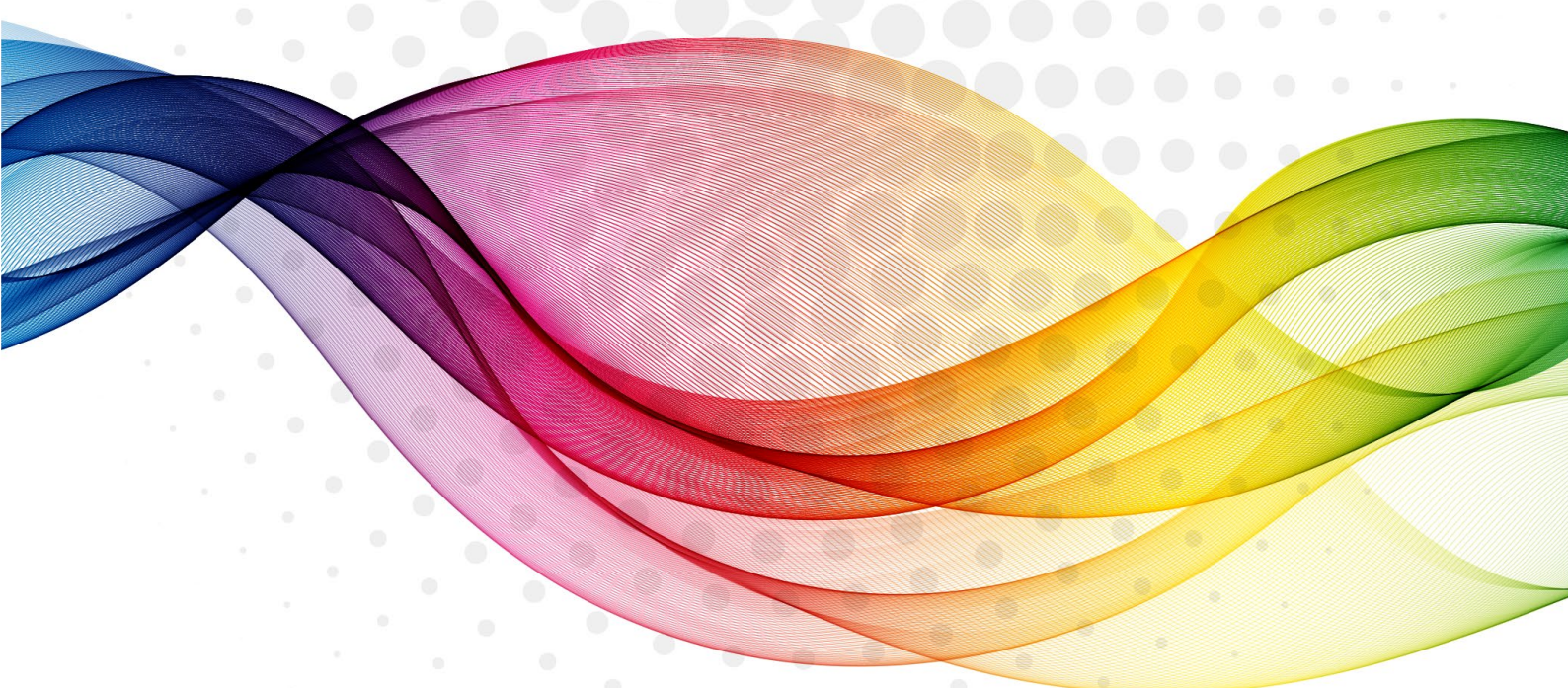


# 2020 ANNUAL REPORT

2019 – 2020 FINANCIAL YEAR



November 2020

# The year at a glance



**272**

meetings held with  
ASX300 companies



**191**

companies engaged  
with ACSI



**112**

target companies  
made improvements



**1809**

shareholder resolutions  
covered from 322 meetings  
for ASX300 companies



**4**

major research reports  
released



**17**

webinars or events held  
for ACSI members on  
ESG issues



**3**

new ACSI members  
welcomed  
in FY20



**30**

priority companies  
appointed women to their  
boards



**32%**

of ASX200 board seats  
are held by women



**30**

priority companies  
improved executive  
remuneration structures



**90%**

of climate change  
priority companies made  
material improvements



**80%**

of workforce and supply  
chain priority companies  
made improvements

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## Australian Asset Owner Stewardship Code

ACSI has developed the Australian Asset Owner Stewardship Code, which provides principles and guidance to aid the implementation and transparency of the stewardship practices of asset owners. You can find out more about [the Stewardship Code here](#).

## ACSI on Social Media

Want to stay in the loop?  
We are active on [Twitter](#) and [LinkedIn](#).



# About ACSI

Established in 2001, ACSI provides a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

## About this report

At ACSI, we view transparency as one of our key operating principles. Publicly reporting our results is one way we demonstrate accountability to our stakeholders.

This Annual Report covers the 2019 – 2020 financial year (FY20) and shows a snapshot of our success. In 2018, we began incorporating principles from the International [Integrated Reporting Framework <IR>](#) into our annual report. In 2019, we further built on this by incorporating the concept of board accountability, the identification of our 'capitals' and factors that influence our business environment. For this FY20 report, we have taken the next step by improving connectivity and further measuring our success.

