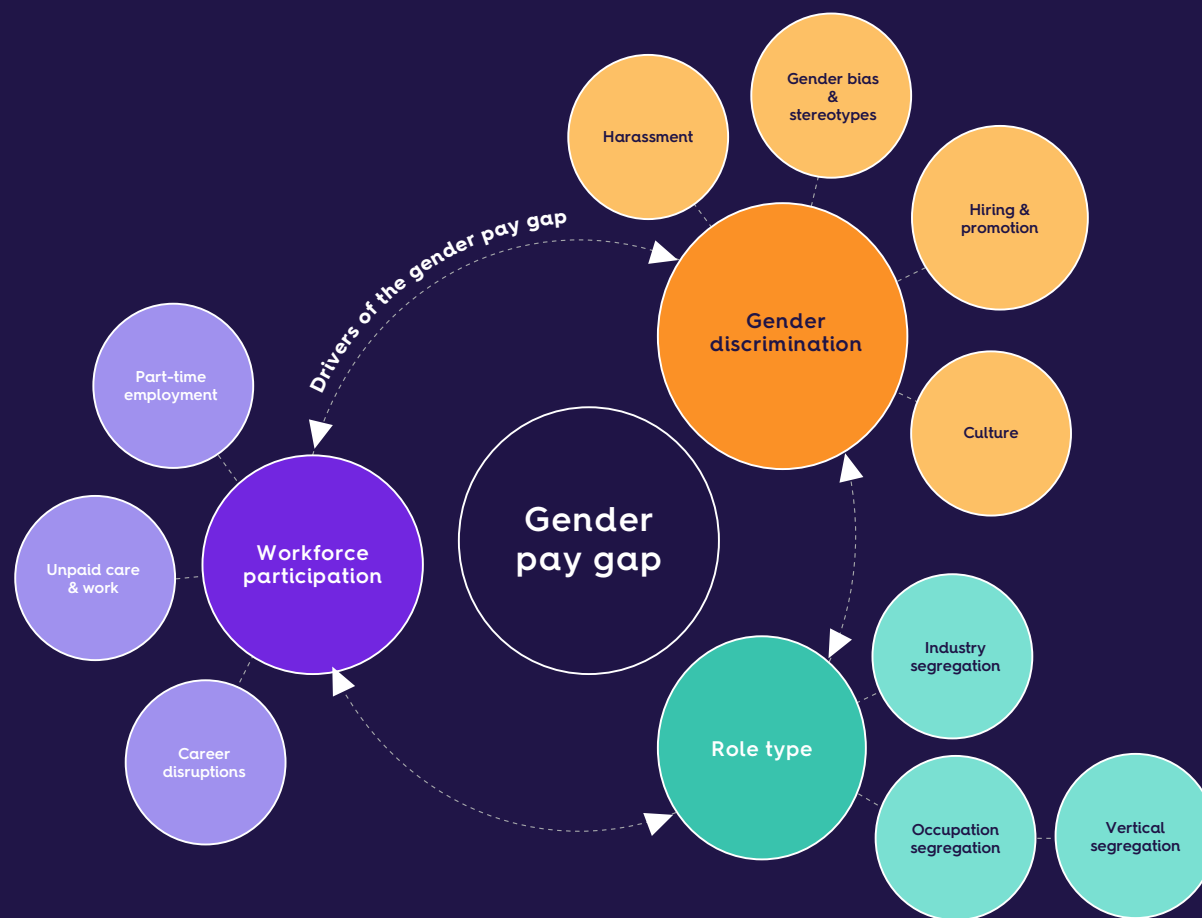
25% of ASX300 companies have achieved 40:40:20 gender balance in executive leadership and the number of single gender ELTs has reduced to 17, as at 30 June 2025.

Engaged five Australian companies, predominantly in the retail sector, encouraging them to consider introducing a policy of employer-funded paid parental leave. One company, with a workforce comprising more than 90% women, has recently committed to introducing employer funded paid parental leave and a second has committed to actively considering it.

Continued direct engagement with select companies on culture risks, focusing on how company culture influences leadership diversity, inclusion, and employee outcomes.

Supported progress on board gender diversity across the market, with the share of ASX300 boards with fewer than 30% women falling from 83% at the end of FY24 to 79% in FY25. This included votes against the (re)election of directors at companies with fewer than 30% women on their boards.

Exercised our voting rights to hold companies accountable on gender diversity by voting against the re/election of select directors when a company has fewer than 30% female directors, and against the re/election of a Board Chair when the company has an all-male Executive Leadership Team.



Case study

Gender diversity in investment management – 2024 progress report

This year, we released our third biennial gender diversity in investment management progress report, analysing data collected over the past six years to assess the representation of women in the investment teams of our external investment managers (partners) and provide an update on our internal progress.

Since our 2022 report, the representation of women in our partners' investment teams has grown from 24% to 28%.

In terms of the gender diversity of our own team, as at 30 June 2024, women made up 42% of HESTA's internal investment management team. This increased to 46% at 30 June 2025, reflecting our continued focus on building a diverse and inclusive team. We believe this diversity has been a key contributor to our performance and remains central to delivering long-term value for our members.

As part of our aspiration to achieve 40:40:20 gender balance across our investment value chain, we aim to

allocate future capital to partners who are capturing the benefits of gender diversity. This aspiration aligns with growing evidence that diverse leadership teams deliver stronger financial performance, better decision-making, and increased innovation.^{8,9}

The report also showcased several practical examples shared by our partners of inclusive recruitment, retention, and promotion strategies. To accelerate progress toward 40:40:20 by 2030, we encourage all partners to:

- Set clear, time-bound gender diversity targets, with interim milestones to track progress
- Conduct regular gender pay-gap analyses and share insights to support accountability
- Invest in inclusive workplace cultures, from hiring practices to promotion pathways
- Improve transparency by disclosing team composition and diversity metrics.



8 <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>

9 <https://www.morganstanley.com/ideas/gender-diversity-investment-framework>

Climate change

Key actions in FY25

Co-led engagement with Australian states through the United Nations Principles for Responsible Investment Sovereign Engagement pilot, calling on governments to enhance investor certainty through stronger commitments and enhanced disclosure.

Through Investor Group on Climate Change, called on the federal government to set a strong and ambitious 2035 emissions reduction target.

Committed to our first battery storage project through the Australian renewables platform Intera Renewables – a 250MWac / 500MWh battery development on the Limestone Coast. This marks an important step in expanding our exposure to clean energy infrastructure.

Pressed Woodside for clearer articulation of transition ambitions and alignment with targets, encouraging more ambitious goals. Voted against the company's remuneration plan and the Board Sustainability Committee Chair due to ongoing concerns.

Supported Santos' Climate Transition Action Plan by voting in favour, recognising the increase in ambition reflected in Santos' targets.

Led engagement, through Climate Action 100+ (CA100+), with AGL and South32 on aligning capital allocation with climate goals, setting Scope 3 emissions targets, and improving climate-related governance.

Supported Say on Climate votes at BHP and Rio Tinto and voted in favour of shareholder resolutions at APA Group, ANZ, and Westpac to enhance climate-related disclosure and accountability.

At 30 June 2025, HESTA had **AU\$6.4bn** or **6.4%** of the portfolio invested in climate solutions.¹⁰

At 30 June 2024, HESTA's normalised portfolio emissions declined to **31.3 tonnes** of CO₂ equivalent (tCO₂e) per AUD million invested, representing a **10%** reduction from FY23 and a **41%** decrease from the 2020 baseline.



Please see more information about how we manage climate risks and opportunities in the *climate change* section below on Page 31.

¹⁰ Identification of opportunities has been based upon the Sustainable Development Investment Asset Owner Platform (SDI AOP) Taxonomy using alignment data from December 2024. Investments that are aligned to SDG 7, 11.6 and 13 have been included in the baseline. More information available at <https://www.sdi-aop.org/sdi-classification>.

¹¹ Scope 1 and 2 emissions of portfolio companies.

For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>

Case study

Investing in the Limestone Coast's (South Australia) renewables capability

HESTA, through the Intera renewable energy investment platform and our investment manager Palisade, invested in the Limestone Coast North Battery Energy Storage System.

This investment is part of our commitment to invest in renewable energy and climate solutions. We're aiming to have 10% of the total portfolio invested in climate solutions, such as renewable energy and sustainable property, by 2030¹², helping drive Australia's clean energy transition while aiming to deliver strong, long-term returns for our members.

The Limestone Coast North project is a battery power storage development located on the Limestone Coast, approximately 370km south-east of Adelaide, and 16km north of Mount Gambier in South Australia. The project should commence commercial operations in 2027.

"HESTA, through the Intera platform, is pleased to invest in this opportunity as we see battery storage as an important part of Australia's energy transition. The investment aligns with our ongoing focus to deliver sustainable, long-term returns for our members."

– **Debby Blakey** CEO of HESTA

Tally Group

HESTA invested in Tally Group, a global software company that helps energy retailers automate how they bill customers and manage their services.

Tally Group's software is designed to keep up with the fast-changing energy market by automating billing, improving customer engagement, and managing the integration of renewable energy sources like solar and wind. Tally's tools also help utilities encourage customers to use energy smarter, especially during busy times.

Our investment reflects our belief that smart, flexible software will be essential as the energy industry evolves.

¹² Identification of opportunities has been based upon the Sustainable Development Investment Asset Owner Platform (SDI AOP) Taxonomy using alignment data from December 2024. Investments that are aligned to SDG 7, 11.6 and 13 have been included in the baseline. More information available at <https://www.sdi-aop.org/sdi-classification>.

For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>

Natural capital and biodiversity

Key actions in FY25

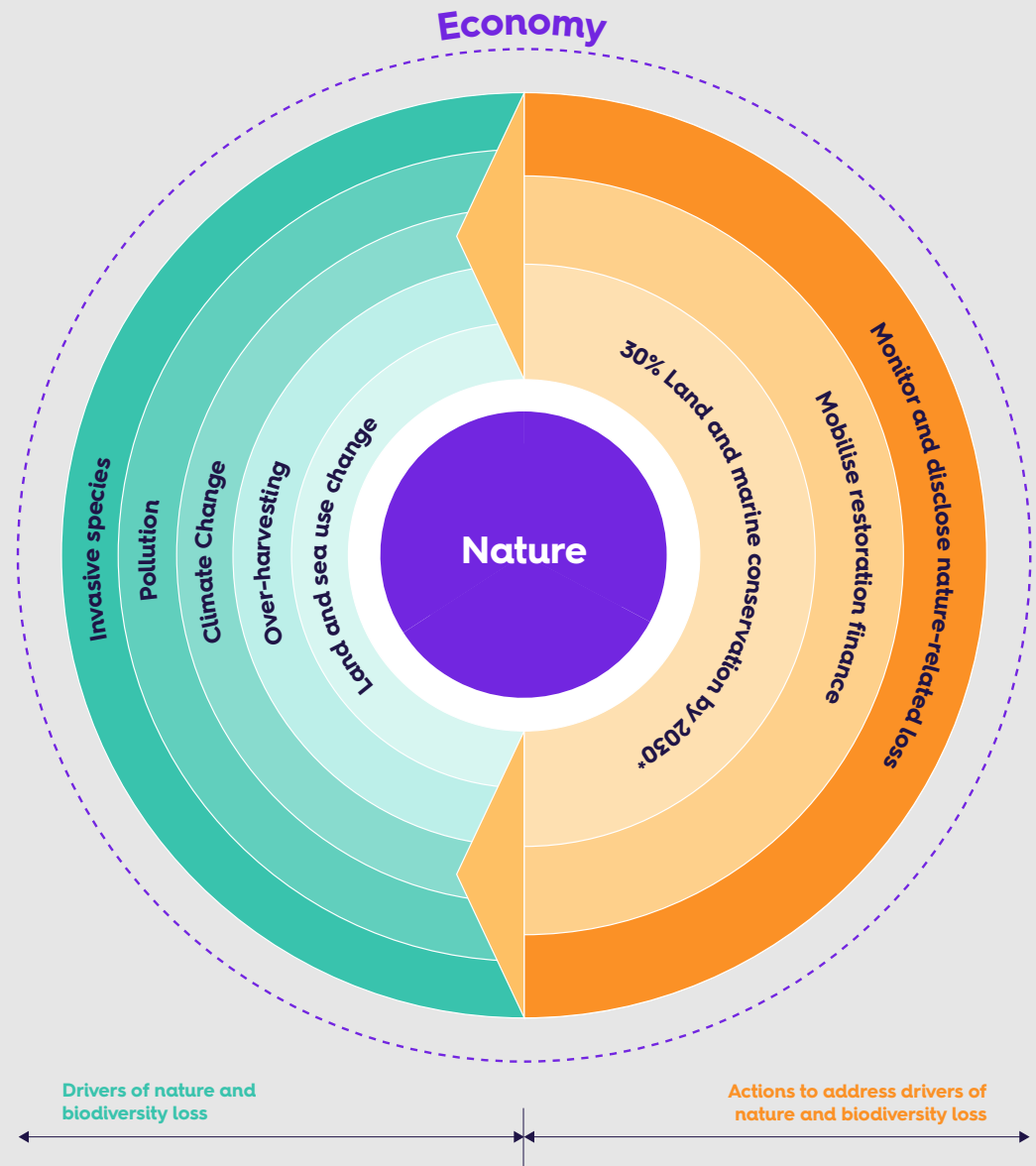
Engaged with mining companies Rio Tinto and BHP, through our active leadership in Nature Action 100 (NA100), to encourage improved assessment and disclosure of biodiversity impacts and dependencies. Positively, both companies increased public transparency and expressed support for Environment Protection and Biodiversity Conservation Act (EPBC Act) reforms during FY25.

