

HESTA Sustainability Report

FY26

HESTA

An Industry SuperFund

Super with impact

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About this report

This report covers HESTA's climate-related disclosures for the financial year 1 July 2025 to 30 June 2026.

We have prepared this report voluntarily with reference to the Australian Accounting Standards Board (AASB) standard AASB S2 Climate-related Disclosures. HESTA is classified as a Group 2 entity which means our first mandatory report is expected to be published in 2027.

We've used the AASB S2 framework to structure this report and to identify where we can strengthen our processes, data and governance ahead of mandatory reporting in FY27.

Who this report is for: as a superannuation fund, HESTA's primary report users are current and potential members and beneficiaries, parties that act on their behalf such as financial advisers, employers and partners.

Reporting period for portfolio emissions data: the portfolio emissions data in this report relates to portfolio holdings at 30 June 2025, a year prior to the rest of the report. This is because we rely on emissions data reported by the companies and assets we invest in, which becomes available after their own reporting is complete.

Reporting boundary: this report covers HESTA (ABN 64 971 749 321) (the Fund), the same reporting entity as the Fund's financial statements. HESTA voluntarily discloses portfolio Scope 1 and 2 emissions (Scope 3 Category 15). Operational Scope 1 and 2 emissions are not included.

Currency: all dollar amounts are in Australian dollars unless otherwise stated.

Rounding: figures have been rounded and may not sum to totals.

Assurance: PwC has provided limited assurance over our portfolio emissions intensity as at 30 June 2025. The remainder of this report has not been assured. The independent limited assurance report is on page 31.

Other documents: we recommend reading this report alongside our FY26 Annual Report, which provides further context on our investment approach and active ownership activities.

To learn more about HESTA's responsible investment approach you can read our Responsible Investment Policy at https://www.hesta.com.au/content/dam/hesta/Documents/Responsible_Investment_Policy.pdf.

The information about HESTA in this report is current as at 30 June 2026 and is subject to change. For up to date information visit hesta.com.au. Issued by H.E.S.T. Australia Ltd ABN 66 006 818 695 AFSL No. 235249, Trustee of HESTA ABN 64 971 749 321

HESTA manages $107 billion[1] on behalf of more than one million members, predominantly working in health and community services.

Climate change presents financially material risks and opportunities for our investment portfolio and our members' retirement outcomes.

Responding to them is part of how we act in our members' best financial interests.

FY26 at a glance

23.3



tCO_2e per AUD million invested

portfolio emissions intensity at 30 June 2025. This is our share of the Scope 1 and 2 emissions of the companies and assets we invest in, expressed in tonnes of carbon dioxide equivalent (tCO_2e) for each million dollars invested. It is down 56% from the FY20 baseline and is currently tracking ahead of our 2030 interim target.

$7.7bn



invested in climate solutions

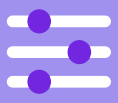
as at 30 June 2026.[2] This includes investments in renewable energy, battery storage and sustainable property. Climate solutions are classified using the Net Purpose SDG taxonomy and the Australian Sustainable Finance taxonomy, applying the *technical screening criteria* for climate change mitigation only. How we measure this is set out on page 25.

Net zero by 2050

long-term ambition to reach net zero portfolio emissions, covering the Scope 1 and 2 emissions of the companies and assets we invest in and excluding their Scope 3 emissions.



80%



of funds under management

included in portfolio emissions calculations at 30 June 2025. The funds under management not included in this figure are mainly cash, derivatives and sovereign bonds, which we exclude for the reasons set out on page 28.

A note on our emissions trajectory: as a long-term investor with a large, globally diversified portfolio, our emissions are influenced by the wider economy. A number of factors affect our portfolio emissions intensity each year, including company valuations, portfolio composition, and changes in data and methodology. Because of this, we focus on trends over time rather than any single year.

1. Funds under management at 30 June 2026.
2. Based on our assessment of alignment against either the Net Purpose SDG taxonomy or the Australian Sustainable Finance taxonomy.

Horizons:

Throughout this report, we refer to short, medium and long-term time horizons when describing the potential impact of climate-related risks and opportunities. We have defined these as follows:

Horizon	Period	Why this matters for HESTA
Short	Current – 2030	Covers HESTA's 2030 interim portfolio emissions reduction target and climate solutions target. Our mandatory reporting obligations under AASB S2 also begin from FY27. This period corresponds broadly to the medium-term horizon used in our asset allocation, which is reviewed annually through the strategic asset allocation process.
Medium	2030 – 2040	Reflects the period over which transition risk effects moderate and physical risks begin to compound. Captures most of the 15-year window used in HESTA's climate scenario analysis and capital market assumptions.
Long	2040 – 2050+	Reflects HESTA's 2050 net zero ambition and the long-term investment horizons of our members.



Forward-looking statements

This report contains forward-looking statements, including our 2030 portfolio emissions reduction target, our climate solutions target, our 2050 net zero ambition, our Climate Change Transition Plan and the results of our climate scenario analysis. They are based on the information, assumptions and judgements available to us at the date of this report, and we consider there to be a reasonable basis for making them. The material assumptions and dependencies underlying them are set out in *Assumptions and dependencies* on page 27.

The main sources of measurement uncertainty relate to the quality and availability of emissions data reported by portfolio companies and investment managers, and the continuing development of the two measurement methodologies that support our targets, one to measure portfolio emissions and one to classify climate solutions. Our scenario analysis modelling has limitations, described under *Climate resilience* on page 15. Whether we meet our targets also depends on matters we do not control. The most significant are whether governments implement and sustain the policy settings assumed in our scenario analysis, and whether the companies and assets we invest in deliver the emissions reductions and transition plans they have set. The speed of technology adoption and decarbonisation across the economy will also affect the outcome.

Governance

Managing climate-related risks and opportunities is a responsibility that is embedded in a range of functions across HESTA and is part of how we act in our members' best financial interests.

As an entity regulated by the Australian Prudential Regulation Authority (APRA), we align our climate risk management practices with APRA's prudential practice guide CPG 229 Climate Change Financial Risks.

Board oversight

HESTA's Board is ultimately responsible for the oversight of climate-related risks and opportunities and is supported by three committees with specific roles in climate governance:

Investment Committee (IC)

Governs strategic investment decisions and provides strategic direction and oversight for HESTA's investment and responsible investment programs. The IC reviews and recommends the investment beliefs, of which responsible investment is a component, to the Board for approval, and approves the Responsible Investment Policy. It oversees the governance arrangements for responsible investment, including implementation of the Climate Change Transition Plan.

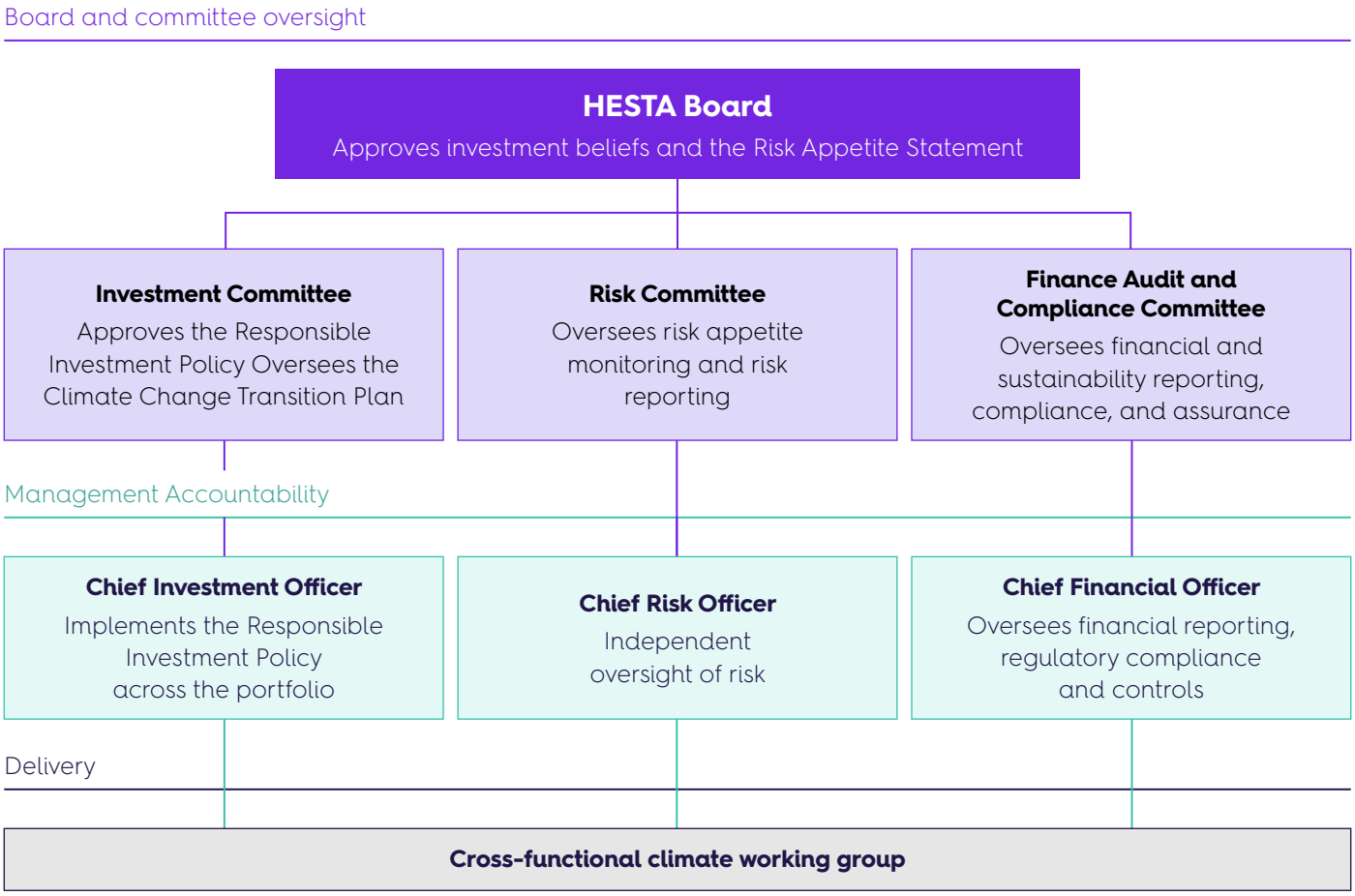
Risk Committee

Assists the Board in monitoring the effective implementation and operation of the Risk Management Framework and Strategy, including oversight of key risks and procedures to support and promote a good risk management culture. Responsible investment risk, which includes climate change, is a sub-category of Investment and Market Risk under the Framework, with risk appetite set by the Board. The Risk Committee monitors risk appetite across all material risks.