We think this approach provides the best explanation of how we create value for our members and stakeholders.

## BOARD ACKNOWLEDGEMENT

As the Board of ACSI, we acknowledge our responsibility for the preparation of this report. We have reviewed the contents of the report and taken action to ensure the integrity and accuracy of its contents. We recognise that although this report incorporates principles from the <IR> Framework, it is not yet a full integrated report. We will continue to monitor ACSI's progress towards implementing the Framework in its entirety.

## ACSI BOARD

Ian Silk (ACSI President) – AustralianSuper  
Antony Thow (Deputy President) – LUCRF Super  
Candy Broad – First Super  
Dave Noonan – Cbus Super  
David Elia – Hostplus  
Debby Blakey – HESTA  
Donna Heffernan – Local Government Super  
John Livanas – State Super  
Joshua Lim – IFM Investors  
Liza McDonald – Aware Super  
Lou Capparelli – UniSuper  
Michael Pennisi – QSuper  
Michelle Gardiner – CareSuper  
Vicki Doyle – Rest Super

## ACSI MEMBER COUNCIL

Ian Silk (President) – AustralianSuper  
Andrew Gray – AustralianSuper  
Anna Shelley – Catholic Super  
Antony Thow – LUCRF Super  
Bill Watson – First Super  
Chris Newton – IFM Investors  
Chris Parks – QSuper  
David Humphreys – TelstraSuper  
Gerard Noonan – Media Super  
Jerom Lotscher – TWUSUPER  
Kim Farrant – Hostplus  
Leilani Weier – Rest Super  
Liza McDonald – Aware Super  
Lou Capparelli – UniSuper  
Mary Delahunty – HESTA  
Michael Wyrsh – Vision Super  
Moya Yip – Local Government Super  
Nicole Bradford – Cbus Super  
Sarah Gallard – State Super  
Shaun O'Malley – MTAA Super  
Skye King – NGS Super  
Tim Richardson – Mine Super  
Xinting Jia – CareSuper

# ACSI resources

## Governance Guidelines

Our governance guidelines define our members expectations about the governance practices of the companies in which they invest. These guidelines are updated every two years. You can find out more [here](#).

## Policies

Our members believe that ESG risks and opportunities can have a material impact on investment outcomes. Our policies outline our position on key ESG issues and how we approach them. You can find out more [here](#).

## Modern Slavery Statement

ACSI has been a key voice in addressing the risks of modern slavery in Australian companies. You can find our own Modern Slavery Statement [here](#).

## Gender Diversity Panel Pledge

ACSI has taken the gender diversity panel pledge, this means we will only participate in and support events that are gender balanced. You can find more information on our commitment [here](#).

## Corporate Documents

To find out more about our business practices, our corporate documents page includes our constitution, financial reports and our code of conduct. You can find out more [here](#).

## Engagement Reports

Each year we develop a summary of our company engagements, which includes key topics we engaged with companies on, as well as measurements of outcomes for the year. You can find out more [here](#).

## ACSI Global

Our members invest globally, and we ensure that our members have their voices heard in the establishment of corporate governance best practice principles internationally. You can find out more about our international partnerships [here](#).

## Our Team

Our staff come from a variety of disciplines and backgrounds, with a wealth of experience in ESG and the financial services industry. You can find out more about our team [here](#).

# President and Chief Executive Officer Message

2020 has been one of the most challenging years in recent memory. For all of us in Australia, and indeed around the world, the COVID-19 pandemic has disrupted the way that we live and work.

Just as the rest of the community has had to adapt to the COVID-19 pandemic, so has ACSI had to evolve in order to continue to deliver our work program. Like many workplaces, the ACSI team has been working from home since March, becoming ever more familiar with virtual meetings.

We have continued our focus on our key areas: engagement and voting advice, research and policy advocacy. We have also developed an extensive program of webinars online, enabling our members to continue the collaboration that makes ACSI so strong.

Listed companies in Australia are contending with an extremely challenging economic environment and the impact that the pandemic has had on the economy, as well as on their customers, staff, investors and other key stakeholders. We know that companies that are well governed and effectively manage environmental and social issues deliver better long-term performance, and it is critical that this not be forgotten as we move towards some kind of 'COVID-normal'.

As fiduciaries, ACSI members are required to maximise long-term investment returns to their beneficiaries. This means we must pursue value creation over periods which typically span many decades.

Even with the pandemic as a backdrop, the importance of managing ESG issues has only sharpened in 2020.

The unprecedented bushfires that devastated much of Australia this summer act as a harrowing reminder of the impact of climate change if left unaddressed.

The reality is there will be no vaccine for climate change. Its impact will cause social and economic disruption far greater than what is currently being felt due to COVID-19.

One of the ways that investors can work to ensure that what we saw this summer does not become the norm is to support an economic recovery from the pandemic that 'Builds Back Better'. This means doing more than getting economies back to just the status quo, instead, we must address the immense challenge of climate change in the recovery.

We are grateful for the continued support of and collaboration with our members this year, especially during this difficult period.

In the past year, the work of ACSI and our members has led to improvements on climate reporting, gender diversity, modern slavery, as well as intervention in corporate governance issues at a number of ASX listed companies including Westpac, Rio Tinto and AMP.