Engaged with Woolworths and Coles to urge comprehensive evaluation and disclosure of nature-related risks and impacts across their material supply chains within the food and agriculture value chain.

Supported shareholder proposals at Woolworths and Coles requesting enhanced disclosure of nature-related risks.

Continued engagement with NAB focused on enhancing assessment and disclosure of biodiversity-related risks within their lending activities supporting more sustainable finance practices.

Continued to advocate for stronger protections to safeguard natural capital and support progress of nature legislation reform (EPBC Act).



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

Case study

Australian Sustainable Finance Taxonomy

The Australian Sustainable Finance Taxonomy is a credible, shared framework that provides a common language across the investment chain. It can be used by capital providers, corporates and policymakers to identify economic activities that support climate change mitigation.

As a long-term investor, HESTA recognises the value of the taxonomy in enabling consistent and credible assessment of investment opportunities. By focusing on economic activities rather than companies, the taxonomy helps investors like HESTA evaluate activities across various asset classes.

HESTA is participating in a pilot designed to identify suitable use cases and increase uptake of the taxonomy. The pilot explores the applicability of the taxonomy across various asset classes and to understand how it can support decision-making and drive value within the defensive asset class.

HESTA is also a pilot partner of the Dhawura Ngilan Business and Investor Initiative and Guide, a best practice, First Nations-led resource that outlines how investors and businesses can promote respectful partnerships with First Nations people and protect cultural heritage.

HESTA is piloting the Guide across multiple responsible investment functions including due diligence and stewardship.



Decent work

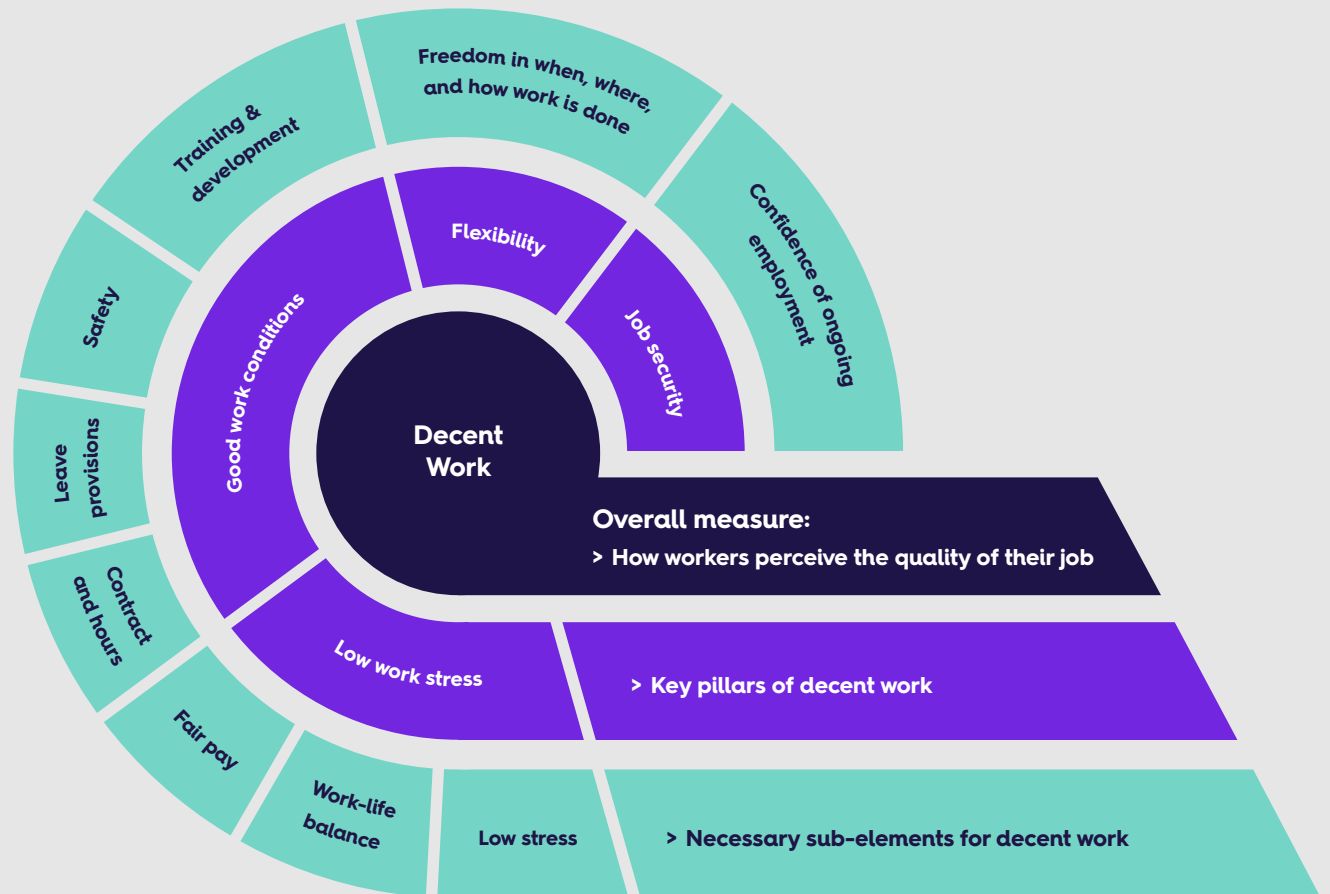
Key actions in FY25

Led engagement, through Investors Against Slavery and Trafficking Asia Pacific (IAST APAC), with two ASX companies and supporting three others. This includes a company with widely publicised human rights concerns operating in a high-risk industry, and a renewable energy company, to address modern slavery risks and improve practices in high-risk industries.

Continued direct engagement with retail sector companies employing large workforces, focusing on opportunities to improve disclosure about elements of job quality.

We engaged with two companies, who we identified as laggards, regarding their safety disclosures. This represents a decrease from the four companies we engaged in FY24, as two of the previously identified companies have since enhanced their safety reporting standards.

We engaged with one priority company concerning historic wage underpayments, emphasising the importance of fair remuneration practices.



Good health and wellbeing

Key actions in FY25

Advanced our focus on addressing antimicrobial resistance (AMR) and promoting responsible antibiotic use through investor collaboration and engagement.

Committed \$220 million in private equity co-investments across healthcare sectors including value-based care, aged care, health-related software, and life sciences, supporting innovative solutions that improve health outcomes and drive long-term value for members.

Joined Investor Action on AMR, a global investor initiative working alongside peers to leverage collective influence to address the risks associated with AMR. For more information on this please read the case study below.

As part of the FAIRR Initiative (FAIRR) collaborative investor network, we supported engagement with two animal pharmaceutical companies, Zoetis and Elanco, aiming to drive improved disclosure and promote responsible antibiotic use in animal agriculture.

We also joined FAIRR's engagement as an endorsing investor with two quick-service restaurant companies, McDonald's and Yum Brands, to respond to the risks linked to routine antibiotic use within animal protein supply chains.

Co-filed a shareholder resolution at Yum Brands calling for alignment with World Health Organization (WHO) guidelines on antibiotic use.



Case study

Investor action on AMR:

HESTA is a member of the **Investor Action on AMR** (IAAMR) initiative – to help tackle the growing threat of drug-resistant infections.

Drug-resistant bacteria and viruses pose a serious risk to both global health and the economy. The World Bank warns that by 2030, antimicrobial resistance could cause global economic losses of \$3.4 trillion annually.¹³

Many of our members work on the frontlines of health and community services and are directly affected by rising health system pressures, including those caused by AMR. That's why we prioritise Good Health and Wellbeing (UN SDG 3) in our active ownership program of work.

Joining IAAMR strengthens our commitment to factoring AMR into our investment decisions and company engagement, helping protect both member investments and the healthcare sector our members rely on and work in.



Investor Action
on AMR

Heidi Health

Heidi Health is an Australian medical technology company transforming how patients and GPs connect. Heidi's platform uses artificial intelligence and medical data to streamline care and help patients get faster access to the support they need, while giving doctors better tools to provide safe, efficient treatment.

Heidi seeks to ease pressure on the healthcare system and raise the standard of care, by improving interactions between patients and GP's.

Our investment in Heidi Health reflects our focus on backing innovative, high-growth companies that are shaping the future.

¹³ According to high AMR-impact scenario <https://documents1.worldbank.org/curated/en/455311493396671601/pdf/executive-summary.pdf>

Sustainable cities and communities

Key actions in FY25

As a capital partner of Assemble, HESTA is supporting redevelopment of the Fitzroy Gasworks precinct, which will deliver ~ 820 new homes.

Participated in state and federal housing working groups to provide feedback to support the scaling of investment in housing supply.

Committed capital to the development of specialist disability accommodation. This investment aims to improve housing choice, living standards, and social integration for people living with disabilities while offering attractive risk-adjusted returns.

Following our contribution to development of the Dhawura Ngilan Business and Investor (DNBII) Guide, we have commenced a pilot of the guide which will run for the duration of FY26. Please read our case study on Page 21 for more detail.

Engaged Santos on its approach to seeking consent from First Nations communities on key projects. Santos has subsequently disclosed that it has updated its Technical Guidelines to incorporate Free Prior and Informed Consent principles.

Case study

Investing in Specialist Disability Housing

HESTA is investing in purpose-built housing for Australians living with disabilities through our partnership with LVP – a sustainability-led investment manager with investments across multiple strategies in Australasia.

This investment is intended to deliver high-quality, purpose-built housing designed to improve the lives of 254 occupants.

The properties feature essential accessibility elements including wider doorways, flush flooring, and ceiling hoists. Located across metropolitan areas in New South Wales, Queensland, South Australia, and Victoria, these homes ensure residents can easily access community services and maintain social connections.



Our approach to monitoring governance

Good governance is an essential protector and driver of strong company performance. It underpins well-functioning markets and helps us deliver sustainable value to our members. Conversely, poor governance can erode long-term value and shareholder trust.

We encourage boards and management teams to uphold high standards of accountability and transparency.

This includes strong risk management, diverse and skilled leadership, and executive incentives aligned with long-term performance.

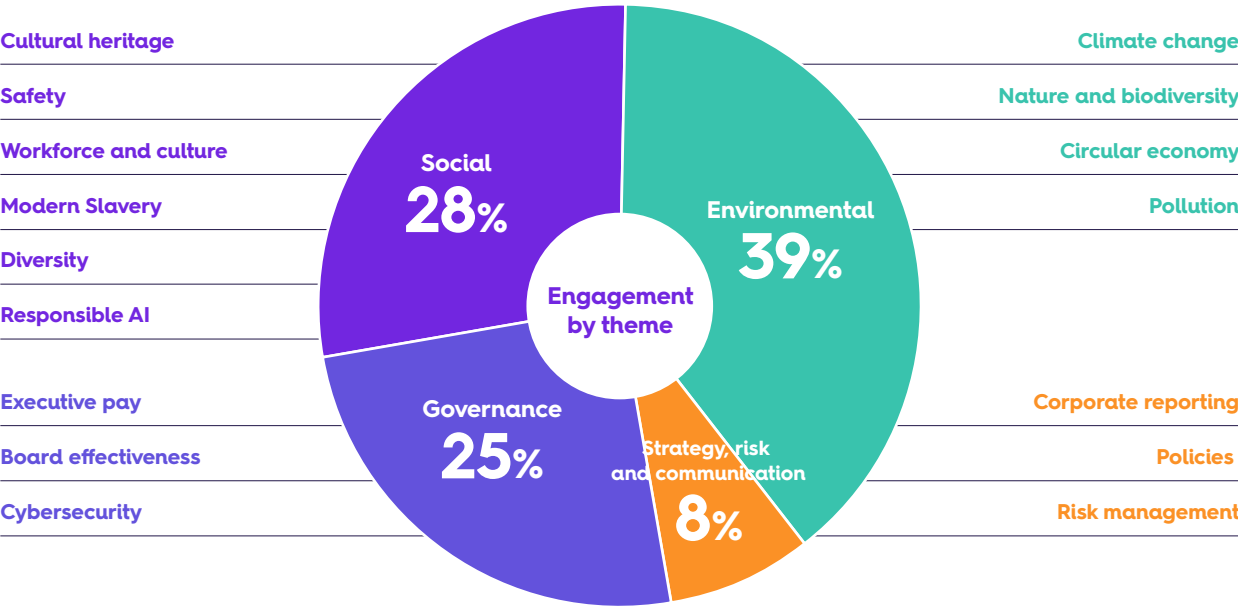
In FY25, we observed governance, leadership, and culture concerns in some Australian companies. The table below outlines examples of where HESTA used tools available as part of our escalation framework over the financial year to respond to governance concerns.