Finance Audit and Compliance Committee (FACC)

Assists the Board in discharging its duties in relation to the financial management, performance and reporting obligations of HESTA, including the integration of material climate-related information. This includes oversight of financial and sustainability reporting requirements, regulatory compliance, and the internal and external audit program.

Figure 1: Climate governance at HESTA



Climate-related risks and opportunities are incorporated into HESTA's investment approach through the annual strategic asset allocation review and long-term capital market assumptions. For major transactions and new mandates, climate risk is embedded in due diligence. All external investment managers are assessed on their climate risk management capabilities at the time of their appointment and through the annual responsible investment manager monitoring survey.

The Board assesses climate-related skills through its regular skills assessment process, and climate and responsible investment expertise is considered in Board composition and succession planning.

During FY26, Board members furthered their skills and competency through a combination of HESTA-facilitated Board sessions and external formalised learning, including conferences hosted by industry associations and sessions led by subject matter experts. The CEO and Executive team deepened their expertise through participation in global boards and advisory groups, attendance at industry conferences and direct engagement with international peers. For the Investment Management team, skills were strengthened through training delivered by industry organisations, supplemented by specialist internal events and on-the-job learning.

The responsible investment skills and competencies we consider necessary across the Board, Executive and Investment Management team are system-level thinking, responsible investment subject matter knowledge, responsible investment governance, and responsible investment advice and integration.

Management's role

HESTA's Executive is accountable for managing climate-related risks and opportunities. The table below summarises how that responsibility is allocated.

Role	Climate-related responsibilities
Management accountability	
Chief Executive Officer	Ensures Responsible Investment Policy and its implementation is consistent with Fund strategy. Provides regular reporting to the Board on Responsible Investment matters including climate change.
Chief Investment Officer	Accountable for implementation of the Responsible Investment Policy, including management of climate-related financial risks across the investment portfolio.
General Manager Responsible Investment	Leads day-to-day implementation of climate risk management for HESTA's investment portfolio and manages the Responsible Investment team and the cross-functional climate working group. Signs off the annual portfolio emissions.
Chief Risk Officer	Provides independent review and challenge of the investment risk measures reported to the Investment Committee, and reports climate-related risk appetite measures to the Risk Committee.
Chief Financial Officer	Responsible for financial reporting and the controls supporting our climate-related disclosures. Assesses whether climate-related factors give rise to a significant risk of material adjustment in the financial statements. Oversees the independent assurance engagement over portfolio emissions.
Supporting functions	
Cross-functional climate working group	In preparation for mandatory reporting from FY27, we have brought together a cross-functional climate working group with representatives from Responsible Investment, Finance, Legal, Compliance and Risk. The group is preparing the processes, controls and data we will need for our first mandatory disclosures.

The Chief Investment Officer and the Investment Management leadership team are responsible for achieving our portfolio climate targets. Responsible investment is part of how everyone in the Investment Management team is assessed, including responsible investment integration with climate change as a priority, proactive management of investment risks and opportunities, contributing to the Climate Change Transition Plan, and investing in assets that count towards our climate solutions target.

Risk oversight

The Investment Management team manages climate-related risks relevant to the portfolio. That work is overseen by HESTA's Risk team, which provides independent review and challenge of the investment risk measures reported to the Investment Committee, including those related to responsible investment risk, and acts as an independent escalation point for events identified by the investment functions. The Investment Governance Framework is independently reviewed at least every three years. The most recent review was completed in FY26 and found the framework adequate, appropriate and effective.

Strategy

Climate change is a systemic risk with material financial impacts relevant to how we manage our investment portfolio in our members' best financial interests. It affects all asset classes, regardless of how the portfolio is constructed.

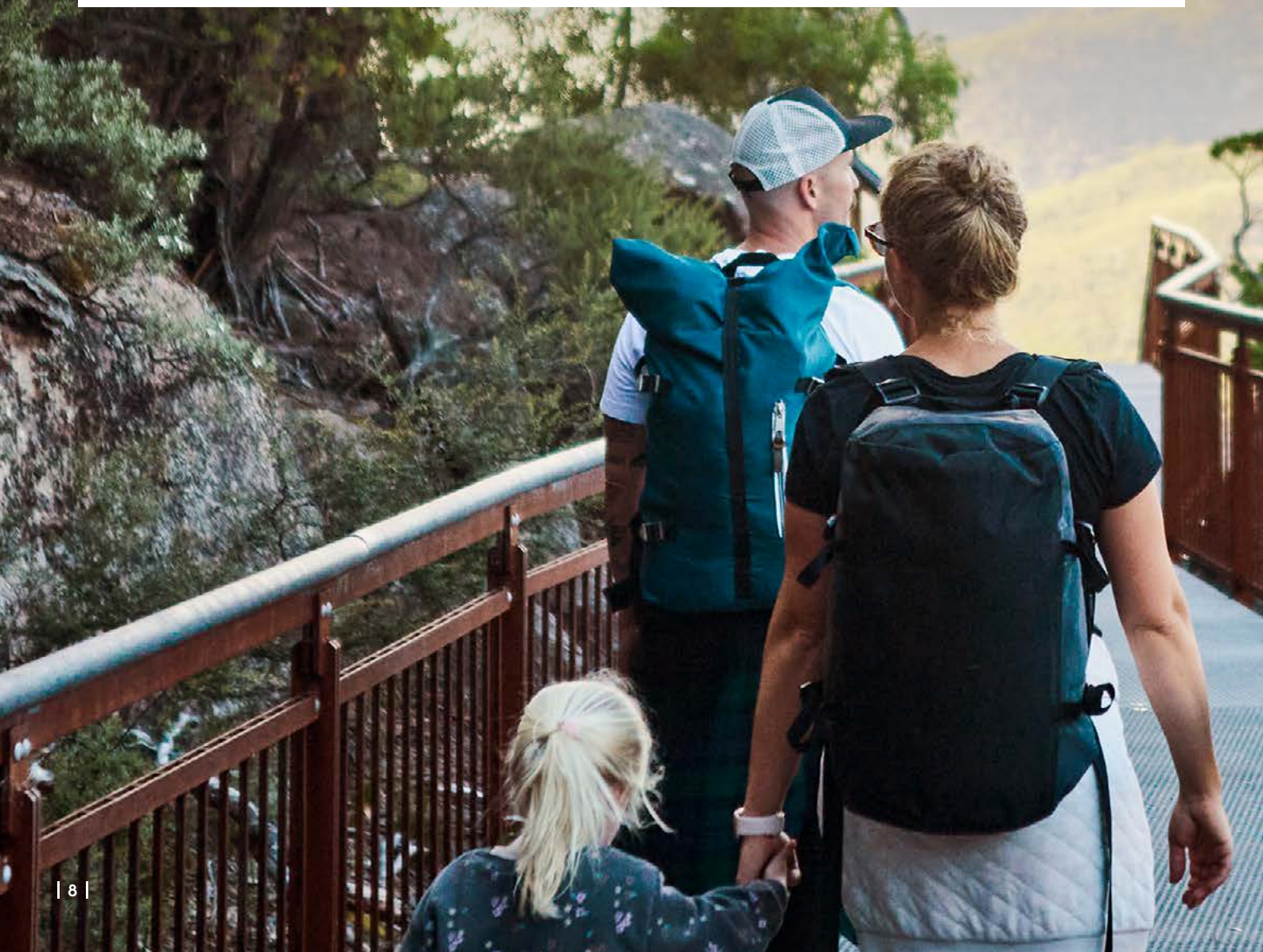
As a superannuation fund, our investment portfolio is our most material climate-related risk exposure. As a large and diversified asset owner we have limited ability to diversify or divest away from climate risk, so we also seek to contribute to change in the real economy.

Climate change also affects our members through their work. Health and community services are on the front line when extreme weather and rising heat affect people's health, and our members are some of the people delivering that response.

Within a diversified portfolio, a significant determinant of our members' exposure to climate change is the pace at which the broader economy decarbonises.

Our path to achieving our climate targets therefore draws significantly on active ownership, supported by capital allocation, and on what portfolio companies and the broader economy do to transition. This is why we engage directly with the companies contributing most to our portfolio emissions and set expectations of the managers who invest on our behalf. It is also why we contribute to consultations on policy settings that support the transition, because some of this risk can only be reduced at the level of the economy.

This section sets out the climate-related risks and opportunities we have identified, how we are responding, and what our scenario analysis tells us about the portfolio's resilience.