Working together continues to be an extremely effective approach to holding companies to account and ensuring the principles that long-term investors value are supported in markets and regulatory settings.

It is members of superfunds who ultimately benefit from this collaboration and the work of ACSI in supporting long-term value creation.

It's clear that investors have a significant role to play over the months and years to come.

With this in mind, ACSI remains committed to being the leading voice on Environment, Social and Governance issues.

We hope you enjoy reading more about work in the pages of this report.



Louise Davidson  
Chief Executive Officer



Ian Silk  
President

# Our approach to big issues

Climate change and modern slavery are two of the biggest challenges facing investors, and a significant focus of our work.



## Climate risk

Climate change is a key priority for ACSI and we have been engaging with companies on climate change risks and opportunities for over a decade. We are committed to minimising our own carbon footprint, and we recognise the important role we can play in influencing companies to do likewise and Governments to take decisive policy action.

We take action by:

- Undertaking research projects to assess:
  - Climate-related transition risk within investee companies.
  - Climate-related physical risk across the market.
- Engaging with target companies to encourage them to take measures or modify behaviours to reduce and manage climate related risk.
- Advocating for policies that will better manage climate-related risk.



## Modern slavery risk

We encourage businesses of all sizes and industries, to assess their exposure to modern slavery. We firmly believe that companies have not only an ethical responsibility to limit their exposure to modern slavery practices, but a financial one.

This year we developed our first Modern Slavery Statement taking the first step in what will be a comprehensive, yearly assessment of our operations and supply chains to identify our exposure to modern slavery risk. This statement is our way of keeping ourselves accountable to what we would like to see from business leaders going forward.

You can read our Modern Slavery Statement [here](#).

# Who we are

ACSI provides a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 37 Australian and international asset owners and institutional investors.

Collectively, they manage more than one trillion dollars in assets and own on average 11 per cent of every ASX200 company. Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies in which they invest.

## The change we want to see

We are dedicated to building a future where there is a greater understanding of the link between ESG management and long-term value creation. This understanding will drive strong ESG performance by companies and an increase in responsible corporate conduct. Through our advocacy we aim to create a stronger financial system, with regulatory settings that promote strong ESG performance, and where companies are held accountable for poor conduct. By implementing these changes, we can help our members achieve better long-term outcomes for their beneficiaries.



# What makes us different?



## **Prioritise material ESG issues**

We prioritise ESG issues with the greatest material financial impact over the long term.



## **Shareholder voice**

Between them, our members own on average 11 per cent of every ASX company, which gives us a powerful voice to call for change.



## **Decades of experience**

We have nearly two decades of experience in identifying and managing ESG risks and opportunities.



## **Focused on outcomes for members**

We are a membership organisation, solely focused on outcomes for members and their beneficiaries.



## **Active member involvement**

Our members are intimately involved in setting our strategy and priorities. We encourage active member involvement in our activities.



## **Active ownership**

Active ownership is the mechanism by which ACSI members undertake ESG integration.



## **Investor collaboration**

We focus on investor collaboration to improve ESG practices and performance in listed companies.