Company	Concerns	Escalation action	Progress
Mineral Resources	Systemic governance failure	In November 2024, we placed the company on our watchlist based on systemic failure of governance and voted against the company's remuneration report. In May 2025, following resignation of a number of independent directors, we sold our remaining shareholding. In doing so, we communicated criteria for potential future re-inclusion in the portfolio. These were: a demonstrated pathway to address the serious governance concerns, an effective mechanism to prevent similar issues in the future; and a timely and orderly succession.	While scaling back our engagement, we have continued to keep a watching brief on the company. We note positively the appointment of a new Independent Chair, and additional two Independent Non-Executive Directors, the commissioning of a review of governance structures and restoration of the Ethics and Governance Committee. We continue to monitor the company's succession planning.
WiseTech	Governance, leadership and culture	After several months of direct engagement, in May 2025, we moved Wisetech to a watchlist position in our escalation framework on the basis of concerns regarding the conduct of the Executive Chair, the lack of independence of the Board and uncertainty regarding company leadership and succession. We communicated the steps we believed necessary to help restore investor trust and confidence. These were: restoration of a majority independent board; an orderly leadership succession including appointment of a suitably qualified and experienced CEO; and rebuilding of investor confidence in culture through comprehensive and transparent disclosure.	In recent months, WiseTech has made progress toward restoration of a majority independent Board. WiseTech has also appointed Mr Zubin Appoo to the role of CEO. We continue to encourage the company to consider how it can foster a culture of healthy challenge of ideas, uphold high standards of conduct and demonstrate to the market an appropriate forward-looking action plan.

Active ownership outcomes for FY25

Engagement outcomes

In FY25, we participated in 1680 meetings with listed 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.



Member research found that **84%** of HESTA's members who were surveyed believe it is important that super funds use active ownership to influence positive change at companies.*

* This figure reflects the views of surveyed members only, not the entire HESTA membership.

Voting outcomes

Exercising our voting rights in both listed and unlisted markets is a key part of our active ownership approach and a vital link in holding companies accountable to their shareholders. We aim to vote on all shares held directly in listed public companies and transparently disclose our voting decisions on our website. Where appropriate, we may inform portfolio companies of our voting intentions ahead of meetings.

Voting in unlisted markets differs from listed markets, typically occurring on an ad hoc basis rather than annually. These votes usually concern governance issues, such as proposed changes to fund structures, and are conducted alongside other significant investors.

Our voting decisions are made by HESTA with the best financial interests of our members in mind, guided by our Active Ownership Priorities.¹⁴ These decisions often follow dialogue with companies and consultation with investment managers, proxy advisors, engagement service providers, and other relevant stakeholders.

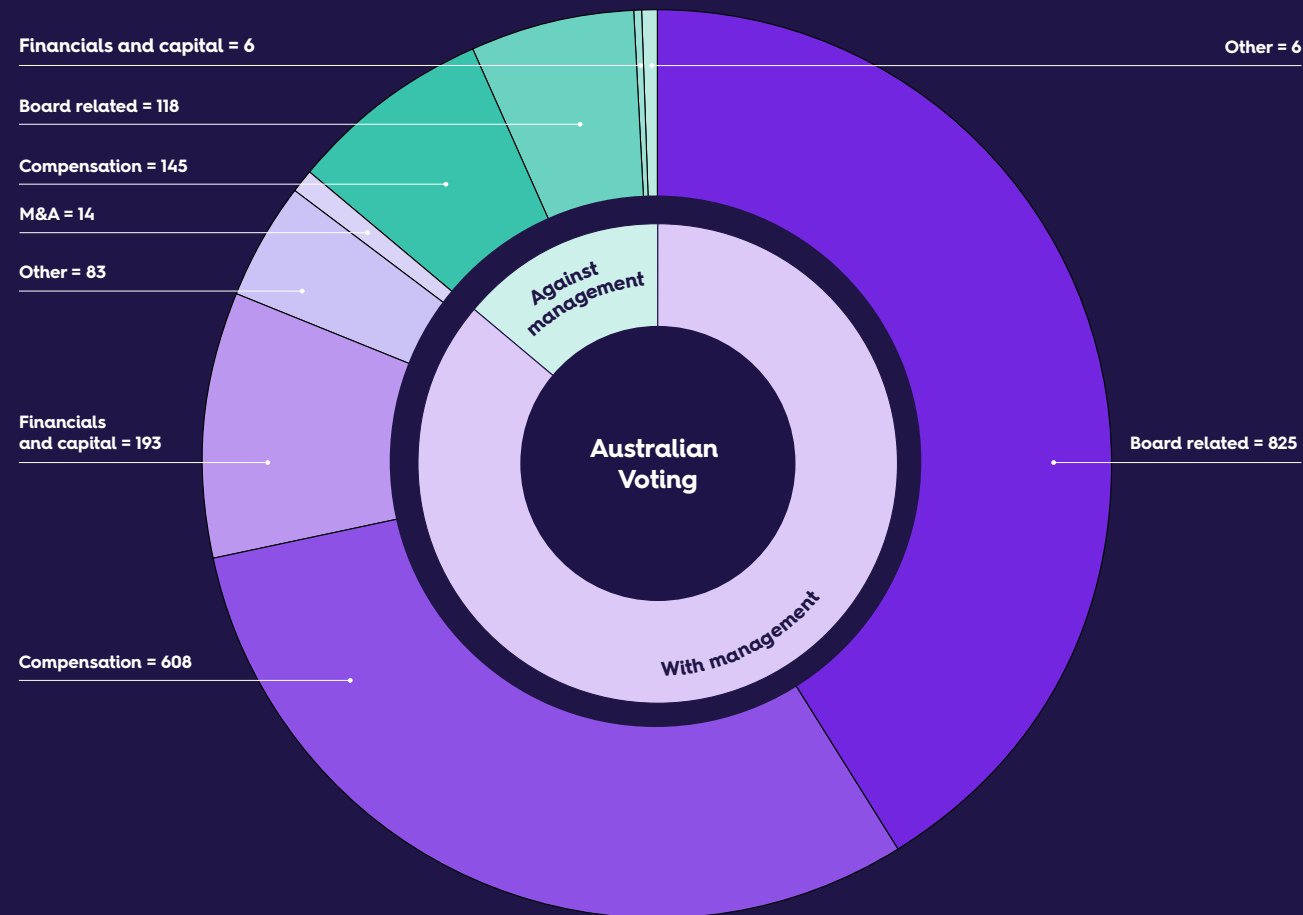
¹⁴ HESTA's Active Ownership Priorities are available in our Responsible Investment Policy https://www.hesta.com.au/content/dam/hesta/Documents/Responsible_Investment_Policy.pdf

Australian share voting

In FY25, HESTA voted on 2,161 resolutions at meetings of Australian listed companies in our portfolio.¹⁵

Board-related issues, like director elections and re-elections, made up nearly 44% of these votes, followed by compensation and executive pay, which accounted for over 40%.

The large number of votes in these areas shows how important shareholder voting is in supporting good governance. You can find examples of how we have used our voting rights to encourage stronger company action on page 30.¹⁵

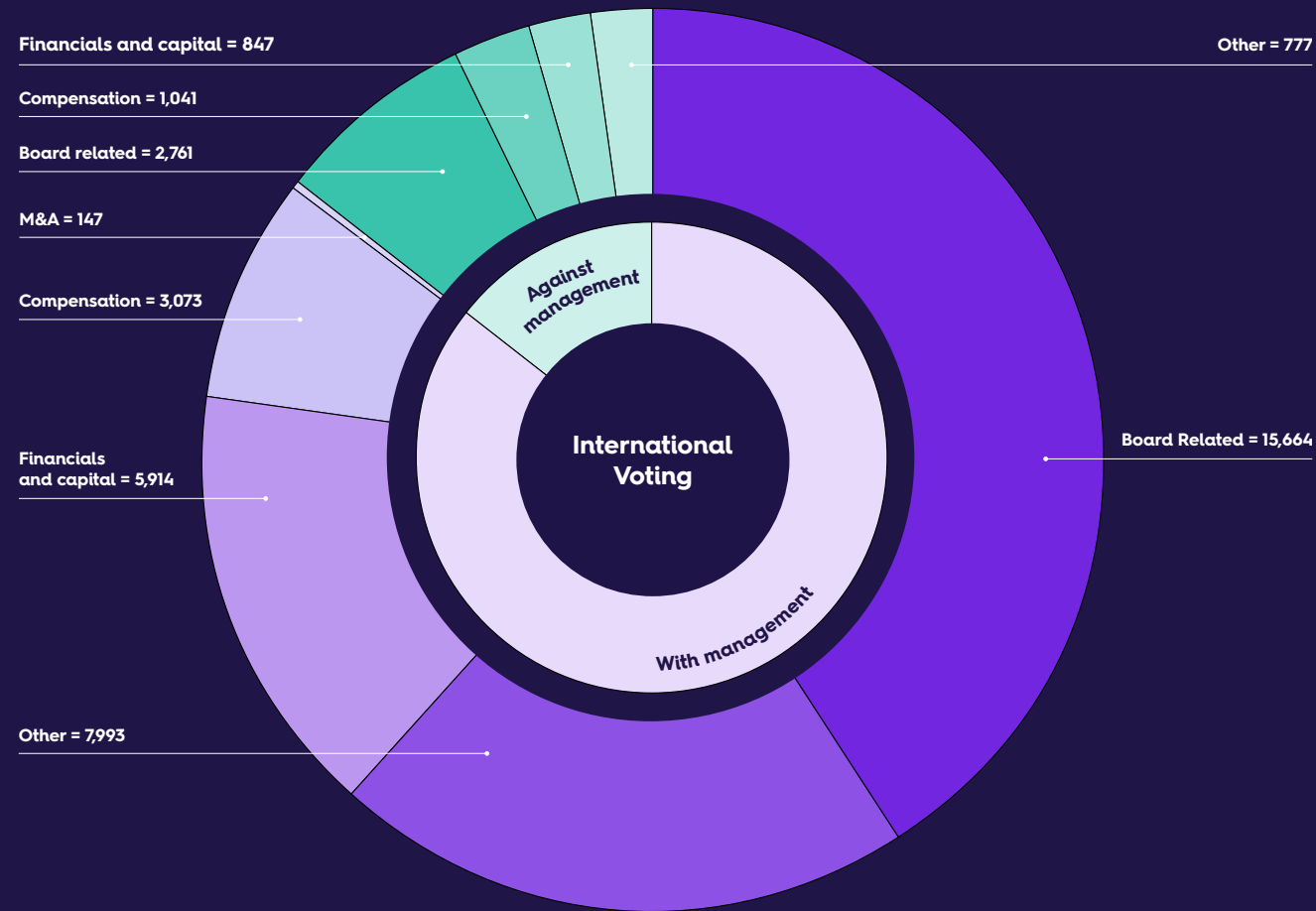


¹⁵ Not including shareholder proposals. You can find more information on shareholder proposals on page 30.

International share voting

In FY25, board-related resolutions made up 41% of the votes at international portfolio company meetings.

Due to the breadth of HESTA's global portfolio, we voted on over 35,000 resolutions through our international service provider, EOS at Federated Hermes.¹⁶



¹⁶ Not including shareholder proposals. You can find more information on shareholder proposals on page 30.