Climate-related risks and opportunities

The tables below set out the climate-related risks and opportunities that we consider could reasonably be expected to affect HESTA, across our investment portfolio. The tables set out the risks and opportunities we consider most significant, and the likelihood and scale of each varies across the scenarios we model. They are not an exhaustive list.

The time horizons used in these tables are defined on page 4.

Transition risks

Risk	What could happen	Primary exposure	What we're doing about it	Horizon
Disorderly transition	A disorderly transition could occur through abrupt policy change or faster than expected shifts in technology and demand. If that happens, the value of assets exposed to climate risk could shift rapidly and the portfolio would have less time to adjust.	Investments – concentrated in listed equities, which account for just over 70% of our measured portfolio Scope 1 and 2 emissions, and in infrastructure.	Climate change is built into the long-term capital market assumptions and scenario analysis that inform our strategic asset allocation. We monitor listed equity portfolio emissions monthly and the whole-of-fund portfolio emissions annually and track the decarbonisation of both our portfolio and the broader economy. We engage with our highest-emitting portfolio companies on transition planning and apply an exclusion to listed companies deriving more than 15% of revenue from the exploration, mining or sale of thermal coal, described in *Risk management* on page 18. External investment managers are assessed on their climate risk management through our responsible investment due diligence and, once appointed, are monitored annually through our responsible investment manager monitoring survey.	Short to Medium
Portfolio company legal risk	Portfolio companies could face litigation or regulatory action over how they respond to climate change, or how they disclose and manage climate-related risks, which could affect their value.	Investments – all asset classes	We consider legal risk as part of investment due diligence and engage with portfolio companies and our external investment managers to encourage strong climate governance and reporting.	Medium

Physical risks

Risk	What could happen	Primary exposure	What we're doing about it	Horizon
Acute physical events	Extreme weather events such as flooding, cyclones, heat stress and bushfires may damage portfolio assets, particularly real assets.	Investments – property, infrastructure and listed equities	We assess physical risk and monitor the resilience of our real asset holdings using geospatial analysis, and in FY26 extended this assessment to the Australian equities portfolio and to estimating the financial impact for individual assets. We engage external managers on adaptation and resilience measures where high-risk exposures are identified.	Short to Medium
Chronic physical changes	Gradual increases in temperature, sea level rise and changing rainfall patterns could reduce long-term asset values, increase insurance costs and affect the health and community services sectors where our members work.	Investments – real assets	Chronic physical risk is built into the long-term capital market assumptions and scenario analysis used in our strategic asset allocation review, and into our engagement with real asset managers on adaptation planning. We also monitor how these changes affect the health and community services sectors.	Medium to Long

Climate-related opportunities

Opportunity	What could happen	Primary exposure	What we're doing about it	Horizon
Climate solutions	Demand for renewable energy, energy networks, storage, clean transport and sustainable property is likely to be influenced by the rate of the transition and the policy environment.	Investments across infrastructure, property, private equity, listed equities and debt	We have a target to invest 10% of the eligible portfolio in climate solutions by 2030, assessed against eligible funds under management at each reporting date. Holdings are classified using the Net Purpose SDG taxonomy and, from FY26, the Australian Sustainable Finance taxonomy, applying its *technical screening criteria* for climate change mitigation only. At 30 June 2026 the allocation was $7.7 billion.	Short to Long

Climate-related opportunities (continued)

Opportunity	What could happen	Primary exposure	What we're doing about it	Horizon
Active ownership	Engagement and proxy voting are how we seek to influence the companies we invest in. We believe that where portfolio companies improve how they plan for and manage the transition, it supports the value of those holdings, and that certain market practice and policy settings can help reduce climate risk we cannot diversify away from.	Investments, particularly listed equities	We engage directly with our highest-emitting holdings on transition planning, and collaboratively through Climate Action 100+ (CA100+), the Australian Council of Superannuation Investors (ACSI) and Federated Hermes EOS.	Short to Medium

Business model and value chain

Our members build their super with us across their working lives, and we invest it on their behalf to grow their savings over what can be decades before they retire. This long horizon increases the financial materiality of climate change, which we manage in line with the best financial interests of our members.

As a long-term investor with a large, globally diversified portfolio, we invest across listed and unlisted asset classes, both internally and through external investment managers. We also rely on portfolio companies, our investment managers and specialist data providers for the emissions and climate data in this report.

We expect climate change to continue to influence our investment portfolio as we pursue the best financial interests of our members. As we work toward our 2030 portfolio emissions reduction and climate solutions targets, we expect the value of our allocation to climate solutions to grow and our exposure to the most emissions-intensive sectors to reduce. Progress toward both targets is set out on page 26.

Climate-related risks and opportunities are most heavily concentrated in the following areas of our value chain:

Investments: Transition risk is primarily concentrated in listed equities which account for just over 70% of our measured portfolio Scope 1 and 2 emissions, with the heaviest exposure in the energy, materials, utilities and industrials sectors. Physical risk is primarily concentrated in our real assets, where infrastructure and property holdings are spread across Australia and internationally, and are assessed for exposure to extreme weather, sea level rise and other hazards using third-party geospatial data. In FY26 we extended this assessment to our Australian equities portfolio.

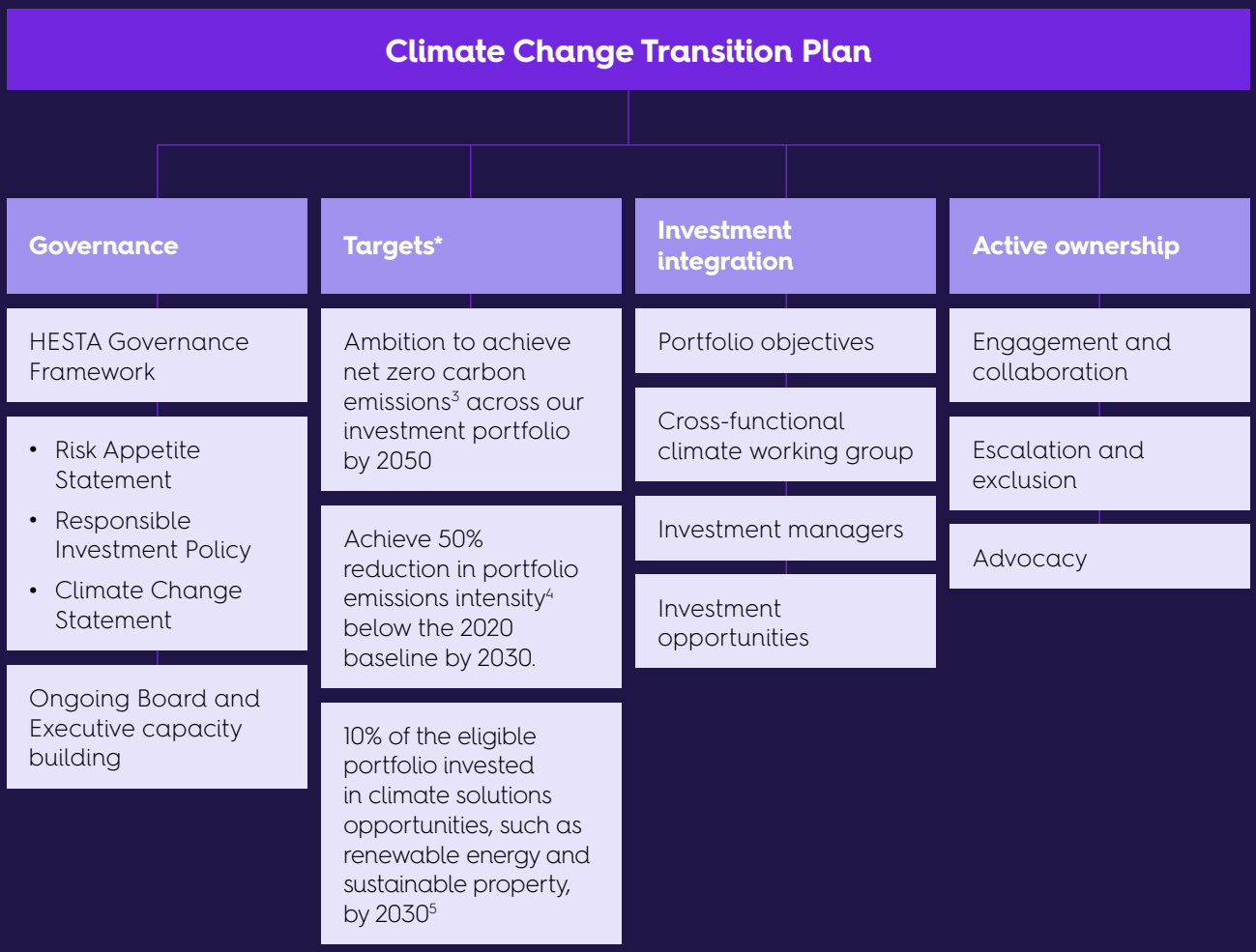
Members: A disorderly transition or severe physical impacts would be expected to affect Australia's economic growth, and this could affect member contributions. Members' assessment of HESTA's climate risk management could also affect member growth and retention.

Operations: HESTA's direct operational exposure to climate risk is small relative to our investment portfolio. Risks include potential disruption from extreme weather events to facilities and IT infrastructure and increased regulatory compliance costs.

Our transition plan

Our Climate Change Transition Plan sets out how we intend to meet our climate targets. It covers the objectives we are working toward, the actions we are taking across investment integration and active ownership, and how we monitor progress.

The plan is developed and maintained by the Responsible Investment team and approved by the Investment Committee. The Responsible Investment team reports progress to the Investment Committee twice a year.