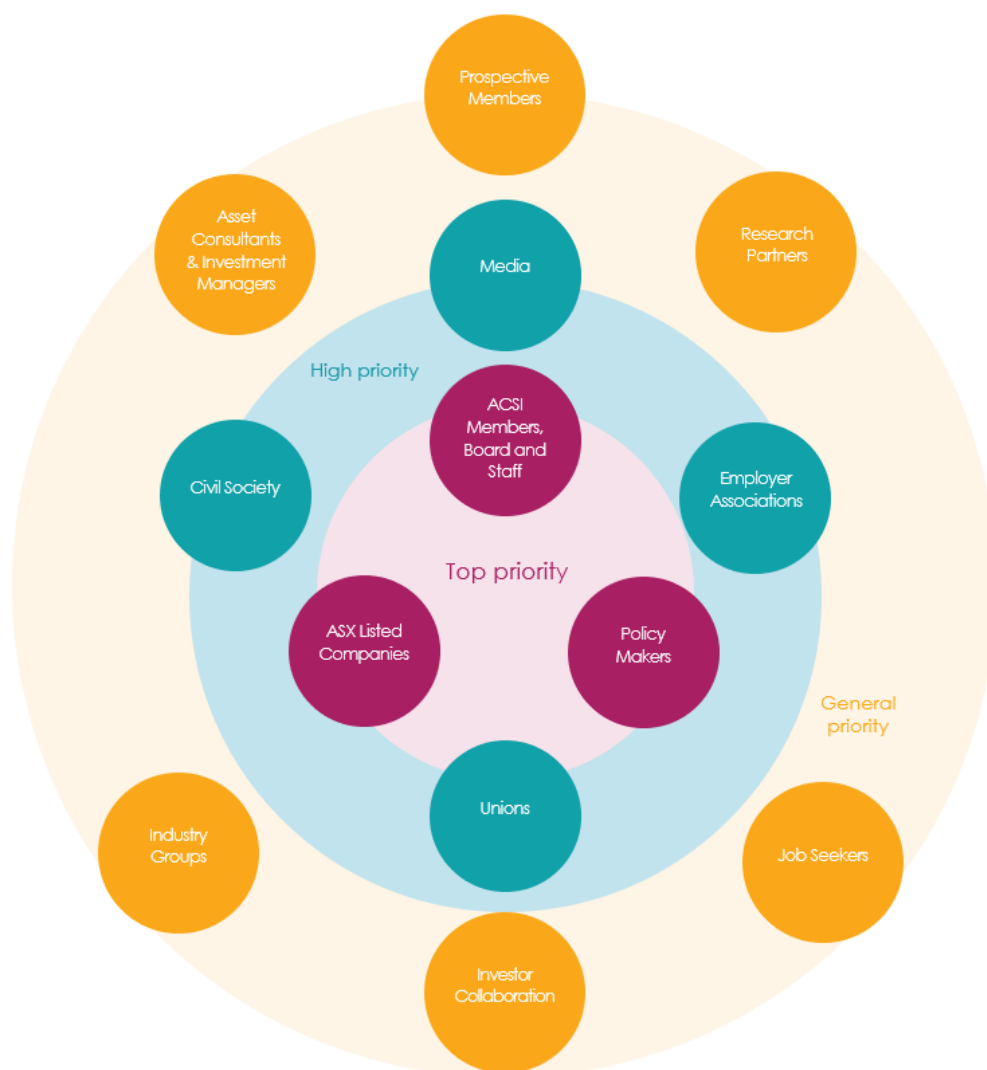


## **Experienced directors**

Our directors are chosen from our members and include a diverse range of experienced directors.

# Our stakeholders

ACSI relies on a range of stakeholders to operate and succeed. ACSI integrates effective engagement with all our stakeholders into our business operations. Along with our own staff, our members are our highest priority stakeholders.



## Engaging with our members

Collaboration underpins our success. Without our members' willingness to collaborate, we would not be as impactful as we are today, and the voice of investors would not resonate as powerfully as it does throughout corporate Australia. We engage with our members in a range of ways including through our Board and Member Council, regular member engagement meetings and our member webinar series.

Each year, we consult members to identify our engagement priorities, advocacy positions and research projects. We focus on issues that have the most material financial impact over the long term and companies where our members have the largest holdings.

This aligns with our members belief that ESG risks and opportunities have a material impact on investment outcomes.

# Our way of interacting

We actively interact with a range of stakeholders, using different strategies and activities depending on the nature of the relationship. Here is a high-level illustration of the sorts of interactions we have with some of our stakeholders.

## ACSI Members

We encourage a high level of member participation in all our activities, including our governance structures. Full members can attend our engagement meetings, and we arrange additional briefings for all members. In 2020, with the shift to remote working environments we introduced 'ACSI Insights', a webinar series focussed on engaging members on ESG issues. We regularly update members on our activities through a range of direct communications. We also measure member engagement through an annual survey.

## Government and regulators

We engage with key decision makers to advocate for changes that align financial and market settings with the interests of long-term investors. Through regular submissions to public consultations and direct discussions, decision-makers are informed of our policy positions and research findings.

## Employees

We have a highly collaborative workplace and staff have many informal interactions with each other every day. In addition, we have a structured program of all-staff meetings (now via video conference), management meetings, one-on-one meetings and regular performance feedback. Generous provision for staff training is another way we ensure staff remain engaged and stimulated.

## Investor collaborations and industry groups

We look for opportunities to cultivate relationships with investor and industry groups in Australia and overseas (read more [here](#)). Our collaborative approach takes into account a range of views and opinions strengthening our position for positive change. This could take the form of sharing resources, developing co-branded guidance and providing training opportunities to each others' staff and members.

## ASX companies

Being transparent about our expectations is critical to driving change and remaining highly accessible to companies. We utilise numerous channels, including engagement meetings, written reports, phone calls and email notifications regarding our research and policy announcements, our events and public engagement.

## Non-government organisations

We maintain relationships with various NGOs to ensure we are aware of upcoming campaigns and so that these groups are also aware of the work we are doing. We engage constructively, with our focus on getting the best outcome for member beneficiaries.

**Did you know?**

Throughout this report we display the icons on this page to show what capitals we used in our activities to create different outcomes.

# Our capitals: how we create value

**OUR CAPITALS**

We use a range of capitals to create value for our members and the community.

**VALUE CREATION**

We transform our capitals into a range of products and services to create value for our members.



**Human capital**

ACSI staff, our Board and Member Council, member ESG and investment staff, external service providers and partners.

**Value creation**

Provide leadership on ESG integration and active ownership by developing recommendations, guidance, policy positions and providing support to our members.



**Intellectual capital**

Research, analysis, guidance, expertise, leadership.

**Value creation**

Provide sound evidence basis for company engagement and voting recommendations through the broad use of our proprietary information.



**Social and relationship capital**

ACSI members, industry collaborations, regulators, ASX300 companies, public profile.

**Value creation**

Leverage credibility and reputation to engage key decision makers to pursue positive policy development. Our collaborative structure amplifies our influence and ability to pursue improvements in ESG practices and performance.



**Financial capital**

Membership fees, service fees and event revenue.

**Value creation**

Deliver sustainable products and services through sound financial management, backed by strong risk and governance processes.