Shareholder resolutions

Most voting resolutions are put forward by company boards and management. However, shareholders can also submit their own proposals to raise important issues. In recent years, these shareholder proposals have focused on environmental and social topics such as human rights, workforce and human capital, climate change, cyber security, responsible AI, diversity and equality, and public health. In FY25, HESTA voted on almost 1,700 international shareholder proposals, of which we supported 55%, and 26 Australian shareholder proposals, of which we supported 58%.

For the past four years, HESTA has co-filed resolutions at global companies on antimicrobial resistance, calling for better disclosure on antibiotic use in food-producing animals and stronger compliance with World Health Organization (WHO) guidelines. In FY25, this included co-filing a shareholder resolution at Yum! Brands, urging the company to adopt a policy for its supply chain aligned with WHO guidelines on responsible antibiotic use, in response to the systemic risk of antimicrobial resistance (AMR). This resolution received 11% support.

Voting

During FY25, we've seen the following themes drive voting outcomes for Australian shares:

Accountability

Governance concerns at multiple companies saw investors, including HESTA, hold directors accountable through votes against the re-election of directors onto boards. The trend of executive pay scrutiny, and remuneration strikes also continued in FY25 with 36 strikes and the number of second strikes also increasing, indicating that some Boards are failing to address investor concerns. Remuneration reports HESTA voted against included at Sandfire (on the basis of accountability for cultural heritage destruction), Mineral Resources (due to continued governance issues concerns), Lovisa (on the basis of excessive executive pay) and Perenti (due to insufficient remuneration consequence for poor safety reporting).

Nature-related risks

Investor focus on nature related risks continued this year with shareholder resolutions at Coles and Woolworths relating to the nature impacts of salmon farming in Macquarie Harbour, Tasmania. HESTA supported the resolution that requested both companies complete a risk assessment and disclosure in line with the Taskforce on Nature-related Financial Disclosures. HESTA continues to engage Woolworths through NA100.

Gender diversity

This year HESTA continued to implement its gender diversity voting policy through which we voted against the re-election of directors where a company board has fewer than 30% female directors, and against the re-election of a Chair where the company has an single gender Executive Leadership Team. We also voted in support of Australia's first resolution on paid parental leave at a company with a workforce that is over 90% female, and voted against the remuneration report at a company due to accountability for workplace culture issues.

Climate change

Why Climate Change matters to HESTA

HESTA's approach to managing climate-related risks is grounded in our core investment belief that members' best financial interests are served through a deep commitment to responsible investment. This includes seeking a timely, equitable and orderly transition to net zero emissions by 2050, helping to mitigate long-term financial risks of climate change and position the portfolio to benefit from emerging opportunities in a low-carbon economy.

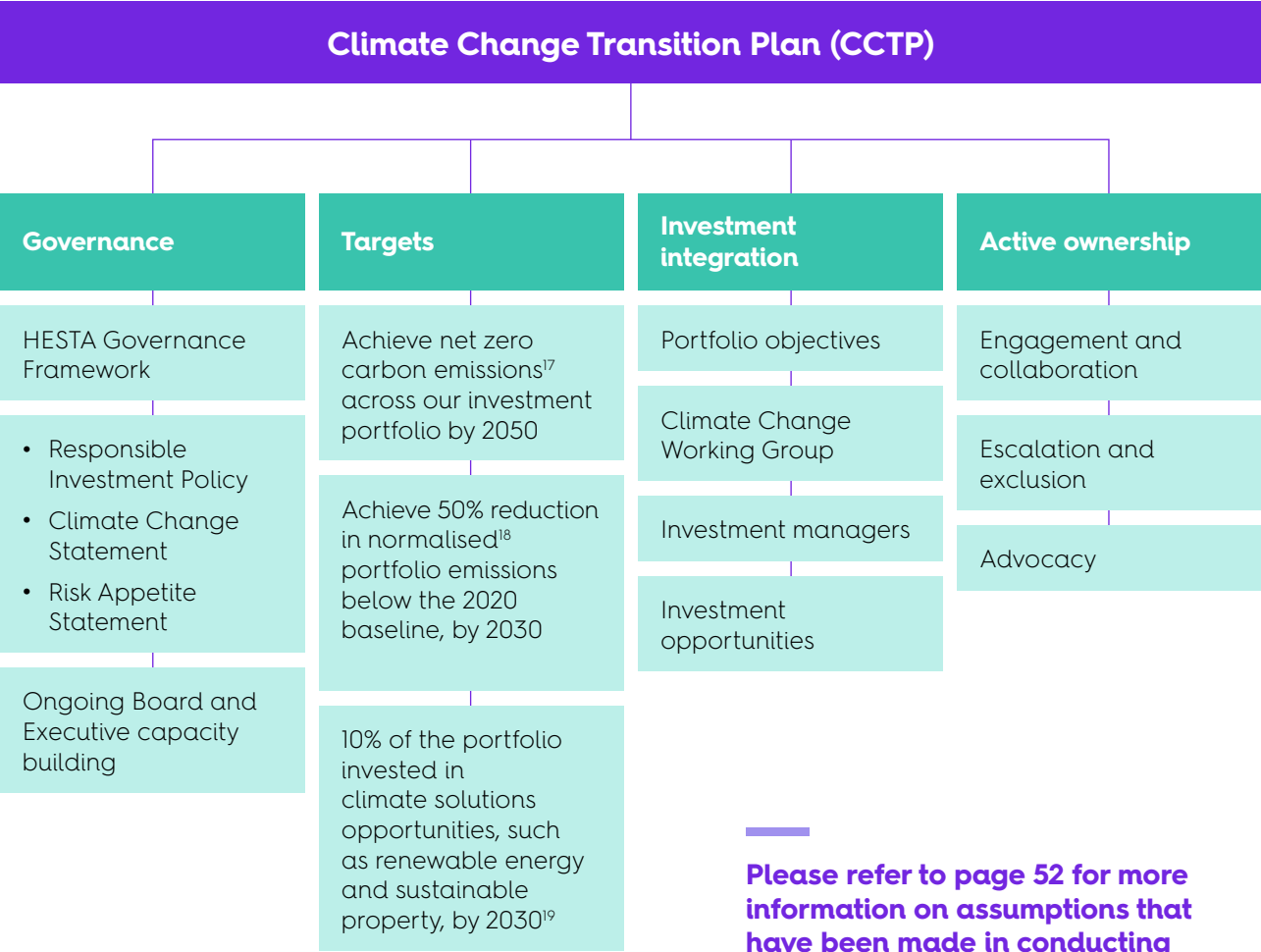


Climate change is a systemic risk that poses material financial impacts which are relevant to how HESTA manages its investment portfolio in the best financial interests of members. This risk impacts all asset classes, regardless of portfolio construction, and requires transition of the global economy to a low-carbon economy that moves towards alignment with the goals of the Paris Agreement, to limit the global average temperature increase to well below 2°C and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

Climate-related risks can be physical, transition or liability-related. These risks have potential to damage assets, disrupt business operations, reduce revenues, increase costs, and undermine the long-term viability of certain investments. Sectors that fail to adapt to a low-carbon economy may also face workforce displacement, leading to unemployment and precarious economic challenges in affected communities.

The social impacts of climate change are especially relevant to HESTA members, as the healthcare sector is at the front line of dealing with impacts such as heatwave-related deaths, the spread of infectious diseases, and the potential social dislocation caused by climate refugees.

HESTA has an important role to play in supporting the transition toward a low-carbon economy. We believe this transition presents opportunities to invest in assets that deliver long-term value for members while also contributing to a more resilient and sustainable economy. To guide our actions, we have developed a Climate Change Transition Plan (CCTP).



Please refer to page 52 for more information on assumptions that have been made in conducting modelling to set and track progress toward our climate-related targets.

17 Scope 1 and 2 emissions of portfolio companies.

18 We have chosen normalised carbon emissions (tonnes of CO2e / \$m invested) for scope 1 and 2 emissions of portfolio companies, calculated based on enterprise value, to represent our share of real-world emissions.

19 Identification of opportunities has been based upon the Sustainable Development Investment Asset Owner Platform (SDI AOP) Taxonomy using alignment data from December 2024 Investments that are aligned to SDG 7, 11.6 and 13 have been included in the baseline. More information available at <https://www.sdi-aop.org/sdi-classification>.

For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>

The actions underpinning the CCTP reflect our belief that effectively managing climate-related risks and capturing climate-related opportunities requires change in the real economy, not just within our investment portfolio. Transition of the real economy will require industries to electrify, reduce emissions, adapt and build resilience at scale.

This involves rethinking business models, investing in low-carbon technologies, transforming supply chains, and creating the markets needed to support a low carbon economy.

We prioritise three key areas of focus:

Integration



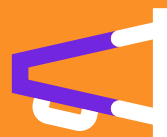
Integration of climate change risks and opportunities into investment decision-making and capital allocation through portfolio-wide targets to reduce carbon emissions and invest in climate solutions.

Active Ownership



Engagement with portfolio companies to seek to influence their strategy, governance and disclosures toward alignment with the goals of the Paris Agreement.

Advocacy



Advocating for ambitious targets and sector pathways that drive progress toward alignment with the Paris Agreement goals and support for an orderly and equitable transition to a low-carbon economy.



Climate risk & opportunities

Managing climate-related risk

Climate-related risks that have the potential to affect HESTA's operations and our ability to deliver strong, long-term returns to our members, can be categorised into transition, physical and liability risks.

Climate change risks

The potential risks from climate change that are likely to impact HESTA can be categorised into the following:

Transition risk

Risks associated with the response of governments, markets and society to climate change. This includes:

- policy and regulatory responses; for example, carbon pricing, emissions restrictions, tariffs and trade and prudential regulation
- technological developments for example, in the area of renewable energy technologies and
- shifts in market stakeholder preferences, including those of debt financiers, equity investors and insurers, and the community.

Physical risk

Exposure to the physical impacts of climate change – on both the natural and built environment. These can include both:

- gradual onset impacts such as increased average temperatures, changes in precipitation patterns and sea-level rise, and
- acute catastrophic risks including the increased frequency and intensity of severe weather events like drought, heat waves, bushfires, extreme precipitation, and inland flooding events.

Liability risk

Occurs across categories as diverse as duties and disclosure, planning and administrative approvals, human rights and breaches in contract and duty. This includes the risks from companies not adequately managing the impacts of climate change potentially resulting in value destruction and a breach of directors' duties.

We have identified the key short-to-medium and long-term key risks as follows:

Short-to-medium-term (2025-2035)

Short-to-medium-term risk would likely result from policy or demand changes associated with an abrupt and/or disorderly transition. This could lead to market repricing that has negative impacts on portfolio values and has disruptive effects to the economy and employment. Short-to-medium-term risks are predominantly transition risks, though physical risks are already being experienced at current levels of warming. Transition risks are likely to be a once off structural adjustment.

Long-term (to 2050 and beyond)

Long-term risk would likely be due to physical changes and modelling indicates they can be expected to have a larger negative impact on returns than transition risks. Unmitigated climate change may lead to an increase in the frequency and/or intensity of extreme weather events and to economic and social damage, such as un-insurability and business disruption. Physical risks would persist and contribute to increased transition risk until mitigated by decarbonisation.

Climate risks faced by HESTA, categorised according to risk type and timeframe

Type of climate risk	Where the risk affects HESTA	What could happen	What we're doing about it	When this might matter
Transition risk	Operations	Failure to adequately respond to climate regulatory requirements may result in reputational damage, or penalties from regulators.	We actively engage with regulators and industry groups to understand regulatory changes. Our systems and compliance capabilities aim to respond to regulatory changes as they evolve.	Short-to-medium.
	Operations	As member expectations evolve, we need to understand and proactively respond. Inadequate response risks eroding member trust.	We regularly seek member views and feedback about our responsible investment priorities and approach.	Short-to-medium and long-term.
	Investments	Acting too strongly or not integrating climate risks and opportunities into our investment decision-making, or if active ownership is ineffective, may risk investment underperformance.	We assess climate risk in our portfolio using scenario analysis and regularly monitor the decarbonisation of our portfolio and the broader economy.	Short-to-medium.
Physical risk	Operations	Climate events like flooding or heat stress may disrupt facilities or digital infrastructure that support member services.	We will seek to work with key property partners, to assess physical risk to our buildings and invest in IT resilience, as part of our broader business continuity planning.	Short-to-medium and long-term.
	Investments	Some portfolio assets, especially real assets like property and infrastructure, may face greater risk due to extreme weather events and uninsurability which could reduce long-term value.	We assess physical risk and monitor resilience of our real asset holdings.	Short-to-medium and long-term.
Liability risk	Operations	Members and other stakeholders could challenge how we disclose or manage climate-related risks.	We are committed to providing clear, transparent reporting with regard to relevant standards and regulatory guidelines.	Short-to-medium and long-term.
	Investments	Some portfolio managers, companies and assets may face legal challenges related to climate action or inaction, greenwashing, or failure to adequately manage climate-related risks.	We consider legal risks as part of our investment due diligence. We also engage with companies and our external portfolio managers to encourage strong climate governance and reporting.	Short-to-medium and long-term.