* Each target and our ambition are measured across an eligible portfolio. For our emissions target and ambition, the eligible portfolio is the holdings in the six asset classes we measure to which we can attribute emissions using an industry-recognised methodology; it does not include cash, derivatives or sovereign bonds. More information is included in *How we measure portfolio emissions* on page 28. For the climate solutions target, it is the asset classes where climate solutions can be held, and it excludes cash, derivatives, currency and risk management overlays.

3. Scope 1 and 2 emissions of the companies and assets we invest in.

4. We have chosen portfolio emissions intensity (tCO_2e per AUD million invested) for Scope 1 and 2 emissions of the companies and assets we invest in, to represent our share of real-world emissions. Emissions are attributed using enterprise value including cash or net asset value, as set out in *How we measure portfolio emissions* on page 28. Emissions are measured across the funds under management within our measurement scope, which was 80% of total funds under management at 30 June 2025 after the exclusions set out on page 28.

5. Identification of opportunities has been based upon the Net Purpose SDG taxonomy and, from FY26, the Australian Sustainable Finance taxonomy. Investments aligned to SDG 7, 11 and 13 have been included. For the Australian Sustainable Finance taxonomy, we have applied the *technical screening criteria* for climate change mitigation only and have not assessed holdings against the *do no significant harm* criteria or its *minimum social safeguards*. A holding is considered aligned if it qualifies under either taxonomy and is counted once.

For further information on these objectives please refer to HESTA's Climate Change Statement.

How we plan to meet our targets

Our plan combines investment integration and active ownership, underpinned by our governance framework. Our 2030 portfolio emissions reduction target is embedded in asset class mandates as a key performance indicator. We engage with our highest-emitting portfolio companies on their transition planning and escalate where progress falls short. We work alongside other investors and contribute to policy consultations and industry initiatives. How we engage and escalate is set out in *Risk management* on page 18.

We report progress each year against our 2030 portfolio emissions target, our climate solutions allocation, and our engagement activity, which we report in our FY26 Annual Report. FY26 progress is set out in *Metrics and targets* on page 20.

Because our targets run to 2030 and our net zero ambition to 2050, our modelling relies on assumptions about how the economy, policy and technology will change over that time. Some of these are assumptions we have made in our modelling. Others are dependencies, because they require action by companies and governments that we do not directly control. Through active ownership and advocacy, we seek to act in ways that make them more likely to hold. The assumptions are set out in full on page 27.

Financial effects

Portfolio

The effect of climate change on asset prices is difficult to separate from broader market movements and valuation changes in any single year. We have not identified a material climate-related impact on investment returns in FY26 that can be isolated from other factors.

Our scenario analysis models the impact of climate change on our investment options across three pathways. Modelled to 2040, the expected impact on returns for Balanced Growth, our default option, ranges from 0% to –2% a year, with the Current Path pathway producing the worst outcome over the longer term. Under the two transition pathways, Net Zero by 2050 and Sustained Action, most of the modelled impact falls in the years from now to 2030 and moderates by 2040. Under Current Path the impact is smaller in the near term and grows over the long term as physical risks compound.

The metrics reported in Metrics and targets, together with our scenario analysis, help us understand the scale of our climate-related financial risk exposures and how they are shaping portfolio construction. The scenarios, what they assume and what they mean for the portfolio are set out under *Climate resilience* on page 15.



Financial effects over time

The pathways referred to below are the scenarios described under *Climate resilience* on page 15. Where a potential effect arises mainly under one pathway, we have named it.

Horizon	What could happen	What we are doing about it
Short (Current – 2030)	An abrupt transition, as modelled in the Net Zero by 2050 pathway, could reprice emissions-intensive sectors, particularly energy, materials and utilities. A more gradual transition, as modelled in the Sustained Action pathway, would produce smaller year-to-year adjustments and support climate solutions valuations. Physical risks are already materialising at current warming levels, though transition risks dominate this horizon.	Our 2030 target to halve portfolio emissions intensity focuses attention on the sectors most exposed to repricing risk. Active engagement with our priority portfolio companies supports their transition plans. Our climate solutions allocation was $7.7 billion at 30 June 2026.
Medium (2030 – 2040)	Under the two transition pathways, transition risk effects moderate over this period while physical risks begin to compound. Under a delayed transition, repricing would be sharper and the portfolio would have less time to adjust.	Climate change is built into the long-term capital market assumptions and scenario analysis behind our strategic asset allocation, which is reviewed annually. Physical risk monitoring of infrastructure, property and, from FY26, Australian equities identifies high-risk exposures for engagement with investment managers on adaptation.
Long (2040 – 2050+)	Physical risks become increasingly material and could have a larger negative impact on returns than transition risks under a high-warming pathway. This includes more frequent severe weather, potential un-insurability of assets, and broader economic disruption.	Our net zero by 2050 ambition, which covers the Scope 1 and 2 emissions of the companies and assets we invest in, and our advocacy for economy-wide decarbonisation aim to reduce the likelihood of the worst physical risk outcomes. Where engagement does not achieve progress we escalate, as set out in *Risk management* on page 18.

HESTA operations

Our operational exposure to climate risk is small relative to the portfolio, and climate-related costs are not separately identifiable within our operating costs. In FY26 we did not separately monitor climate-related operational costs or business disruptions, and the evolving nature of climate risks makes it difficult to reliably quantify their potential financial impact on our operational position.

Our cross-functional climate working group is considering how we might quantify these costs in the future.

Risk of material adjustment in FY27

We have considered whether climate-related factors pose a significant risk of a material adjustment to the carrying amounts of assets and liabilities in our financial statements within the next annual reporting period.

Our investments are measured at fair value. Listed assets are valued daily and unlisted assets are revalued at least quarterly, with an independent valuation at least annually and out-of-cycle valuations where circumstances warrant. Climate-related changes in value are therefore reflected in the period they are recognised, rather than accumulating as a risk of future adjustment.

A disorderly transition or an acute physical event could cause rapid repricing in the sectors affected. A delayed transition carries the opposite risk, where policy support weakens and assets exposed to the transition, including renewable energy and other climate solutions, are repriced downwards. In either case, the effect would be reflected in the fair value of our investments in the period it occurred.

On that basis we do not consider there to be a significant risk of material adjustment within the next annual reporting period.

Climate resilience

We test the resilience of our strategic asset allocations by incorporating climate change into our long-term capital market assumptions, including inflation and economic growth, and stress testing forward-looking scenarios. We model all of our investment options.

Balanced Growth investment options hold the majority of funds under management. For this reason, the results we set out in this section are for Balanced Growth.

We are continuing to monitor and review the appropriateness of our assumptions and scenarios by reference to dynamic developments, including the United Nations Environment Programme's October 2026 assessment[6] of national pledges, which projects warming of around 2.6°C this century if pledges are fully implemented and up to 2.8°C under policies already in place, and its Limiting Overshoot Report[7] that suggests that UNEP's most optimistic scenario may result in peak warming of around 1.8°C before reverting to 1.5°C under net negative emissions assumptions. We will provide an update on our assessments in future periods.

The scenarios we use

We assess the portfolio across three climate pathways as part of our annual strategic asset allocation review. The pathways are modelled using our investment consultant's climate change stress testing model, which draws on International Energy Agency World Energy Outlook data on green and brown investment flows. We model a range of outcomes so we can test how the portfolio would perform in various future scenarios. The modelled effect on returns under each pathway is set out under *Financial effects* on page 13.

Scenario	What it assumes	What it means for the portfolio
Net Zero by 2050 1.5°C pathway	Coordinated global policy action including effective carbon pricing across major economies. Rapid deployment of renewable energy and electrification. Fossil fuel demand declines significantly by 2050. Technology costs continue to fall in line with learning curves.	Emissions-intensive holdings reprice quickly as policy moves faster than markets currently expect, so the impact is largest in the years to 2030 before easing. Climate solutions benefit and physical risks are the most contained over the long term.
Sustained Action 2°C pathway	Strengthened but less coordinated policy action, consistent with net zero by 2070. Carbon pricing in advanced economies with slower adoption elsewhere. Energy mix shifts towards renewables but fossil fuels retain a meaningful share through 2040.	Repricing is spread over a longer period than under Net Zero by 2050, and the impact is smallest of the three pathways by 2040, though still more material in the years to 2030.
Current Path 3°C pathway	No material new climate policies beyond those currently enacted. Continued reliance on fossil fuels with limited substitution. Increasing frequency and severity of physical climate events, with cumulative economic damages accelerating beyond 2040.	Least impact in the near term and the greatest by 2040, as physical risks compound and the cost of inaction accumulates.

6. United Nations Environment Programme, Emissions Gap Report 2026: The point of return, October 2026: https://doi.org/10.59117/20.500.11822/50038
7. United Nations Environment Programme, Limiting Overshoot: Navigating exceedance of 1.5°C and pathways towards return, September 2026: https://wedocs.unep.org/handle/20.500.11822/49857

Assets in scope: All asset classes including Australian and international equities, global debt, infrastructure, property and private equity.

This analysis includes an estimate of each asset class's exposure to green and brown assets, based on a reclassification of International Energy Agency World Energy Outlook data. Green assets include technologies such as renewable generation, hydro, battery storage and carbon capture. Brown assets are fossil fuel power generation and the supply of oil, gas and coal.

The analysis indicates that a failure to decarbonise the broader economy, consistent with the Current Path pathway, would have the greatest negative impact on long-term returns, reinforcing the financial case for supporting the transition.