# Our model

## Research – Engage – Influence

ACSI undertakes a year-round program of work that supports our members to exercise their ownership rights. Through research, engagement, advocacy and voting advice, ACSI seeks to deliver material improvements in the companies in which our members invest.

Our engagement philosophy is backed by evidence. We use research to inform our engagement and advocacy work. Our approach is most simply explained in our brand tagline – Research, Engage, Influence.



### RESEARCH

ACSI undertakes a year-round research program, both internally and in collaboration with external entities, to get a detailed and comprehensive understanding of the issues and events that have a material significance to our members.



### ENGAGE

ACSI holds direct engagements with ASX300 companies on ESG issues to provide long-term value creation for our members. It is our belief that with the support of our members, direct engagement is the most effective way to effect material change within ASX300 companies to better manage ESG risks and opportunities.



### INFLUENCE

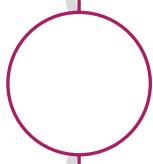
We engage with government, regulators and other intermediaries in the financial services sector to promote a regulatory system that is equitable and effective for long-term investors. By advocating for an equitable financial system for our members, we aim to create an environment in which our members are able to thrive and create value for their beneficiaries.

## Our tools for success



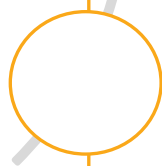
### Integrated company engagement

Our specialised team builds and maintains strong relationships with companies. Our integrated approach to engagement means that we have been able to move our engagement dialogue beyond narrow AGM agendas to deal with broader ESG issues.



### Respected voice on ESG issues

We maintain a strong public profile and are considered to be a leading voice on ESG issues. We seek to drive public discussion on ESG issues to see long-term permanent improvements in the performance of companies in which our members invest. Our research program is a trusted source of information for investors and companies.



### Leadership on ESG regulatory issues

Our focus on public policy development is known to be a forward-thinking, taking a long-term view. Backed by research, we take a leadership role on our key areas of expertise, and advocate for markets to consider long-term value.

# Our external environment

## A year of challenges and change

ACSI operates in a complex external environment and must respond to changes and developments to maximise our success. Here are some of the forces that influenced our organisation, priorities and activities in FY20.

### COVID-19 pandemic

COVID-19 has caused immense disruption to the global community and to the way we all live and work. ACSI staff began working remotely from March and have adapted our work program to deliver on our objectives.

### Bushfires and action on climate change

The unprecedented bushfires that have devastated much of Australia this summer acted as a harrowing reminder of the impact of climate change if left unaddressed, placing renewed focus for long-term investors to assess climate risk.

### Mergers within the superannuation industry

Increased merger activity within the superannuation industry, including within ACSI membership.

### Temporary policy changes that impacted our members

As part of the response to the COVID-19 pandemic, the Government implemented temporary policy changes that impacted on our members, including the early release of super scheme.

### Temporary changes to corporate governance continuous disclosure, capital raisings and AGMs

As part of the response to the COVID-19 pandemic, temporary changes to corporate governance rules were implemented, including in relation to continuous disclosure requirements for ASX-listed companies, capital raisings and AGMs.

### Companies not meeting investor expectations

Examples of company behavior that falls well below community expectations was a focus of ACSI's work. The importance of strong ESG performance was highlighted by issues at Westpac, AMP and Rio Tinto.

### NGO's and shareholder resolutions

Shareholder resolutions continued to increase, with a focus on human rights and climate change.

## Opportunities

### Increasing exposure to international markets

Superannuation funds are increasingly allocating more funds to their international equities portfolios. This is driving demand for increased emphasis on stewardship and active ownership in international markets.

### Building back better after pandemic

COVID-19 has presented an opportunity for investors to support initiatives like 'Build back better', calling for a sustainable path to recovery. As global economies adapt to the challenges of the pandemic, investors will have greater opportunity to support initiatives that reduce their exposure to ESG risks over the long term.

### Embracing digital member engagement

With COVID-19 disrupting in-person events for the foreseeable future, ACSI has adapted to provide new digital events for our members through the ACSI Insight series. This series of webinars provides our members with content from industry leaders on key ESG issues.

### ESG still key for investors

ESG is still proving a significant focus for superannuation funds, even in the current climate. With fewer in-house ESG resources, small to mid-sized funds may need to seek external assistance to meet expected levels of ESG policy development and transparency. Equally, the collective strength through ACSI is still of incredible value to all members, big or small.



#### Did you know?

ACSI engages with Government, regulators and policy makers to better align financial markets with the interests of long-term investors. You can find copies of our policy submissions [here](#).

## Our work in action

We undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide the basis on which our members exercise their ownership rights. We also offer additional consulting services, including: ESG and related policy development; analysis of service providers, fund managers and ESG data; and support on ESG disclosure.



### Research

We produce extensive research on ESG issues, providing our members with detailed insights into material investment issues, market practices and ASX300 companies.



### Engagement

Each year we hold more than 250 meetings with ASX300 companies. Our integrated approach to engagement means that we can move the dialogue beyond narrow AGM agendas to deal with the specific ESG issues that are material to each company.



### Voting Advice

Exercising voting rights is an important way for investors to exercise their rights and manage risks. ACSI's voting alert service gives our members a unique opportunity to align our engagement work with their proxy voting activities.