Business model and value chain

Operations

HESTA is an Australian superannuation fund, with its national office based in Melbourne, Victoria, and with seven other offices across each state and territory in Australia. Our activities are focused on investment management, supported by member services and advice, operations, finance, and risk. We work with external service providers both in Australia and overseas.

For tenancy agreements in place for HESTA offices, we will seek to engage with building managers to understand the preparedness of our physical offices for the impacts of climate change. These risks are also relevant to our key service providers.

HESTA also faces operational transition risks as member expectations continue to evolve. By actively seeking member views and feedback on our priorities and approach, we aim to remain aligned with our members and maintain their trust.

Investment portfolio

HESTA manages exposure to climate-related risks and opportunities within the portfolio through capital allocation, active ownership and advocacy. Portfolio risks and opportunities differ by sector, geography, and asset types, and are influenced by broader externalities such as policy and market changes.

The following table identifies where we assessed transition risks, physical risks, and climate-related opportunities to be most material within in our investment universe. The assessment indicates that transition risks are concentrated in the relatively more emissions-intensive Australian and emerging market listed equities asset classes, as well the alternative credit and infrastructure asset classes.

Physical risks are concentrated in the real asset classes of property and infrastructure. Further information about the geographical location and concentration of property and infrastructure assets, and physical risks is available in the Climate Resilience section on page 40. Conversely, climate-related opportunities, are expected to be concentrated in the infrastructure and private equity asset classes that provide opportunity for investment in renewable energy and innovative climate technologies.

Potential climate-related risks and opportunities by asset class

Asset class	Transition*	Physical^	Opportunity#
Australian equities			
International equities			
IEQ Emerging markets			
Global credit			
Alternative credit			
Infrastructure			
Property			
Private equity			
Alternatives			
Opportunistic growth			

Potential risk and opportunity level

	Likely to have greater impact
	May have some impact
	Probably lesser impact

* Emissions intensity provides a proxy for transition risk

^ Potential to be exposed to physical effects of climate change

Opportunities are identified using the SDI AOP taxonomy. More information available at <https://www.sdi-aop.org/sdi-classification>

Investment risks and opportunities

 Australian equities	As an Australian super fund with significant investment in the ASX300, we expect risks and opportunities in this asset class to be driven by policy changes: • In the event of rapid policy change or demand for stronger policy, the emissions intensive nature of the ASX means that those companies who fail to prepare adequately present the most significant risk to value for HESTA. • Conversely, critical minerals present a significant investment opportunity due to the role these commodities play in low emissions technologies.
 International equities	HESTA's diversified international equities portfolio is invested across most developed markets and some emerging markets. We anticipate long-term opportunities from the: • uplift in renewable energy, firming and storage capabilities. • scale-up of data centres and supporting technology. • growth of low carbon technologies. Like Australia, there are risks to shareholder value in the event of a delayed transition that could be caused by global trade tensions or political uncertainty. Yet many developed nations continue to advance their climate commitments, emphasising the advantage of a geographically diversified portfolio.
 Global debt	Global debt assets play a defensive role in the portfolio and are invested across most major debt markets globally, including Australia. Within this asset class, we anticipate that: • opportunities may be concentrated in renewable energy and transition debt including green and sustainability bonds. • opportunities within these asset classes may also include national and local governments raising capital to invest in local infrastructure for climate-related mitigation and adaptation. • risks may be greatest for private market investments in emissions-intensive sectors.
 Infrastructure	While the physical impacts of climate change present the greatest risk to the infrastructure portfolio, we also expect the infrastructure asset class to deliver the greatest opportunities for investment in climate solutions with strong risk-adjusted returns. HESTA's current exposure to renewable energy assets is largely held in this asset class, through domestic and global direct and externally managed investments. Capital allocated to the infrastructure portfolio has continued to grow year on year since announcing in 2022 our target to have 10% of the portfolio in climate solutions by 2030.²⁰ In addition to physical risks to infrastructure, there is also: • risk to new projects from delays in regulatory and planning approvals, transmission capacity and supply chain disruption, and risk to investors through policy uncertainty. • risk from changing energy markets and evolving technologies that could affect project performance and returns.

²⁰ See page 51 for more information about our climate solutions target.

Investment risks and opportunities



Property

The physical impacts of climate change present risk to the property portfolio. However, further opportunities to invest in climate opportunities within this asset class are limited.

This is due to significant efforts having already been made by property managers to reduce the carbon intensity of new buildings, and to retrofit mature assets by improving energy efficiency, greening spaces, reducing waste and improve water efficiency. As at June 2025, assets in this asset class made up more than 72.8% of our investments in climate solutions and the majority of our property assets are already low emission or have met net zero commitments.²¹



Private equity

The private equity asset class presents opportunities to invest in a variety of new and emerging technologies with strong risk-adjusted returns, that can help advance the transition towards a low carbon economy.

HESTA invests in private equity managers both in Australia and globally. Investments can span activities such as energy transition solutions, waste management, alternative protein and other innovative solutions.

The likelihood of transition and physical risks impacting the asset class is asset specific and difficult to qualify. However, investors do need to consider the additional risk that businesses in this asset class may require significant upfront capital, with many years until investor returns are realised. While we do anticipate growth in private equity, each opportunity undergoes a thorough risk and return assessment as part of our investment decision making process, and allocations may be more limited due to the relative size of this asset class.



Opportunistic growth

HESTA has established a strategy within this asset class to identify opportunities that specifically seek to contribute toward a more sustainable and inclusive economy. Like private equity, potential opportunities include emerging and innovative climate technologies that both support the low carbon transition and maximise the probability of meeting a return objective over the long term.

Our current pipeline includes climate-related opportunities in the global credit asset class.

²¹ 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 51.

Financial position, financial performance and cash flows

Investment returns

HESTA integrates climate-related factors into its long-term capital market assumptions and uses stress testing with forward-looking climate scenarios to understand risks and guide investment decisions. We assess the portfolio across a range of climate scenarios developed by the International Energy Agency (IEA), including:



These scenarios help us consider both transition and physical risks across multiple climate futures.

For the Balanced Growth investment option, including accumulation and income stream, the aggregate expected impact on returns from different climate change scenarios range from 0% to -2% p.a. when averaged over the next 15 years. The analysis suggests that lack of further action ("Current Policies Path" scenario) will have the greatest negative impact on returns over the long-term, which highlights the impact of physical risk and the cost of inaction. While lower returns have the potential to impact HESTA's reputation and member capital flows, any underperformance due to climate change would also likely impact market benchmarks and peers, due to its systemic nature. The climate resilience section below provides more information on how scenario analysis guides our portfolio decision-making.

More granular analysis of potential impacts to returns and valuations focuses on where these risks and opportunities are concentrated. For transition risk analysis, we focus on companies held through the Australian equities portfolio that make the largest contribution to HESTA's normalised portfolio emissions. Physical risk assessment focuses on infrastructure and property assets and uses geographic and asset-level data to evaluate potential impacts from extreme weather and chronic climate changes. Finally, climate opportunities focus on supportive infrastructure and emerging technology.

Operational financial position

The evolving nature of climate risks makes it difficult to reliably quantify their potential financial impact on the Trustee's operational financial position.

In FY24, Tropical Cyclone Alfred²² damaged parts of Queensland and northern NSW, including areas usually less exposed to such events. While no material financial losses occurred, power outages disrupted HESTA's operations and required flexible working arrangements. Increased frequency or severity of such events could have financial implications for HESTA in the future.

²² <http://www.bom.gov.au/cyclone/history/Alfred2025.shtml>

Climate Resilience

Scenario Analysis & Portfolio Position

We regularly test our portfolio through scenario analysis to gain comfort that our strategic asset allocation (SAA) remains appropriate and resilient to climate risks.

In doing so, we incorporate climate change considerations into our capital market assumptions, which include inflation and economic growth, and are used to inform return objectives and long-term asset allocation. We also model a range of transition scenarios:

Transition pathways

Current path – 3C	Sustained action – 2C	Net Zero by 2050 – 1.5C
Assumes current policy settings remain unchanged.	Strengthened climate policies consistent with net zero emissions by 2070.	Growing number of countries and companies target and progress toward net zero by 2050.

This modelling includes calculation of ‘green’ (supporting climate solutions) and ‘brown’ (fossil fuel revenue) asset exposure for each asset class. Our portfolio currently holds some brown assets that face transition risks, we seek to manage these risks through engagement aimed at supporting their transition and through increasing exposure to green assets over time as we progress towards our climate solutions target.

The analysis suggests that lack of further action (“Current Policies Path” scenario) will have the greatest negative impact on returns over the long-term, which highlights the impact of physical risk and the cost of inaction.

Physical Risk Assessment

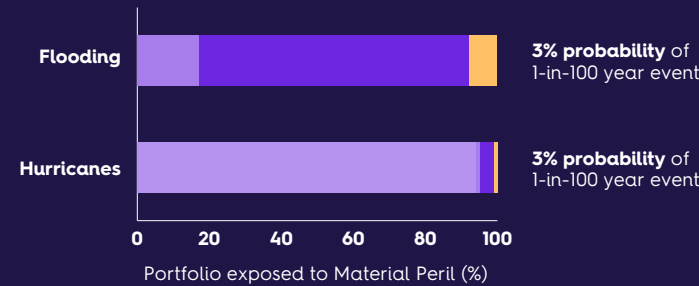
Building on our initial assessment of physical risk reported in 2019/2020, in 2023 we updated physical risk analysis using the CERA

tool (developed by Wellington Management with the Woodwell Climate Research Centre).

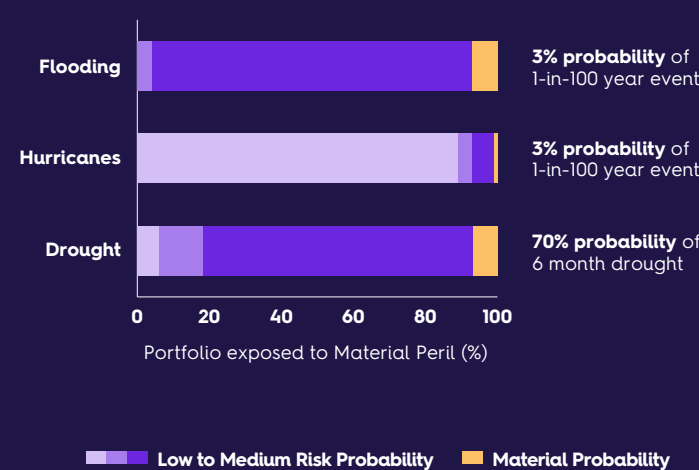
Using a high emissions warming scenario (4.7°C to 5.1°C by 2100), our analysis found that flooding and hurricanes pose the greatest risk to property assets, while infrastructure assets face risks from flooding, hurricanes, and drought.

While reflecting an unlikely, extreme damages scenario, the analysis serves to identify high-level climate risk hotspots. Results have helped generate a shortlist of material exposures, which we discuss with investment managers. Managers confirm that these shortlisted portfolio companies have relevant adaptation and resilience plans to manage these physical risks. While helpful, the tool lacks detailed local granularity for some risks like bushfire and water scarcity, a limitation we understand is common in desktop tools.

Property Assessment



Infrastructure Assessment



Operational transition and physical resilience

Just as transition and physical risks have the potential to affect assets held through HESTA's investment portfolio, there is also potential for these risks to affect our own office buildings and operations.

The transition and physical impacts of climate change on business operations may, as an example, present in several ways:



Property damage

Additional costs related to office repairs resulting from weather events such as cyclone or flooding. This could extend to the replacement of furniture and fittings, and importantly, computer hardware required to run our operations.



Technology disruption

HESTA has made a lot of progress to digitalise in recent years demonstrated by hybrid work arrangements, mobile and web-based applications. These services are supported by third-party technology, which could be impacted under extreme weather event scenarios and cause delays to how HESTA can service its members.