What this analysis tells us about our resilience

Across all three scenarios, climate change reduces the long-term returns modelled for Balanced Growth relative to a world without it. Under the two transition pathways most of the impact falls before 2030 and in carbon-intensive sectors, while under Current Path it is larger, arrives later, and comes from physical risk.

This shapes how we set targets and where we direct engagement, and it underpins our advocacy for stronger policy settings. Systemic risk of this kind persists regardless of how we allocate capital within the portfolio. Our strategic asset allocation is reviewed annually with climate built into the long-term capital market assumptions that drive it, so changes in the outlook feed through to allocation decisions each year.

The scenarios we use to test the portfolio indicate direction and relative magnitude rather than the probability of any particular outcome. The modelling applies scenario pathways at asset class level rather than to individual holdings, so it captures broad sectoral effects but not company-specific transition readiness, which our engagement and transition alignment work addresses. Physical risk is less well represented than transition risk: the economic damage functions behind long-horizon estimates remain contested and most models are understood to understate compounding and tipping-point effects, so the true impact could be greater than the modelling suggests.

Extending physical risk assessment across all asset classes and continuing to build company-level transition data will let us act on more specific information than portfolio-level modelling can provide.

How physical risk translates to financial risk

Understanding and managing physical climate risk is essential to the resilience and long-term performance of our portfolio.

In FY26 we assessed portfolio-level physical climate risk exposure for our Australian equities portfolio, having previously assessed the physical climate risk exposure of our unlisted assets. The assessment covered six physical climate hazards: flood, cyclone, wildfire, heatwave, sea level rise and water stress. It focused on asset-level impact and quantified the effect of those hazards on asset performance through two measures: structural damage and business interruption.

The results below cover holdings for which data was available through our provider. Baseline reflects a historical 2005 to 2015 average and is scenario-independent. The 2050 and 2080 figures are modelled projections. Dominant peril indicates the hazard contributing most to each sector's modelled structural damage. The projections use the Shared Socioeconomic Pathways from the Intergovernmental Panel on Climate Change's Sixth Assessment Report.

Annualised structural damage by sector, Australian equities portfolio at 30 June 2026

The table below shows the average projected yearly loss from climate hazards for each sector, as a percentage of asset value.

		Moderate warming SSP2-4.5		High emissions SSP5-8.5		
Sector	**Baseline**	**2050**	**2080**	**2050**	**2080**	**Dominant peril**
Energy						Flood
Materials						Wildfire
Real Estate						Flood
Industrials						Flood
Utilities						Wildfire
Health Care						Flood
Consumer Staples						Flood
Information Technology						Flood
Consumer Discretionary						Wildfire
Financials						Wildfire
Communication Services						Wildfire

Low (below 0.2%) **Medium (0.2% to 1%)** **High (above 1%)**

Structural damage risk is greatest in the Energy sector, driven by the exposure of a small number of large energy assets to flood. Energy is the only sector where modelled damage moves into the high band. Business interruption risk is similarly concentrated in Energy, with more moderate exposure in Information Technology, Utilities and Real Estate.

Physical risk modelling remains subject to inherent uncertainty, and its outputs represent plausible, unmitigated conditions rather than forecasts or expected losses. We use these results to indicate where exposure is concentrated across sectors, rather than as a complete or definitive analysis of climate-related risk.

We intend to extend this assessment to our other asset classes and to use the findings to inform how we integrate physical risk into investment decisions and where we focus engagement with investment managers and companies on adaptation.

Risk management

Climate risks are managed within HESTA's overall Risk Management Framework and Strategy.

How we identify climate-related risks and opportunities

Our process for identifying climate-related risks and opportunities combines bottom-up and top-down analysis:

- **Portfolio level** – uses emissions data alongside transition risk scores (CA100+, Transition Pathway Initiative) to identify the highest-emitting companies and assess their climate risk exposure, and geospatial data to identify real assets materially exposed to acute or chronic climate hazards.
- **Strategic level** – incorporates climate change into long-term capital market assumptions and scenario analysis as part of the annual Strategic Asset Allocation review, identifying sector and asset class-level risks and opportunities across short, medium and long-term horizons.

Listed equities account for just over 70% of our measured portfolio Scope 1 and 2 emissions, with key exposures in the energy, materials, utilities and industrials sectors. Coverage and exclusions are set out under *How we measure portfolio emissions* on page 28. Infrastructure and property are the primary concentration of physical risk exposure, both acute and chronic.

Risks and opportunities identified through these processes are consolidated by the Responsible Investment team and reviewed by the cross-functional climate working group.

For transition risk, materiality is assessed based on a company's contribution to our portfolio emissions, and by an assessment of transition progress, using the CA100+ Net Zero Company Benchmark and the Transition Pathway Initiative to look at targets, decarbonisation strategy, capital allocation and climate governance. We prioritise engagement with companies whose emissions are material and whose exposure to transition risk is greatest. The results of this assessment are set out in *Transition alignment of emissions-intensive holdings* on page 23.

Climate-related opportunities are also identified using both top-down and bottom-up analysis. We identify the asset classes and sectors likely to benefit from the transition to a low carbon economy through the annual strategic asset allocation review, using climate scenario analysis. Individual opportunities are identified and assessed by the relevant asset class teams through our normal investment process, with progress against our climate solutions target reported to the Investment Committee.

The Responsible Investment team draws on the following data sources to assess climate-related risks:

- Carbon emissions and physical risk data from data providers; transition risk assessments from CA100+, the Transition Pathway Initiative; a platform for portfolio climate data; company reporting (financial, sustainability and climate-specific disclosures);
- Research from the Intergovernmental Panel on Climate Change; Investor Group on Climate Change; Australian Council of Superannuation Investors; Principles for Responsible Investment and other industry bodies; and specialist research from external investment managers and analysts.

We seek to improve the quality of climate-related data through engagement, voting and advocacy, working with other asset owners and investment managers. We have also advocated for climate-related disclosure requirements in Australia to be internationally consistent, aligning with the International Sustainability Standards Board (ISSB) standards that now underpin AASB S2.

How we manage climate-related risks

We manage climate-related risks through a combination of capital allocation and active ownership. Our response depends on the risk itself, the asset class it sits in, and where we judge we can have the most influence.

With listed companies, we engage directly with the highest-emitting companies in our portfolio, as well as collaboratively through Climate Action 100+ and through our service providers Australian Council of Superannuation Investors and Federated Hermes EOS. Our engagement implementation guidelines set out how this work is prioritised and when it escalates.

Where a company has not made adequate progress through engagement and significant risk remains, we may escalate. Our escalation tools include placing a company on a watchlist for heightened monitoring, voting against directors or remuneration reports, voting on Say on Climate resolutions, supporting or filing shareholder resolutions, and considering divestment. How we used these tools during FY26 is reported in our FY26 Annual Report.

We do not apply these tools in a set sequence, and our approach is responsive to new information. We will consider divestment where there is inadequate evidence of progress, where we have formed the view that further engagement is unlikely to achieve alignment with our objectives, and where we consider divestment to be in members' best financial interests.

For physical risk in real assets, we engage with external investment managers on risk assessment and adaptation measures.

For climate opportunities, we identify and pursue investments aligned with our target to have 10% of the eligible portfolio invested in climate solutions, measured using the Net Purpose SDG taxonomy and, from FY26, the Australian Sustainable Finance taxonomy, applying *technical screening criteria* for climate change mitigation only.

Our exclusion applies to listed companies deriving more than 15% of revenue from the exploration, mining or sale of thermal coal.

All prospective and existing external investment managers are assessed on their climate risk management capabilities. For unlisted asset classes, managers are required to measure and report carbon emissions to us annually, with the support of a specialist emissions reporting platform. Results from the FY26 survey show that 57% of our external investment managers have committed to targeting net zero.

Climate-related risks are monitored on a regular basis. The carbon dashboard calculates the listed equity portfolio emissions monthly and we review the whole-of-fund portfolio emissions annually, together with our allocation to climate solutions. We also assess transition pathways of priority companies when they update their disclosures.

Climate-related financial risks are integrated into HESTA's Risk Management Framework and Strategy as a component of Responsible Investment risk, and that integration operates at several levels.

Responsible investment risk, inclusive of climate change, is a sub-category of Investment and Market Risk in HESTA's Risk Appetite Statement, for which the Board has set a Moderate appetite. Tolerance measures approved by the Board cover portfolio emissions and climate solutions, with progress reported through our aggregated risk metrics to the Investment Committee.



Metrics and targets

HESTA measures portfolio emissions to track progress toward our 2030 portfolio emissions reduction target. We measure HESTA's share of the Scope 1 and 2 emissions of the companies and assets we invest in, which are the direct emissions from their operations and from the electricity they purchase. Our approach follows the Greenhouse Gas Protocol (GHG Protocol) and applies guidance from the Partnership for Carbon Accounting Financials (PCAF).

Portfolio emissions intensity is the Scope 1 and 2 emissions of the companies and assets we invest in, apportioned based on the size of our investment, and divided by the funds under management for which we have measured emissions. This metric is expressed as tonnes of carbon dioxide equivalent (tCO_2e) for every million dollars invested. We use this metric because it lets us compare year to year as the fund grows.

Portfolio emissions are reported one year in arrears, reflecting our reliance on emissions data reported by portfolio companies for their own reporting periods. Because of this, the figures below relate to portfolio holdings at 30 June 2025.