### Advocacy

We engage with government, regulators and other intermediaries in the financial services sector to promote a regulatory system that is equitable and effective for long-term investors.

# Research

ACSI's research provides a strong foundation for company engagement and policy initiatives and underpins our voting advice. We produce high quality research on material ESG issues that are important to long-term investor priorities that are approved annually by our members.

## Our research and how it is used



### CEO Pay in ASX200 companies

Published annually since 2001, this report is the only one of its kind in the Australian market that calculates and investigates 'realised pay'; that is, the value of cash and equity received by ASX200 CEOs.

Our 2019 report reveals that it is very rare for ASX100 CEOs to miss out on annual bonuses (or short-term incentives) with over half of ASX100 CEOs receiving at least 70 per cent of their maximum entitlement.

#### How we use the research:

- Providing a critical backdrop to the 2020 AGM season as we assess remuneration outcomes.
- Supporting voting recommendations on executive pay across the ASX300.
- Using the research in regular engagement with the boards of ASX listed companies, as well as regulators.
- Informing development of our Governance Guidelines.



### Climate Change: Transition risk in the ASX200

ACSI commissioned Vivid Economics, a London-based economics consultancy with deep experience in the economics of climate change, to provide investors with a detailed analysis of the transition risks and opportunities facing the ASX200 companies.

There are significant risks to companies associated with the transition to a lower carbon economy. ACSI members have a strong interest in managing these risks, and in encouraging companies to pursue opportunities associated with this transition.

#### How we use the research:

- Discussing with target companies their approach to transition risk and pursuing related opportunities.
- Exploring transition risk with companies in constructive new ways and in greater depth than previously possible.
- Informing investors approach to considering climate-related financial risks in Australian companies.



### The Future of Health and Safety Reporting: a framework for companies

This report presents the findings of our research into ASX200 health and safety disclosures and introduces a guide to promote better health and safety reporting. The guide was developed following interviews with ASX200 health and safety executives and independent health and safety experts, consultation with investors, and analysis of current health and safety reporting across the ASX200.

#### How we use the research:

- Used in regular engagement with the boards of ASX listed companies to discuss how they can improve safety reporting.
- Identifying non-reporting companies in industries at high risk of health and safety incidents.
- Urging directors of non-reporting companies to begin reporting meaningful health and safety information.
- Using the data to support calls for companies to report all fatalities to the market.



### ESG Reporting by the ASX200

ACSI has been producing research evaluating ESG reporting in Australian companies since 2008. Each year, the report includes statistics relating to ESG reporting trends. In 2019, we continued to assess the levels of ESG reporting by the ASX200 to determine how well companies are identifying, managing and monitoring material ESG risks and opportunities. In addition, we undertook a detailed assessment of three ESG issues – climate change, worker safety and workforce metrics.

#### How we use the research:

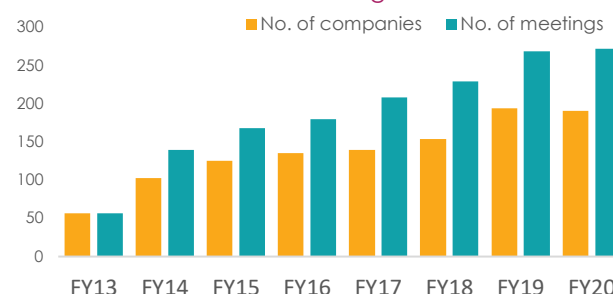
- Encouraging companies to improve their ESG reporting.
- We inform company boards of their rating, providing a peer comparison, and encouraging improvement where necessary.
- Informing discussions with company directors about ESG issues.

# Engagement

In FY20 ACSI's engagement program adapted to our external environment and continued its year on year engagement growth.

Some 272 meetings were held with 191 companies over the financial year, with significant progress made on our priority themes of climate change, workforce issues – such as wage underpayments and modern slavery, executive remuneration, board accountability and gender diversity.