Global service providers

One example of a material service provider crucial to the operation of a super fund, is our custodian who administers and safeguards assets across multiple geographies, currencies and assets. Disruption to the operations of the custodian, has the potential to impact our investment portfolio operations.

Operational resilience

In preparedness for these types of events, HESTA has a Business Continuity Management Policy (BCMP) which outlines the reasonable steps we take to minimise the likelihood and impact of disruptions to our critical operations. The HESTA Board is responsible for business continuity management of HESTA's business operations, with oversight delegated to the Risk Committee.

The Policy requires us to maintain a Business Continuity Plan in readiness for use in an incident and support disaster recovery planning for critical information assets. As part of this plan, HESTA conducts a business impact analysis on, at least, an annual basis to consider risks and scenarios and assess the impact of a disruption on business activities.

To increase awareness of the overall business continuity framework, all HESTA employees are required to undertake mandatory learning on business resilience on an annual basis.

Case study – ISPT

Operational resilience

HESTA's National office is located at Casselden at Spring Place, a multi-tenanted A-grade office building owned and managed by ISPT. ISPT seeks to achieve carbon neutral carbon neutral certification on all ISPT owned and operated properties in November 2020 and is targeting to become a net positive producer of carbon offsets by 2025.

In addition to this focus on resource efficiency, ISPT also focuses on managing and mitigating the impacts of climate change through its Climate Resilience Program. The program represents a thorough and an evidence-based risk management process that looks at ISPT assets, as well as policies and practices to design, build and manage the impacts of climate change. Three key steps focused on physical risks make up the program; portfolio exposure assessment, climate vulnerability survey and develop climate adaptation plans, and are repeated as often as required. By regularly undertaking these three steps, ISPT can progressively expand its understanding of climate-related impacts on the portfolio and respond accordingly. An example of this includes:

"In 2022, we calculated the actual direct and indirect financial consequences of climate risks to the enterprise for two extreme climate years to establish a baseline to evaluate the potential financial risks associated with ongoing severe physical climate events.



We used the extreme bushfires of FY2020 and the extensive flooding throughout FY2022 as case studies to understand the financial consequences of extreme climate events.

Climate impacts and the financial consequences were identified through two workshops that included stakeholders from ISPT and our Property Management Companies. The assessment included the analysis of revenues, operating costs, capital costs, asset replacement and maintenance costs, energy costs, claims of rent abatement, and insurance costs, among others."

You can read more about the Climate Resilience Program in the ISPT ESG Report.

Climate risk management

Details about the climate risks that have the potential to affect HESTA's operations and our ability to deliver strong, long-term returns to our members, are provided on page 35. Here, we outline the processes we use to identify, assess, and manage those risks in practice.

Managing climate risk is an important aspect of HESTA's responsibility to act in our members' best financial interests. Climate risks are considered within our overall Risk Management Framework and Strategy (RMFS), which helps us make informed decisions and protect our members' long-term retirement outcomes.

We apply these processes across our investment, operational, and governance activities, with oversight from our Board, Risk Committee, and Investment Committee.

We take a structured approach to climate risk management, which includes:

Identifying and assessing climate risks – where appropriate, we assess both physical and transition risks across our investment portfolio and operations. This includes scenario analysis, stress testing, and staying up to date with regulatory, market, and scientific developments.

Integrating climate risks into decision-making – climate risks are considered throughout our investment processes, guided by our Responsible Investment Policy. This helps shape capital allocation, manager selection, and active ownership priorities. Operationally, we also factor in climate risks as part of our business continuity planning.

Oversight and escalation – our Board and relevant committees oversee climate risks where appropriate. Significant or emerging risks are escalated to the Executive and Board for review and action. Updates are provided regularly as needed.

Continuous improvement – we regularly review our risk processes to respond to evolving regulation (including ASRS S2 and APRA guidance), market conditions, and stakeholder expectations.

For more on our governance and risk management approach, see the Governance (Page 10) and Climate Change (Page 31) sections above and our [Responsible Investment Policy](#).

Integration of climate considerations into manager selection, appointment and monitoring

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

At the asset class level, this means including climate-related targets in our investment mandates. At the strategy level, for our internally managed strategies, our responsible investment team works closely with internal investment management teams to support the integration of climate change into their direct strategies, with climate considered alongside traditional financial and business risk factors in making investment decisions. For external managers, we seek to partner with external investment managers that are aligned with our investment beliefs and corporate values.

Our investment manager and asset selection processes, which are part of investment due diligence, include assessment of responsible investment factors, including climate change. In the case of investment managers, it includes an assessment of their approach to climate change risk management, their incorporation into investment decision-making and their approach to active ownership (engagement with portfolio companies). In the case of co-investments and direct investment, assessment also includes assessment of asset level climate considerations.

Once appointed, we monitor the performance of our external investment managers through an annual Responsible Investment Attestation survey.

This monitoring includes manager portfolio emissions measurement and reviews of how the risks and opportunities of climate change have influenced decisions relating to the selection, retention or realisation of investments and active ownership. Insights from our monitoring program are incorporated into annual asset class reviews.

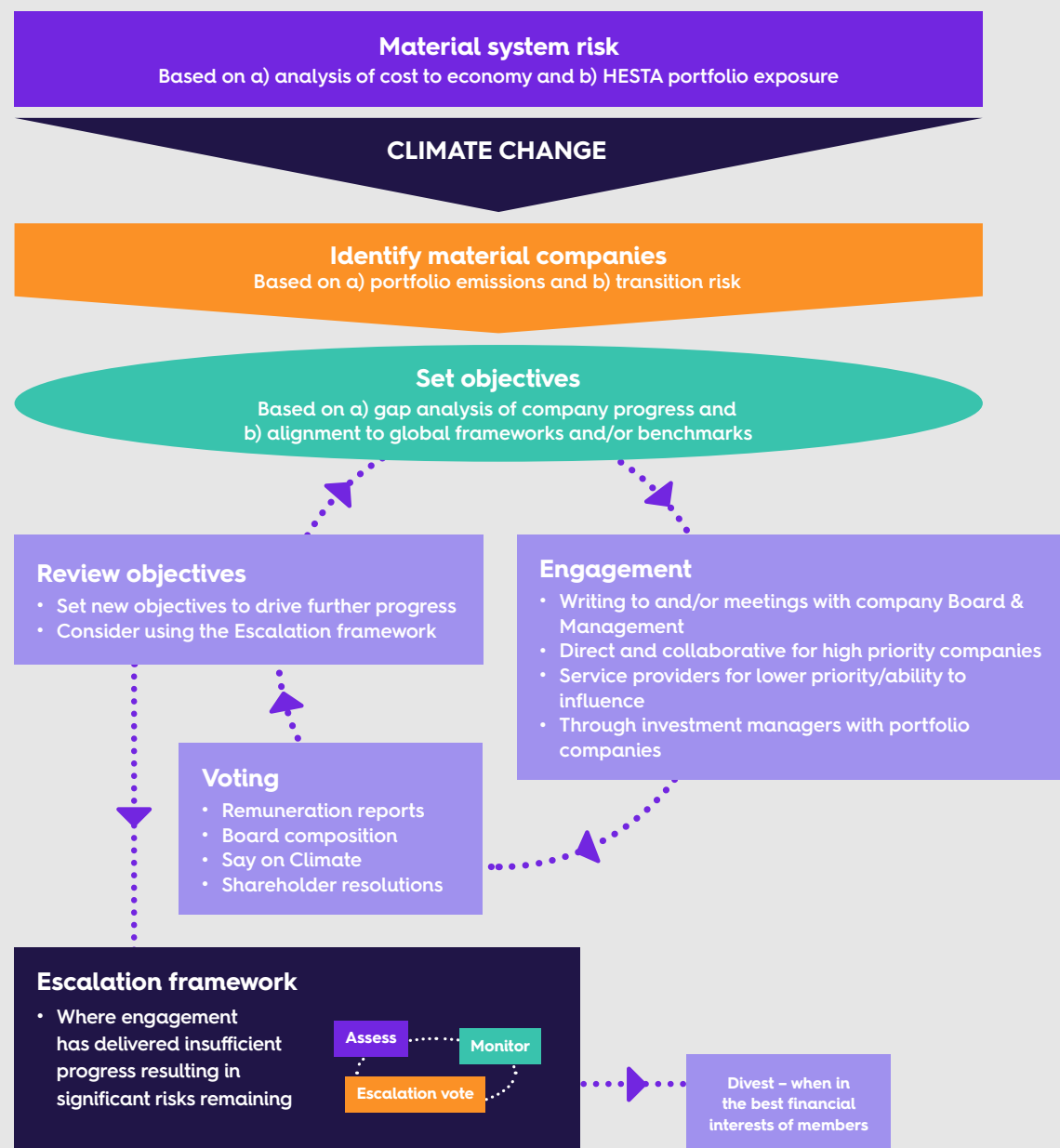
Results from the 2024 Manager Attestation confirm that 58% of external investment managers have committed to targeting net zero. Additionally, external investment managers, across both the listed and unlisted portfolios, have assessed climate change as the most financially material responsible investment theme likely to impact the portfolio they manage on behalf of HESTA members.

Managing climate risk through Active Ownership

HESTA's active ownership approach is an important part of our approach to the management of dynamic and evolving climate-related risks. By engaging directly with our investment managers, priority portfolio companies, regulators and policy makers, and collectively with other asset owners through initiatives such as Climate Action 100+ (CA100) and the Australian Council of Superannuation Investors (ACSI), we seek to influence and constructively engage on the management of material climate-related risks that can impact long-term returns at both the company and market level.

Through the active ownership tools available to asset owners – which include engagement, voting and advocacy – we seek to influence improved performance at the company level, which we also believe has the potential to influence change at the system level. We do this as part of our responsibility to make decisions in the best financial interests of our members.

The following diagram provides a simplified illustration of the different activities undertaken by HESTA within its active ownership approach:



Our approach to active ownership is flexible and adapts to continually evolving factors including market conditions and developments in science and policy. In an area as dynamic as climate change, we believe that it is important to retain our discretion to select the appropriate combination of levers at any given time, in the best financial interests of our members.

Accordingly, our approach isn't guided by rigid rules or deadlines. We tailor our actions to the circumstances of each engagement and investment.

Engagement and collaboration

Engagement involves interaction with portfolio companies and investment managers to better understand their business models and seek to influence their performance and practices in line with our 'Active Ownership Priorities', as described in the HESTA Responsible Investment Policy. The primary aim of engagement is to drive enhanced long-term returns aligned with members' best financial interests.

Our engagement activities can include direct dialogue (for example, company meetings, letters to company management/boards), representation on unlisted company boards, site visits, and dialogue with external investment managers to encourage progress in their responsible investment practices and company interactions. As part of regular monitoring, we gather information from our investment managers on their climate change engagement with portfolio companies.

Engagement with portfolio companies is undertaken directly by HESTA, through collaborative initiatives such as Climate Action 100+, and indirectly through specialist service providers and our external investment managers. HESTA believes in the power of collective action for tackling systemic issues as collaborating often enables us to amplify our voice and drive action while using our resources efficiently. By combining these different approaches to engagement, we are able to achieve both breadth in terms of the number of companies covered by our engagement program as well as depth by focussing our direct engagement on those issues or holdings that are most material. A list of the collaborative initiatives in which HESTA is involved can be found on hesta.com.au/investment-excellence-with-impact.

Our engagement service providers are ACSI and Federated Hermes EOS. We provide regular input into and monitoring of annual engagement plans and receive regular reports on upcoming engagements, recent engagements undertaken and any improvements to company activities that have occurred as a result of engagement activities. In the case of ACSI, members of our team are represented on both the ACSI Board and Member Council. We may participate in service provider led engagements and have an open dialogue with our investment managers about our collective engagement activities.

Identifying priority companies

Priority companies for engagement are identified based on their contribution to portfolio emissions, and an assessment of transition risk. For priority companies, company assessments include metrics from both the Net Zero Company Benchmark by CA100 and the IIGCC’s Net Zero Standard for Oil and Gas companies including medium- and long-term emissions reduction targets (coverage and alignment), decarbonisation strategy, capital allocation alignment and climate governance. Our engagement with these priority companies is then tracked in internal engagement plans, that set out objectives and progress, and portfolio carbon emissions dashboards.

HESTA’s process of engagement with investee companies is genuine, robust, and understands that strategic transformation is not necessarily achieved in a singular exchange or short-term approach and our decisions are made with this in mind.