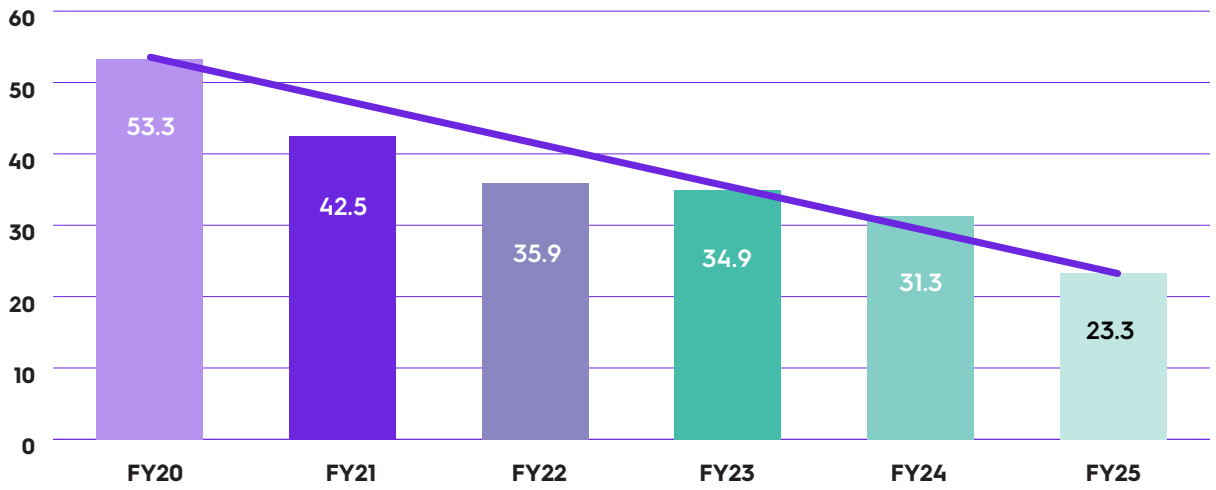
We measure holdings in six asset classes, using reported emissions data where it is available and estimates where it is not. The holdings we measured were $79.3 billion of the $99.3 billion we managed at 30 June 2025, or 80% of funds under management. Cash, derivatives and sovereign bonds are excluded. Where a holding had no reported emissions data, we have used an estimate.

Details of methodology, data sources and the reasons for each exclusion are set out under *How we measure portfolio emissions* at the end of this section.



Portfolio emissions

HESTA's portfolio emissions intensity, covering the Scope 1 and 2 emissions of the companies and assets we invest in, declined to 23.3 tCO_2e per AUD million invested for holdings at 30 June 2025. This represents a 25.4% reduction from the prior year and a 56% decrease from our FY20 baseline, meaning we are currently tracking ahead of our 2030 interim target to achieve 50% reduction in portfolio emissions intensity[8] below the FY20 baseline, by 2030.



tCO_2e per AUD million invested

This decline reflects a combination of growth in the value of our portfolio, changes to our holdings, and emissions reductions by the assets we invest in.

Australian and international equities are our largest emissions exposure, together making up just over 70% of our reported portfolio emissions. Emissions intensity fell in both asset classes over the year.

The largest driver of this reduction across both asset classes was growth in the value of the companies we hold. Because we attribute emissions to ourselves using each holding's enterprise value including cash or net asset value, a rise in valuations reduces the measured intensity even where emissions are unchanged. This type of reduction does not necessarily represent real-economy decarbonisation.

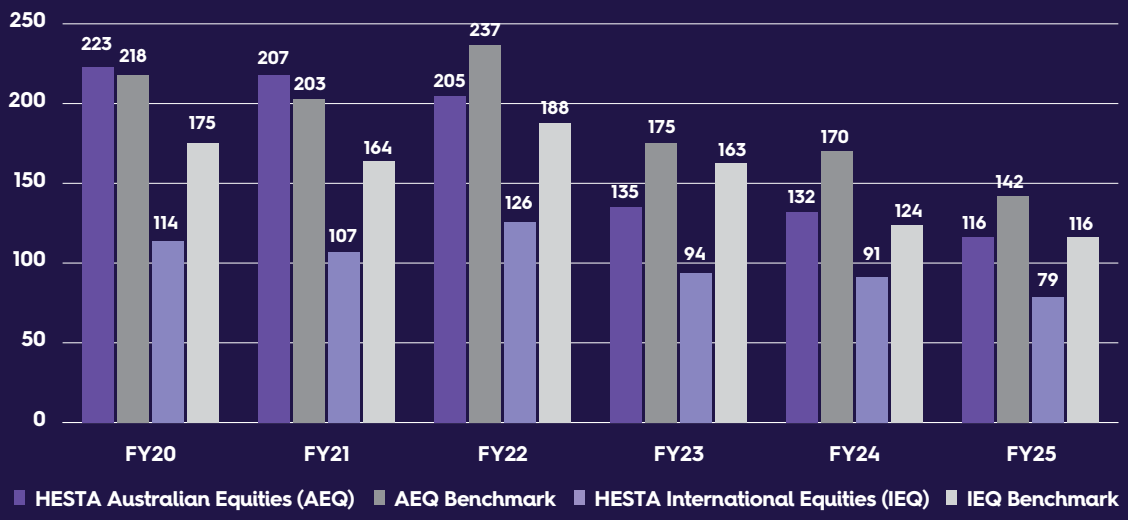
Portfolio composition and changes in data and methodology can affect our intensity from year to year. Because of this, we focus on trends over time rather than any single year.

8. We have chosen portfolio emissions intensity (tCO_2e per AUD million invested) for Scope 1 and 2 emissions of the companies and assets we invest in to represent our share of real-world emissions. Emissions are attributed using enterprise value including cash or net asset value, as set out in *How we measure portfolio emissions* on page 28.

Weighted Average Carbon Intensity (WACI)

WACI measures the emissions intensity of the portfolio weighted by position size, expressed in tonnes of CO_2 equivalent per USD million of portfolio company revenue (tCO_2e/USDm). This is a different basis to our portfolio emissions intensity, which is measured per AUD million invested.

At 30 June 2025, WACI for our Australian equities portfolio was 116 tCO_2e/USDm against a benchmark of 142 tCO_2e/USDm, and for international equities 79 tCO_2e/USDm against 116 tCO_2e/USDm. Both portfolios have sat below their benchmarks since FY22, largely because of underweight positions in high-emission sectors including energy, materials and utilities. Benchmark intensity has also fallen over the period.



Fossil fuel exposure

HESTA regularly assesses portfolio exposure to companies involved in fossil fuel-related activities, including mining, extraction, refining, energy generation and pipeline transportation. This analysis supports our understanding of portfolio transition risk.

At 30 June 2025, total look-through fossil fuel exposure decreased to 2.9% of total funds under management (FUM), from 3.5% the year prior.

Fossil fuel exposure by activity at 30 June 2025

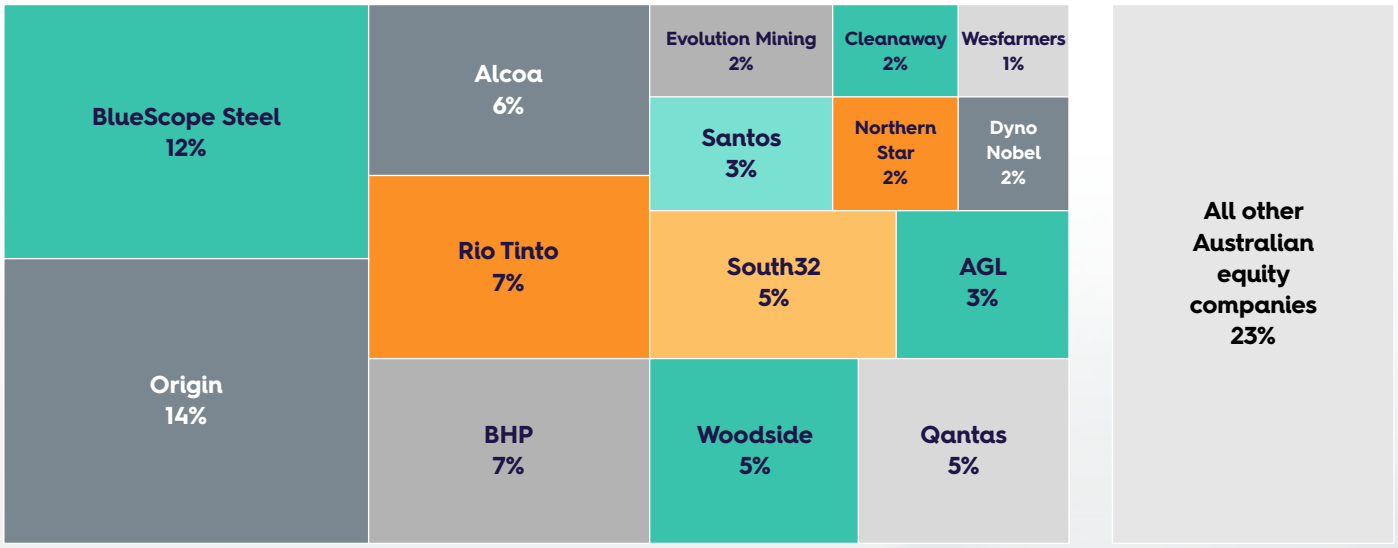
Activity	% of total FUM
Thermal coal mining	0.05%
Fossil fuel energy generation	0.45%
Oil and gas: refining	0.39%
Oil and gas: extraction	0.79%
Oil and gas: pipelines	1.24%
Total fossil fuel exposure	**2.9%**

Pipelines are the largest component, and infrastructure is the largest contributing asset class.

Transition alignment of emissions-intensive holdings

Australian equities account for 43% of our portfolio Scope 1 and 2 emissions, and around 77% of that sits in 15 companies. These are our priority companies for engagement, identified by their contribution to portfolio emissions together with an assessment of transition risk.