ACSI in action - ASX300 meetings



Engagement theme and action	Our impact
<p><b>Climate change</b></p> <p>Climate change, and the need to adapt to a low-carbon future, is a source of both investment risk and opportunity. We encourage companies to identify the relevant strategic and physical risks, disclose their strategies, and to set and report against targets used to manage such risks. We encourage companies to report against the Task force on Climate-related Financial Disclosures (TCFD) global framework.</p>	<ul style="list-style-type: none"> <li>Eighteen of our 20 priority companies made material improvements in their management of climate change risks and opportunities. Improvements made included commitments to 'net zero' emissions by 2050, stress testing of assets against Paris-Aligned climate scenarios and the setting of science-based emissions reduction targets.</li> <li>Industry associations with views not aligned to their members are increasingly coming under scrutiny. During the year there was an improvement in the oversight and transparency of associations.</li> </ul>
<p><b>Board diversity, independence and renewal</b></p> <p>Our belief is that boards with more diverse composition, with an appropriate mix of experience and skills, produce better outcomes for investors. Included in that is the expectation of regular review and refreshment of the talent pool. There is evidence, for example, that companies with a significant weighting of women directors perform better than their counterpart all-male boards.</p>	<ul style="list-style-type: none"> <li>More than 30 priority companies appointed women to their boards – many for the first time.</li> <li>Women now occupy almost 32% of all board seats in the ASX200, reflecting ACSI's many years of strategic engagement and the impact of our voting policy.</li> <li>ACSI is now looking at strategies to drive acceptance of its 40-40-20 policy.</li> </ul>
<p><b>Workforce issues</b></p> <p>Human rights and workforce issues, including modern slavery reporting and the just transition of workers affected by industries adapting to minimise the impact of climate change, encompass the entire supply chain as well as direct operations of listed companies. We encourage companies to actively engage with relevant stakeholders, and to disclose information on how they identify, prevent, mitigate and account for these risks and the impact on the people involved.</p>	<ul style="list-style-type: none"> <li>Eight of 10 priority companies on workforce and supply chain issues, including modern slavery, made improvements, although ACSI remains concerned by endemic issues.</li> <li>With more than \$500m of underpayments revealed by ASX-listed companies, the largest from one of Australia's largest employers, ACSI engaged with several priority companies on redress and accountability.</li> </ul>
<p><b>Corporate Governance</b></p> <p>ACSI identifies companies where remuneration structures and outcomes do not meet investor expectations, encouraging change.</p>	<ul style="list-style-type: none"> <li>ACSI sought, and achieved, structural improvements in executive remuneration by 30 priority companies, including setting of more stretching hurdles, reduced quantum and improved alignment with long-term investor priorities.</li> </ul>
<p><b>Corporate culture</b></p> <p>Corporate culture, the shared values and norms that drive behaviour in organisations, was identified as a frequent failing in the Financial Services Royal Commission. ACSI has been asking boards how they are defining, assessing, overseeing and guiding that culture to avoid the financial and reputational impacts of the past.</p>	<ul style="list-style-type: none"> <li>One high-profile case included the announcement of succession plans following engagement on board and management accountability.</li> </ul>



# Voting

## Did you know?

Now in its 19<sup>th</sup> year, ACSI's research on CEO pay is used to support our recommendations. Read it [here](#).

ACSI assists its members to exercise their ownership rights including providing voting research and recommendations for all ASX300 companies. In FY20, we covered 1809 resolutions across 322 meetings.

## Key outcomes

### Climate change shareholder resolutions get record support

FY20 saw seven of the largest ten votes in support of shareholder resolutions in recent times. All seven related to climate change.

These outcomes show how increasingly willing investors are to back reasonable proposals calling on companies to set targets, reduce their exposure to climate risk and contribute faithfully to climate policy.

#### Engagement and voting working together: Woodside Petroleum

The highest vote in support was at Woodside Petroleum. Their 'Paris goals and targets' resolution received a record of around 50 per cent in favour. Following engagement with investors, Woodside agreed to make improvements.

### Board accountability

Director accountability was again a major theme of the 2019 AGM season.

One prominent example was at Westpac. In the weeks before the Westpac AGM, Australia's financial crime regulator AUSTRAC alleged systemic failures by Westpac to comply with anti-money laundering and counter-terrorism financing laws.

Westpac announced the resignation of its Chair, CEO and the Chair of the Risk and Compliance Committee. Westpac also outlined an independent review and major remuneration implications.

#### Investors signal importance of Board accountability: Westpac

We engaged with senior Westpac representatives on the level of accountability needed and publicly signalled our support for these changes.

At the AGM, investors handed Westpac a strike on remuneration, and longstanding director Peter Marriott received a 42 per cent vote against his re-election.

### Board diversity policy in action

The FY20 AGM season was the first where ACSI's expanded voting policy on gender diversity was operational. Under the policy, we recommended against ASX300 boards with no women and ASX200 boards with only one woman.

The policy change led to oppose recommendations for 16 directors where we recommended against election. We have continued to see both market norms and statistics improve – with women on ASX200 boards passing the 30 per cent threshold in 2019.

#### Diversity policy delivers results: Bravura Solutions

Lack of diversity, coupled with no clear timeframe for improvement, led ACSI to oppose the re-election of an incumbent director of financial software provider Bravura Solutions. By early April, the company appointed its second female director. This is one of many examples where ongoing engagement backed up with voting has led to change.

### Remuneration

FY20 saw 12 remuneration strikes in the ASX200. Our concerns included poor incentive structure, the use of adjusted earnings that shielded executives' bonuses from costs borne by shareholders and companies paying bonuses for getting a M&A deal done rather than after the promised benefits were delivered.

#### High shareholder opposition to remuneration: AMP

The highest vote against remuneration was at AMP where 67 per cent of shareholders were opposed. Concerns appeared to centre on AMP's new long-term incentive, which allows for vesting even where AMP performs worse than the median of its peers. This was a worse result for AMP than in 2018, where even amid the Royal Commission revelations and a new and contentious 'combined' incentive structure, only 61 per cent of shareholders voted against.



# Advocacy

One principle underpins everything we do: we are focussed on financially material ESG risks and opportunities over the long-term, to protect and enhance the retirement savings that are entrusted to our members.

ACSI advocates for our members' interests with government, regulators and policy makers to better align financial markets with long-term sustainable investment. ACSI's policy positions are well-considered and taken from a strong evidence base. We regularly provide an investor voice on regulatory and policy reviews.