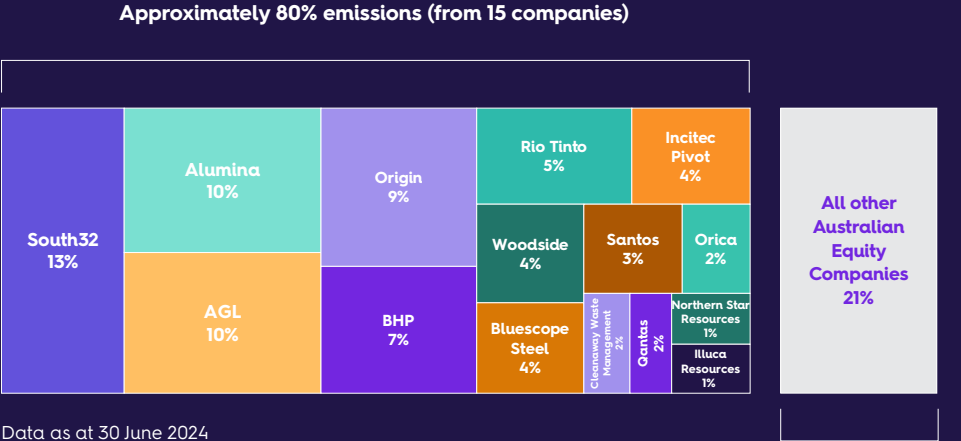
Prioritising engagement with Australian listed companies

Australian shares are responsible for 40.5% of HESTA’s total portfolio scope 1 and 2 carbon footprint for FY24. You can review the carbon footprint and other metrics beginning on page 49. Approximately 80% of this exposure is concentrated in 15 companies (including those listed adjacent), and as the largest contributors to portfolio emissions, are therefore priority companies and the focus of HESTA’s active ownership. Priority companies are also the focus of direct, collaborative and service provider engagement. A relatively large proportion of Australian listed companies have committed to net zero emissions by 2050 (66% of the ASX200)²³ and all 15 priority companies below have set interim targets (2030-35).

The achievement of interim targets by these companies would result in emissions reduction of HESTA’s Australian shares portfolio of 250,000 tonnes by 2030.

23 <https://igcc.org.au/australias-big-companies-face-critical-net-zero-investment-gap/>

% of FY24 HESTA owned emissions for Australian equities as at 30 June 2024



Remaining emissions (from 336 companies)

HESTA will continue to assess and evaluate the on-going role of these companies in the portfolio as the dynamic and complex issues associated with climate change continue to evolve, including in the context of our own Responsible Investment Policy, and our portfolio decarbonisation ambitions.

Escalation Framework

Where HESTA considers that companies have failed to demonstrate adequate change, resulting in significant risks remaining, we can use our engagement escalation framework.

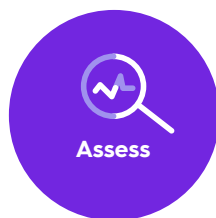
Escalation can include use of either one or a combination of escalation tools such as a ‘watchlist’, votes against ‘Say on Climate’ resolutions, Director elections, support or filing of shareholder resolutions and/or consideration of divestment where we consider that progress has been insufficient to address the risks, where we have formed the view that further engagement is unlikely to achieve alignment with our objectives, and where we consider this to be in the best financial interests of our members. The escalation framework is responsive to engagement progress, new information and resultingly, it may not be sequential.

As shown in the graphic below, escalation can involve one or more actions from our framework.

Escalation

We may use our escalation framework where we consider that a company has not demonstrated adequate progress through engagement to address issues material to the portfolio.

The escalation framework draws on the tools of assessment, monitoring, escalation votes and is responsive to engagement progress and new information. As a result, the tools may not be applied sequentially. The RI Policy section d (iv) has more information on escalation tools and how HESTA may apply them.



Assess

Assess:

Annual pre-AGM assessment to identify companies for escalation. Assessment seeks to identify companies whose operations or activities significantly contribute to overall portfolio risk or are clearly mis-aligned to HESTA's responsible investment objectives.

Assess whether escalation is consistent with members' financial interests.



Escalation
Vote

Escalation vote:

We may exercise our vote consistent with an overall assessment of the company and its progress towards any change objectives.

We may vote against directors, including where directors are deemed to be unresponsive to engagement and/or lacking relevant skills or experience related to an issue.

We may also support and/or file shareholder resolutions that are consistent with the change objectives.



Monitor

Monitor

Place company on a 'watchlist' for heightened monitoring and engagement and communicate that position to the company.

Ongoing re-assessment of a company's status based on company responsiveness to engagement and new information that informs a decision to engage further, vote or move to divestment.

Being on a watchlist may include:

- Communicating change objectives to the company
- Setting a timeframe by which we expect a company response
- Flagging our willingness to divest
- Publicly communicating our decision that a company is on our watchlist.



Divest

Divest

We will consider divestment where we believe there is inadequate evidence or progress to address the risks, where we have formed the view that further engagement is unlikely to achieve alignment with our objectives, and where we consider this to be in the best financial interests of our members.

Progress through the escalation framework is responsive to engagement and new information and may not be sequential

Case studies

In 2022, we placed both Santos and Woodside on a watchlist position as part of the HESTA escalation framework on the basis that we were concerned about the disparity between their strategic targets and a Paris-aligned transition pathway. We asked each company about how its climate strategy was moving toward alignment with the Paris Agreement; to demonstrate that final investment decision on major projects is consistent with a Paris-aligned pathway; and how and when material capital expenditure would be directed to support a timely, equitable and orderly climate transition. We also communicated the important role that we believe the Board plays in establishing an appropriate level of ambition for an organisation's climate strategy and asked each company to commit to appoint directors with new energy and business transformation skills. Having communicated our expectations, we have regularly re-assessed each company's progress.

Santos

Over the past year, HESTA engaged regularly with Santos Directors and management, strongly put our view that its climate transition strategy needed to be more ambitious. In April of this year, Santos provided shareholders with an opportunity to vote on its updated Climate Transition Action Plan (CTAP). It was pleasing to see this plan demonstrate progress since HESTA voted against the previous plan in 2022. In supporting the updated plan this year, we considered:

- Santos' commitment to reach Net Zero scope 1 emissions by 2040 and its newer commitment to store 14 million tonnes of third-party emissions by 2040.
- Santos' commitment that all activities, both backfill and sustain and any new projects, must fit within existing climate targets and that all new projects will be net zero scope 1 & 2 (either through carbon capture and storage or offsets) from commencement.
- Santos' capital expenditure on carbon capture and storage (CCS) and the progress made to get Moomba CCS operational.
- Santos' appointment of directors with new energy skills.

While recognising the progress made, what counts now is how Santos executes on this plan in the years ahead. That's why Santos remains on our watchlist as we want to see ongoing progress made against these targets. This will require further work to reduce operational emissions and to drive commercialisation of CCS, as well as development of new technology solutions. We are continuing to engage with Santos as these are long-term issues that go beyond a particular vote or AGM. In future engagement we are seeking additional disclosure on decarbonisation, contractual developments and capital expenditure needed to achieve Santos' long-term targets.

Woodside

After HESTA and a majority of shareholders voted against Woodside's Climate Transition Action Plan (CTAP) in 2024, we communicated both to the company and publicly that we wanted to see a clear response to restore investor confidence.

In communicating our voting decisions to the company in April this year, we conveyed our belief that Woodside had failed to materially address our concerns and that Woodside's lack of progress continued to present a material financial risk.

That view informed our voting. We voted against the remuneration report as we believed executive remuneration outcomes were high relative to the shareholder experience, together with concerns regarding climate strategy and safety outcomes. And while recognising her significant contributions, we voted against the re-election of Ann Pickard as a director based on accountability for Woodside's climate transition action plan as Sustainability Committee Chair.

Woodside remains on our watchlist as we push for stronger climate action designed to safeguard long-term shareholder value. In writing to the company recently we continued to encourage Woodside, supported by its Board and Executive, to strengthen the ambition of its climate plan – to demonstrate that the plan is moving toward alignment with the Paris Agreement; to set a formalised net zero target; clearly communicate how new projects will be managed as part of Woodside's decarbonisation; drive capital toward new energy initiatives; reduce reliance on offsets; and provide an evidence-base for coal-to-gas switching in Asia.

Metrics

Measuring portfolio emissions

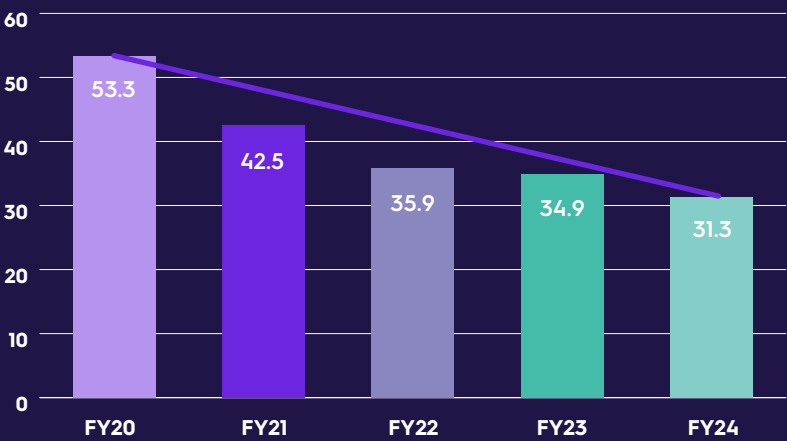
HESTA measures portfolio emissions to track progress toward our 2030 climate target, focusing on Scope 1 and 2 emissions from asset classes where reliable data and appropriate methodologies exist. Our approach aligns with the Greenhouse Gas Protocol (GHG Protocol) and applies guidance from the Partnership for Carbon Accounting Financials (PCAF) where possible. Scope 3 portfolio emissions are excluded.

As at 30 June 2024, asset classes with measurable emissions covered approximately 75% of total funds under management (FUM). Our approach to emissions measurement varies by asset class and is summarised in the table below.

Asset class	Our approach to measuring emissions
Listed Equities	Emissions are attributed based on enterprise value including cash (EVIC). We use a combination of company-reported and estimated data sourced from MSCI BarraOne. Small cash holdings within these portfolios are excluded.
Corporate Bonds and Alternative Credit	For corporate bonds, emissions are calculated using the same method as listed equities. Alternative credit is measured using an approach informed by PCAF's business loans and unlisted equity category, based on data as at 31 March 2024.
Infrastructure and Property	Emissions are calculated at the individual asset level and aggregated by net asset value (NAV) across all investment structures (direct investments, co-investments, and fund exposures). This is guided by PCAF's project finance and commercial real estate categories.
Private Equity	In the absence of specific PCAF methodology for private equity via fund structures, we apply a NAV-based attribution consistent with PCAF's business loans and unlisted equity approach.
Exclusions	Cash, derivatives, mortgage-backed securities (MBS), and collateralised mortgage obligations (CMOs) are excluded as PCAF's draft guidance for these asset types is not yet finalised. Sovereign bonds are excluded due to methodological complexity and to minimise double counting. Although PCAF has provisional guidance for sovereign bonds, we exclude them at this stage.

Portfolio carbon footprint

HESTA's normalised portfolio emissions declined to 31.3 tonnes of CO2 equivalent (tCO₂e) per AUD million invested as at 30 June 2024, representing a 10% reduction from FY23 and a 41% decrease from the 2020 baseline.



Australian and international equities remained the largest contributors to the portfolio's normalised carbon emissions in FY24. Emissions from both asset classes continued to decline and remain well below their respective benchmarks.²⁴ Reduction at a portfolio level is attributable to data and methodology improvements, alongside asset level decarbonisation.