15 companies account for 77% of our Australian equities emissions



Data as at 30 June 2025. This chart covers our Australian equities portfolio only.

Remaining Australian equities emissions (from 311 companies)

All 15 have set interim emissions reduction targets for 2030 to 2035. We assess their transition progress using the CA100+ Net Zero Company Benchmark and Transition Pathway Initiative, covering targets, decarbonisation strategy, capital allocation alignment and climate governance. Engagement objectives and progress are tracked in internal engagement plans.

Our transition alignment assessment, completed in early 2026, covered 55% of our portfolio Scope 1 and 2 emissions, concentrated in the emissions-intensive listed equities and infrastructure assets we prioritise for engagement. Of the emissions assessed, 89% are attributable to holdings assessed as transitioning to net zero, which supports our management of transition risk. Some of these companies have since revised their Scope 3 targets or are tracking behind their stated pathways.

Our climate targets

HESTA supports the global decarbonisation goals set out in the Paris Agreement, an international treaty on climate change. We have set climate targets aimed at driving real-world emissions reductions and contributing to the broader decarbonisation of the economy. The United Nations Environment Programme's September 2026 assessment[9] finds that global policy is not on a pathway consistent with the Paris goals, and that warming is likely to exceed 1.5°C at least temporarily within the next decade.

We hold our targets because both a disorderly transition and a high-warming world carry risks for our members' retirement savings, and as a globally diversified investor we have limited ability to diversify away from either. Our targets cover the Scope 1 and 2 emissions of the companies and assets we invest in. They do not cover those companies' Scope 3 emissions.

Our climate targets and ambition[10]

Ambition to reach net zero
carbon emissions across our investment portfolio by 2050.

50% **reduction in portfolio emissions intensity below the 2020 baseline by 2030.**

10% **of the eligible portfolio invested in climate solutions opportunities, such as renewable energy and sustainable property, by 2030.**

Our approach to progressing toward the 2030 portfolio emissions reduction target focuses on active ownership, where we work 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 perform, 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.

Real-economy decarbonisation, particularly across hard-to-abate sectors, will depend on broader system-wide efforts, including policy, innovation and collaboration.

To track progress toward the 2030 portfolio emissions reduction target, we calculate the Scope 1 and 2 emissions associated with listed equities monthly, and for all other asset classes annually.

9. United Nations Environment Programme, Limiting Overshoot: Navigating exceedance of 1.5°C and pathways towards return, September 2026: https://wedocs.unep.org/handle/20.500.11822/49857

10. Each target and our ambition are measured across an eligible portfolio. For our emissions target and ambition, the eligible portfolio is the holdings in the six asset classes we measure to which we can attribute emissions using an industry-recognised methodology; it does not include cash, derivatives or sovereign bonds. More information is included in *How we measure portfolio emissions* on page 28. For the climate solutions target, it is the asset classes where climate solutions can be held, and it excludes cash, derivatives, currency and risk management overlays.

Climate solutions

We seek to have 10% of the eligible portfolio invested in climate solutions by 2030.

We classify investments as climate solutions, such as renewable energy and sustainable property, where they are aligned to United Nations Sustainable Development Goals 7, 11 and 13 under the Net Purpose SDG taxonomy, or to the Australian Sustainable Finance Taxonomy (Australian Taxonomy), which we have used for the first time this year. We have applied the Australian Taxonomy's *technical screening criteria* for climate change mitigation only and have not assessed holdings against the *do no significant harm* criteria or *minimum social safeguards*. A holding is counted towards the target where it qualifies under either taxonomy, with holdings that qualify under both only counted once.

At 30 June 2026, holdings classified as climate solutions were $7.7 billion, measured against eligible funds under management of $98.3 billion, or 7.8% of the eligible portfolio.

This year we have refined the funds under management the target is measured against, counting only the asset classes where climate solutions opportunities are available and excluding cash, derivatives, currency and risk management overlays. This change in basis means that prior years are not directly comparable.

Risk-adjusted returns on renewable energy assets have been affected in recent years by a number of factors, such as geopolitics and the policy environment, which affect valuations and create volatility in annual progress even where deployment is growing.

We measure alignment annually and report progress to the Investment Committee.



Climate targets and progress

The table below sets out the methodology and progress toward HESTA's climate targets. These are reviewed annually by the Investment Committee.

	2030 interim target	2030 climate solutions target
Target description	50% reduction in portfolio emissions intensity below the FY20 baseline by 2030	10% of eligible portfolio invested in climate solutions by 2030, assessed against eligible funds under management at each reporting date
Target type	Intensity	Capital allocation
Emissions scopes	Scope 1 and 2 of the companies and assets we invest in	N/A
Target metric	tCO_2e per AUD million invested	% of eligible FUM
FUM in scope	Measured holdings across six asset classes ($79.3 billion at 30 June 2025, 80% of total funds under management). This excludes cash, derivatives and sovereign bonds; more information is provided in *How we measure portfolio emissions* on page 28.	Eligible FUM at 30 June 2026 ($98.3 billion). This is the asset classes where climate solutions can be held, excluding cash, derivatives and currency and risk management overlays.
Measurement methodology	GHG Protocol and PCAF. Enterprise value including cash (EVIC) for listed assets; net asset value for unlisted assets.	Net Purpose SDG taxonomy (SDGs 7, 11 and 13) and, from FY26, the Australian Sustainable Finance taxonomy (*technical screening criteria* for climate change mitigation only). A holding is classified as a climate solution if it qualifies under either taxonomy and is counted once.
Baseline year	FY20 (year ended 30 June 2020)	FY22 (first year measured)
Baseline value	53.3 tCO_2e per AUD million invested	$5.4bn, on a total FUM basis
Target value	26.65 tCO_2e per AUD million invested	10% of eligible FUM by 2030
Target date	30 June 2030	30 June 2030
Progress	**Portfolio emissions intensity (tCO_2e per AUD million invested)**	**Climate solutions ($ AUD)**
FY21	42.5	—
FY22	35.9*	$5.4bn
FY23	34.9	$6.0bn
FY24	31.3*	$5.8bn
FY25	23.3*	$6.4bn
FY26	—	$7.7bn (7.8%)
Assurance	The limited assurance report for the FY25 portfolio emissions intensity is on page 31.	Not subject to assurance.

* Indicates where limited assurance has been obtained.



Assumptions and dependencies

These are the conditions we assumed when we set our targets, and which we expect will generally need to hold for us to reach them. Some are dependencies, because they require action by companies and governments that we do not directly control. Through active ownership and advocacy, we seek to act in ways that support the likelihood of them being met. This is not an exhaustive list and we review it annually.

- That HESTA remains a diversified investor with exposures to emissions-intensive companies;
- That emissions-intensive companies deliver their current climate targets;
- That our engagement, in collaboration with other investors, will be successful in encouraging emissions-intensive companies to set and deliver more ambitious targets;
- That international equities indices will transition in composition to include a greater proportion of companies that derive revenue from climate solutions; and
- That accurate data is supplied by our investment managers and external data providers.

Global policy settings are not yet consistent with the goals of the Paris Agreement, and a small number of our priority portfolio companies are tracking behind their stated pathways.

We review these conditions annually and will report our updated assessment in future periods.

How we measure portfolio emissions

This section sets out the basis on which the portfolio emissions intensity reported above has been prepared. The figure subject to limited assurance is our portfolio emissions intensity as at 30 June 2025 of 23.3 tCO_2e per AUD million invested.

Frameworks we apply

We follow the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition, 2004) and the GHG Protocol Scope 2 Guidance (2015), which defines the location-based and market-based methods. We apply the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, Part A: Financed Emissions (Second Edition, December 2022), which was the current edition at 30 June 2025.

What we measure

We measure HESTA's share of the Scope 1 and Scope 2 emissions of the companies and assets we invest in, for the year ended 30 June 2025. We use the Scope 2 emissions calculated using a location-based method where a company reports on that basis, and the market-based figure where a company reports Scope 2 only on a market-based basis. Our portfolio Scope 2 result is therefore a hybrid of the two methods. The basis applied to each holding is driven only by the data available for that company. Scope 3 emissions of these companies and assets are not included in our portfolio emissions intensity.

Emissions are reported in tonnes of carbon dioxide equivalent and cover the seven greenhouse gases in the GHG Protocol Corporate Standard. Where emissions are reported by a company or asset, we use the figure as published, which applies the global warming potentials used in that entity's own inventory. Where emissions are estimated by our data providers, global warming potentials are the 100-year values from the IPCC Fifth Assessment Report (AR5). The holdings we exclude from this measurement, and the reasons for each exclusion, are set out under What we exclude below.

We report portfolio emissions intensity, which is total emissions divided by the value of the holdings we measure, expressed in tCO_2e per AUD million invested. Our 2030 target is measured against the year ended 30 June 2020. The baseline is 53.3 tCO_2e per AUD million invested.

We measure six asset classes: Australian equities, international equities, global debt, infrastructure, property and private equity.

The denominator is the fair value of holdings within the six measured asset classes to which emissions have been attributed, including estimated property and private equity holdings, converted to Australian dollars at the reporting date.[11] The FY20 baseline, which the 2030 target is measured against, was measured on the same basis, though the proportion of holdings relying on estimated emissions data differs each year.