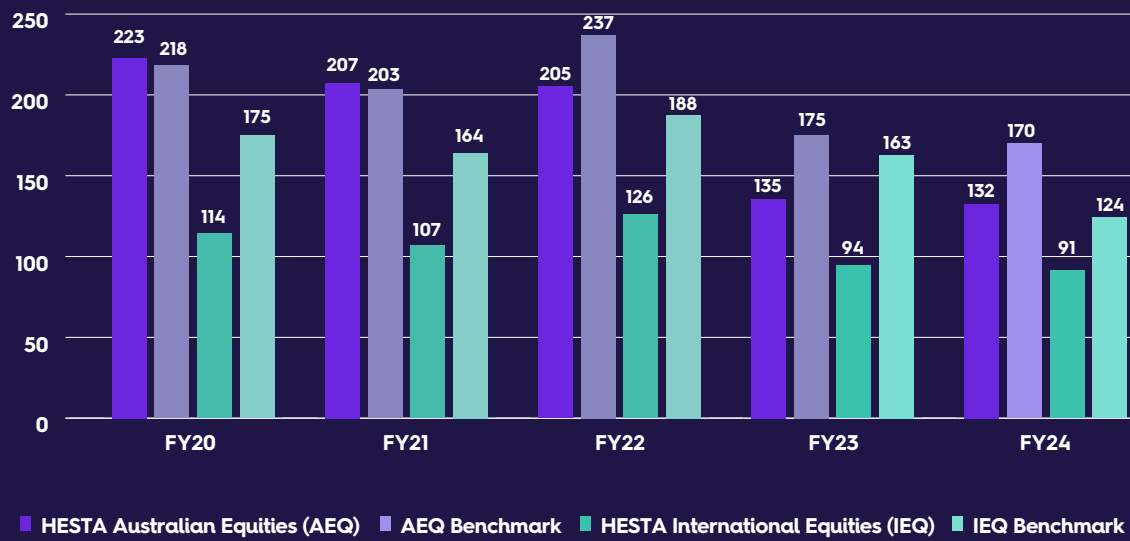
Further detail on PCAF methodology can be found in the measuring portfolio emissions section above.

²⁴ The Australian equities benchmark is the S&P/ASX300 and the international equities benchmark is calculated by blending 95% allocation to the MSCI World Ex Australia index and 5% allocation to the MSCI Emerging Markets index.

Weighted Average Carbon Intensity (WACI)

The table below presents the WACI of HESTA’s Australian and international equity portfolios, alongside their respective benchmark indices, as at 30 June 2024.

WACI – Scope 1 and 2 intensity in tCO2e/USDm
Weighted Average Carbon Intensity (WACI) as at 30 June 2024*



* For FY24, the Australian equities benchmark was the S&P/ASX300 and the international equities benchmark was calculated by blending 98% allocation to the MSCI World Ex Australia index and 2% allocation to the MSCI Emerging Markets index.

HESTA’s WACI remained lower than that of the benchmarks, largely due to underweight positions in high-emission sectors such as energy, materials, and utilities. While the WACI of the benchmarks have also reduced, HESTA continued to maintain a comparatively lower emissions intensity, reflecting tilts toward lower-emission sectors and companies.

Fossil fuel exposure

HESTA regularly assesses its portfolio exposure to companies involved in fossil fuel-related activities, including mining, extraction, refining, energy generation, and pipeline transportation. This analysis helps to inform our understanding of climate-related risks and supports the integration of these considerations into our investment decision-making.

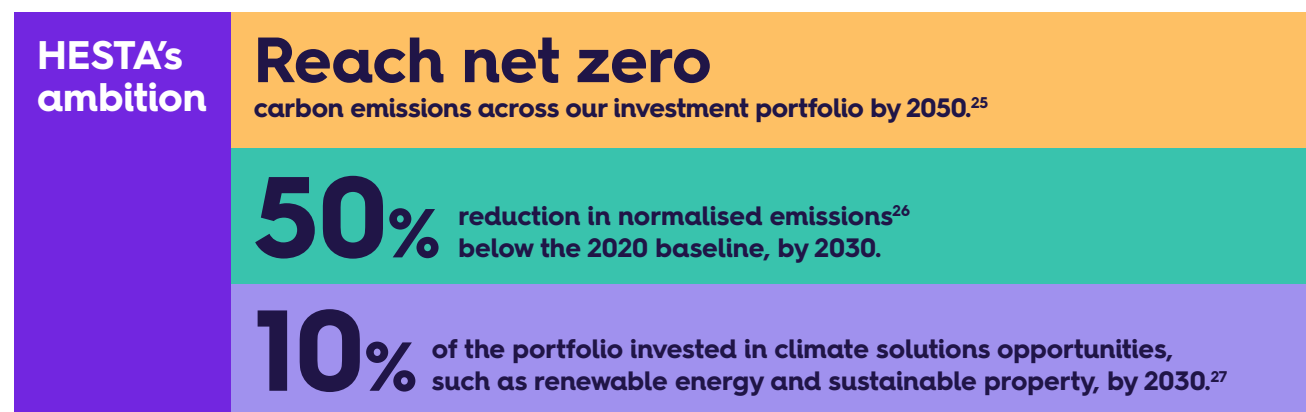
The portfolio remains underweight fossil fuel-related activities. On a look-through basis, exposure to fossil fuels decreased to less than 3.5% of total funds under management (FUM) in FY24.

Exposure by FF type		FY24%
Thermal coal mining**		0.1%
Fossil fuel-based energy generation		0.2%
Oil and gas	Refining	0.5%
	Extraction	1.0%
	Pipelines	1.7%
Total fossil fuel exposure		3.5%

** Changes in exposure were a result of commodity price movements.

Targets

In support of our commitment to the Paris Agreement, HESTA has set climate targets aimed at driving real-world emissions reductions and contributing to the broader decarbonisation of the economy. Below, we outline each target, the strategies we are using to advance these goals, the metrics for tracking progress, and the assumptions guiding our approach.



We measure our progress towards the 2030 and 2050 carbon reduction targets by tracking emissions from listed equities monthly, and from all other asset classes annually. Our approach to progressing the 2030 interim target focuses on active ownership, where we work closely with priority portfolio companies to support the adoption of emissions reduction targets and transition plans that move toward alignment with the Paris Agreement.

For our portfolio to succeed, markets need to transition successfully. Strong real-economy outcomes will support both long-term market

performance and the ability of individual investments to generate returns for our members.

While we expect our strategy to deliver meaningful outcomes, real-world decarbonisation, particularly across hard-to-abate sectors, will also depend on broader system-wide efforts, including policy, innovation, and collaboration. Where we identify that companies have failed to demonstrate adequate change, resulting in significant climate risks remaining, we may use our escalation framework to seek to mitigate these risks.

We track progress toward our 2030 climate solutions target by annually measuring investments aligned with the UN SDGs 7, 11.6, and 13, focusing on sectors such as renewable energy, sustainable property, and companies advancing climate solutions. These investments are assessed using the Sustainable Development Investments Asset Owner Platform (SDI AOP) Taxonomy.²⁸

We aim to achieve our target through investments in renewable energy and supporting infrastructure, supported by the evolving adjustment of equity markets to climate-related risks and opportunities. Given the evolving nature of the global transition to a low-carbon economy, we do not expect progress towards our targets to be linear. You can read more about investment opportunities on page 53.

For the first time, we've included our Climate Change Report within the FY25 Responsible Investment Report, in preparation for mandatory reporting under the Australian Sustainability Reporting Standards (ASRS).²⁹ This marks a shift from our previous approach, where more detailed Climate Change Reports and shorter Climate Change Updates were issued in alternating years.

²⁵ Scope 1 and scope 2 emissions of portfolio companies.

²⁶ We have chosen normalised carbon emissions (tonnes of CO₂e / \$m invested) for scope 1 and scope 2 emissions of portfolio companies, calculated based on enterprise value, to represent our share of real-world emissions.

²⁷ Identification of opportunities has been based upon the Sustainable Development Investment Asset Owner Platform (SDI AOP) Taxonomy. Investments that are aligned to SDG 7, 11.6 and 13 have been included in the baseline. More information available at <https://www.sdi-aop.org/sdi-classification>.

²⁸ More information available at <https://www.sdi-aop.org/sdi-classification>.

²⁹ While this report includes climate change disclosures in anticipation of future mandatory reporting requirements under the ASRS, it is important to note that HESTA is not yet subject to these mandatory disclosure requirements. The climate-related information provided in this report is voluntary and may not fully align with all future ASRS requirements. We are proactively incorporating these elements to enhance our reporting transparency and prepare for future compliance obligations.

For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>

Target assumptions

To set credible and achievable climate targets*, we make informed assumptions about how the world is likely to change – such as shifts in policy, markets, and technology – as we transition to a low-carbon economy. These assumptions include:

- HESTA remains a diversified investor with exposures to emissions-intensive companies;
- Emissions-intensive companies will successfully deliver their current climate targets;
- Our engagement, in collaboration with other investors, will be successful in encouraging emissions-intensive companies to set and deliver more ambitious targets;
- The global economy will achieve net zero emissions by 2050;
- International equities indices will transition in composition to include a greater proportion of companies deriving revenue from climate solutions;
- Accurate and improving emissions data is supplied by our investment managers and external data providers;
- Australian and international policy settings, including carbon pricing and emissions regulations, will support the transition to a low-carbon economy;
- Key technological advancements in clean energy, energy storage and industrial decarbonisation will progress and scale as expected;
- Investor demand and market trends will continue to support the integration of climate considerations into investment decisions.

* For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>



Climate-related opportunities

HESTA has committed to investing 10% of the portfolio in climate solutions by 2030.³⁰ As at 30 June 2025, 6.4% of the portfolio, or approximately AUD 6.4 billion, was invested in climate solutions. These include:

Sustainable property rated 5* by GRESB



- ISPT Core Fund
- Investa Commercial Property Fund (ICPF)
- ISPT Retail Australia Property Trust
- Eureka Property Fund 5
- AEW Core Property Trust
- Heitman America Real Estate Trust
- European Cities Fund

Renewable energy



- Intera Renewables – large-scale battery storage project (Limestone Coast North)
- Generate
- Taaan Clean Energy
- Nitrogen Renewables
- SolSystems
- Rio Energy Wind Farm
- Vestas Wind Systems
- Sunrun

Other climate solutions



- Tesla - solar and energy solutions, electric vehicles
- Contemporary Amperex Technology Co - Lithium-ion battery development
- NIO - Electric vehicles
- Aggreko - Battery energy solutions
- Chargepoint – Electric vehicle charging stations

You can read more about HESTA's investment in climate solutions in our 2023 Climate Change Report: [Our Path to Net Zero](#).

For more information on our Intera Renewables investment, please read the case study on page 19.

Data as at 30 June 2025

³⁰ These investments are aligned with the SDG7, 11.6, and 13, using the Sustainable Development Investments Asset Owner Platform (SDI AOP) Taxonomy.

For further information on these objectives please refer to HESTA's Climate Change statement <https://www.hesta.com.au/content/dam/hesta/Documents/hesta-climate-change-statement.pdf>

Independent limited assurance report on portfolio emissions



Independent Limited Assurance Report to the Management and Directors of HESTA Limited

Our Conclusion:

Ernst & Young ('EY', 'we') were engaged by HESTA Limited ('HESTA') to undertake a limited assurance engagement as defined by Australian Auditing Standards, hereafter referred to as a 'review', over the Subject Matter defined below for the year ending 30 June 2024. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria defined below.

What our review covered

We reviewed HESTA's normalised portfolio emissions intensity figure of 31.3 tonnes of carbon dioxide equivalent (tCO₂-e) for scope 1 and scope 2 greenhouse gas emissions per AUD million invested (consisting of listed equities, global debt, alternative credit, infrastructure, private equity and property) as at 30 June 2024 ('Subject Matter') as disclosed in HESTA's 2025 Responsible Investment Report (the 'Report').

Other than as described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express an opinion or conclusion on this information.

Criteria applied by HESTA

In preparing the Subject Matter, HESTA applied the following Criteria:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Key responsibilities

HESTA's responsibility

HESTA's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibility and independence

Our responsibility is to express a conclusion on the Subject Matter based on our review.

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our approach to conducting the review

We conducted this review in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE3000') and *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410') and the terms of reference for this engagement as agreed with HESTA on 07 April 2025. That standard requires that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other review procedures.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we performed included, but were not limited to:

- Interviewing HESTA staff to gain an understanding of HESTA's reporting definitions and processes, including reporting boundaries, data sourcing, and internal data integrity checking processes.
- Assessing the documentation of HESTA's reporting methodologies.
- Performing analytical procedures in relation to material quantitative information and where relevant, reviewing source documentation.
- Checking the accuracy of calculations performed.
- Checking the presentation of the Subject Matter within the Report was consistent with supporting information and the criteria described was consistent with HESTA's methodology.
- Obtaining representation from management on key assertions.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our review conclusion.

Inherent limitations

Procedures performed in a review engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a review engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to assessing aggregation or calculation of data within IT systems.

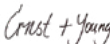
The greenhouse gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of greenhouse gases. Additionally, greenhouse gas procedures are subject to estimation and measurement uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matters

Our report does not extend to any disclosures or assertions made by HESTA relating to future performance plans and/or strategies disclosed in the Report.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of HESTA, or for any purpose other than that for which it was prepared.


Ernst & Young


Elizabeth Rose
Partner
Brisbane, Australia
24 June 2025

"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

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