What we exclude	Rationale
Cash	Cash is not a debt or equity exposure to a company, so it is not a financed asset under the PCAF standard we apply.
Derivatives	Derivatives are not a debt or equity exposure to a company, so they are not a financed assets under the PCAF standard we apply.
Sovereign bonds	Sovereign bonds are excluded from our portfolio emissions intensity metric and our 2030 target to preserve comparability with the FY20 baseline. At the time the baseline was set, the PCAF standard did not provide a methodology for sovereign debt; that asset class was first introduced in the PCAF Second Edition (December 2022). Sovereign emissions are also attributed on a different basis to corporate holdings, using exposure relative to a country's purchasing power parity (PPP) adjusted GDP rather than a company's enterprise value, and PCAF requires them to be reported separately. This report does not present a complete Scope 3 Category 15 inventory.
Scope 3 emissions of the companies and assets we invest in	Our target covers Scope 1 and Scope 2 portfolio emissions only.

11. At 30 June 2025 the denominator was $79.3 billion, representing 80% of total FUM of $99.3 billion.

How we attribute emissions to HESTA

Asset class	How we attribute emissions to HESTA	Where the data comes from
Australian equities	The value of our holding in a company divided by the company's enterprise value including cash (EVIC). We then apply that percentage to the company's Scope 1 and 2 emissions.	Data provider
International equities	The value of our holding in a company divided by the company's EVIC. We then apply that percentage to the company's Scope 1 and 2 emissions.	Data provider
Global debt	The value of the bonds we hold divided by the issuer's EVIC, multiplied by the issuer's emissions. Sovereign bonds are excluded. For alternative credit, depending on what the manager reports, either the value of debt we hold divided by the issuer's EVIC, multiplied by the issuer's emissions, or our share of the fund value applied to the emissions of the underlying holdings.	Data provider and investment managers
Infrastructure	Our share of the fund's net asset value, applied to the emissions of the underlying assets.	Investment managers and underlying assets
Property	Our share of the fund's net asset value, applied to the emissions of the underlying assets.	Investment managers and underlying assets
Private equity	Our share of the fund's net asset value, applied to the emissions of the underlying assets.	Investment managers and underlying assets

Our holdings are measured at their fair value at 30 June 2025. The emissions for each holding, and the denominator used to attribute them to us, are taken from the entity's most recent reporting period ending on or before 30 June 2025. We do not update our calculation for emissions data published after our collection date.

How we estimate emissions where they are not reported

We use company-reported emissions wherever they are available. Where they are not, our data provider applies the following hierarchy to determine estimated emissions.

Listed equities and global debt

Step	Approach	When it applies
1	Company-reported Scope 1 and 2 emissions	The company has published emissions for the relevant period
2	Production-based estimate: the company's reported physical output is multiplied by an emission factor for that production process, expressed as tCO_2e per unit of output	No reported emissions and physical activity data is available
3	Company-specific intensity estimate: the company's own historical reported emissions divided by its revenue for the same period, applied to its current revenue	No reported emissions and no usable physical activity data

Step	Approach	When it applies
4	Industry segment average intensity: an average emissions intensity per unit of revenue for each industry segment, applied to the company's revenue in that segment and added together across segments	Neither of the above is available for a company within the provider's coverage
5	Sector benchmark average intensity: the average emissions intensity of the corresponding Global Industry Classification Standard (GICS) sector in the asset class benchmark, which is the S&P/ASX 300 for Australian equities and the MSCI All Country World ex Australia Index for international equities, applied to the value of our holding	The holding sits outside our data provider's coverage universe

For the alternative credit component of global debt, we use emissions reported by the investment manager. Where a manager does not report, we apply the emissions intensity of another global debt mandate, selected on the basis that it invests in the same type of credit and has similarly diversified underlying exposures. The proxy intensity is applied to the value of our holding.

Infrastructure, property and private equity

We use emissions reported by the investment manager or the underlying asset. Where an underlying asset has not reported, our data platform estimates its emissions using the PCAF methods for commercial real estate and for business loans and unlisted equity.

Where neither reported nor estimated emissions are available for an asset, that asset is excluded from both the emissions we report and the denominator.

For property and private equity, we then estimate emissions for the remaining uncovered portion of each asset class, applying the emissions intensity measured for the covered portion to the uncovered funds under management. Both the estimated emissions and associated funds under management are included in the reported figure. We do not apply this step to infrastructure.

Changes in methodology

Where a change in methodology or in a material input to our calculations affects comparability, we disclose the effect of the change in the year it takes effect. We did not recalculate the FY20 baseline or restate prior years this year.

In FY25 we began including property and private equity holdings for which we hold no emissions data, by estimating their emissions. These holdings were previously out of scope. Including them brings in both their estimated emissions and their funds under management. Because these holdings are less emissions-intensive than the rest of the portfolio, their inclusion reduced the reported figure. On the previous basis it would have been 23.7 rather than 23.3 tCO_2e per AUD million invested.



Independent practitioner's limited assurance report on HESTA's Selected Sustainability Information

To the Directors of H.E.S.T. Australia Ltd

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the portfolio emissions intensity metric (the "Selected Sustainability Information") of HESTA (ABN 64 971 749 321) (the "Fund") as defined below and set out under the heading Portfolio Emissions on pages 21 of HESTA's FY26 Sustainability Report (the "Report").

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the accompanying Selected Sustainability Information is not prepared, in all material respects, in accordance with the Reporting Criteria set out in the 'Selected Sustainability Information and Reporting Criteria' section below.

Selected Sustainability Information and Reporting Criteria

The Selected Sustainability Information and the Reporting Criteria are as set out in the table below.

Description	**Reported performance**
Portfolio emissions intensity – Scope 1 and Scope 2 greenhouse gas emissions per AUD million invested (at 30 June 2025)	23.3 tCO2-e / AUD$m invested

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, NSW 2000
GPO Box 2650 SYDNEY 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

The Reporting Criteria comprise the methods and measurement approaches set out under the heading "How we measure portfolio emissions" on page 28 of the Report. The Selected Sustainability Information needs to be read and understood together with these Reporting Criteria.

The maintenance and integrity of HESTA's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Sustainability Information or Reporting Criteria when presented on HESTA's website.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with Australian Standard on Sustainability Assurance 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) issued by the Australian Auditing and Assurance Standards Board.

The procedures in a limited assurance 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 limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Fund in accordance with the applicable ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to June 2024) (the Code), that are relevant to our limited assurance of the Selected Sustainability Information and public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our firm applies Australian Standard on Quality Management 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 and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Other Matter

The comparative portfolio emissions intensity metrics are unaudited, except for the 30 June 2024 year which was audited by another firm and reported in HESTA's FY25 Responsible Investment Report, dated 24 June 2025. Our conclusion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Report and sustainability information in respect of earlier periods and any other information included in, or linked from, the Report but does not include the Selected Sustainability Information and our assurance report thereon.

Our conclusion on the Selected Sustainability Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the Selected Sustainability Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Selected Sustainability Information or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Selected Sustainability Information

Management of H.E.S.T. Australia Ltd, on behalf of the Fund, is responsible for:

- Determining the appropriateness of the Selected Sustainability Information and the suitability of the Reporting Criteria for the evaluation and measurement of that information, including the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances;
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Selected Sustainability Information, in accordance with the Reporting Criteria, that is free from material misstatement, whether due to fraud or error; and
- The preparation of the Selected Sustainability Information in accordance with the Reporting Criteria.

Inherent Limitations in Preparing the Selected Sustainability Information

Sustainability information may be subject to more inherent limitations than financial information, given both its nature and the methods used for determining, calculating, and estimating such information. Different acceptable methods have varying precision and can affect the comparability of sustainability information across entities and over time.

In addition, greenhouse gas emissions quantification is subject to inherent uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Selected Sustainability Information.

As part of a limited assurance engagement in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosures level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, and
- Consider the suitability in the circumstances of HESTA's use of the Reporting Criteria as the basis for the preparation of the Selected Sustainability Information.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Selected Sustainability Information. The nature, timing and extent of procedures selected depend on professional

judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error.

In conducting our limited assurance engagement, we:

- Enquired with management regarding the processes and controls for capturing, collating, calculating and reporting the Selected Sustainability Information;
- Assessed the appropriateness of the methodology applied by HESTA in calculating the Selected Sustainability Information, including the attribution approach applied to each asset class, against the Reporting Criteria;
- Assessed the completeness of the investment portfolio included in the calculation of the Selected Sustainability Information by reconciling, on a sample basis, investment holdings and values as at 30 June 2025 to custodian records and underlying investment data;
- Agreed, on a sample basis, investee Scope 1 and Scope 2 emissions data and financial data (such as enterprise value including cash (EVIC)) used in the calculation to third-party data provider sources;
- Assessed the appropriateness of estimates and assumptions applied by management, including emissions factors and proxy data used where reported investee emissions data was not available;
- Calculated the arithmetic accuracy of a sample of calculations underpinning the Selected Sustainability Information; and
- Reviewed the presentation and disclosure of the Selected Sustainability Information in the Report.

Use and distribution of our report

We were engaged by the Directors of H.E.S.T. Australia Ltd to prepare this independent assurance report having regard to the Reporting Criteria specified by the directors and set out in this report. This report was prepared solely for HESTA for the purpose of assisting the Directors in obtaining independent limited assurance over the Selected Sustainability Information

We accept no duty, responsibility or liability to anyone other than the directors of H.E.S.T. Australia Ltd in connection with this report or to HESTA for the consequences of using or relying on it for a purpose other than that referred to above. We make no representation concerning the appropriateness of this report for anyone other than HESTA and if anyone other than HESTA chooses to use or rely on it they do so at their own risk.

This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute and even if we consent to anyone other than HESTA receiving or using this report.

PricewaterhouseCoopers

PricewaterhouseCoopers

C. Mara

Caroline Mara
Partner

Sydney
9 November 2026

HESTA

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Super with impact

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