## Long-term investor voice in policy development

Our contribution to public policy development is known to be forward-thinking and take a long-term view. ACSI is a member of, and active participant in, domestic and international policy bodies, including the ASX Corporate Governance Council, the Investor Group on Climate Change, the Principles for Responsible Investment, the International Corporate Governance Network and the Integrated Reporting Council.

We take a leadership position in these forums, providing guidance on our key themes and areas of expertise.

Below are just a few of the key areas of our policy advocacy focus for FY2020.

[Climate risk](#)

[Human rights](#)

[Governance](#)

[COVID-19 and sustainable recovery](#)

### Did you know?

ACSI has policies that outline our views on regulatory reform and good corporate practice that would contribute positively to the sustainability of financial markets. You can find out more [here](#).

## 2019 Governance Guidelines update

During the year, we updated our Governance Guidelines to set out investor expectations of listed companies on material ESG issues. Our Guidelines underpin our engagement program and voting recommendations. Through consultation with our members and other stakeholders, we included updates to address recommendations from the Financial Services Royal Commission, increased our emphasis on 'reasonableness' of remuneration, reinforced the importance of accountability, corporate culture and social licence to operate and added a focus on incorporating ESG issues into risk frameworks.

[Find out more about our 2019 Governance Guidelines here.](#)

## Engaging in policy development

We participate in policy development by engaging with policy makers, and through submissions and public advocacy.

We provided an investor voice on important issues such as on *Australia's Technology Investment Roadmap – A framework to accelerate low emissions technologies* and the *Parliamentary Inquiry into litigation funding and the regulation of the class action industry*.

We have actively participated in policy discussions in relation to appropriate adjustments to Australia's corporate governance framework in response to the COVID-19 pandemic. Our topics of interest include Annual General Meetings, capital raising, continuous disclosure and executive remuneration.

## MODERN SLAVERY REPORTING

In 2019 we launched our [Modern Slavery Reporting - Guide for Investors](#) in collaboration with the Responsible Investment Association Australasia (RIAA) to produce the first investor guide on Modern Slavery. This was welcomed by the Modern Slavery Business Engagement Unit as complementing the Australian Government's official guidance.

ACSI won the RIAA ESG Research Australia award and was a finalist for the 2019 Australian Human Rights Commission Business Award. Click [here](#) to find out more.



**Did you know?**  
Every two years, ACSI, in conjunction with CareSuper, holds the Michael O'Sullivan Rising ESG Star Award to help develop the next generation of ESG professionals. This year's winner was Skye King from NGS Super. You can find out more about the award [here](#).

# Identifying and managing risk

Risk Management is embedded into ACSI's governance processes and incorporated in our strategic and business plans. We regularly assess and review existing and potential risks to our business to ensure they are effectively managed.

Considerate of the external environment in which we currently operate, we have increased the frequency of our risk reporting to the Finance, Risk and Audit Committee (FRAC) and the Board and continue to monitor and evolve our control environment in light of COVID-19 and the broader cyber security challenges impacting our industry and that of our members.

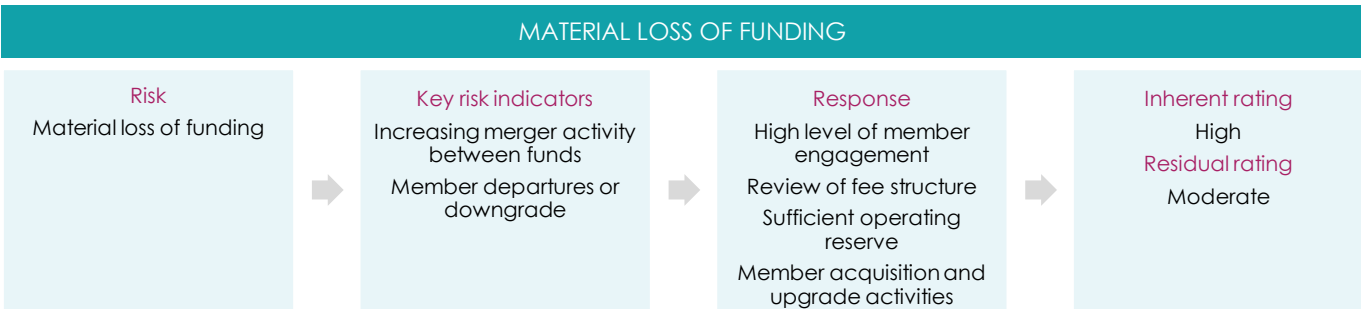
ACSI reviews our inherent and residual (after controls have been applied) risk profile for each risk on a twice-yearly basis, or as changes occur. Executives complete an annual attestation which is reported to the FRAC and the Board each June.

Our risk reporting framework lists material risk scenarios which have the potential to affect ACSI's strategic objectives, compliance obligations, reputation or operational stability.



## Strategic risk example

Our most significant risk is a material loss of funding and the impact of that on our ability to maintain operational stability and focus on our strategic intent. Below is a sample map for this risk.



## Non-strategic risks

All of our non-strategic risks fall within the categories of operational stability in services, communication and relationship management, financial management, governance, HR or IT. Most have a low risk rating, and all can be managed with our existing mitigation controls.

#### Did you know?

Charitable organisations may own shares as part of their investment program. Under our *Philanthropic Policy*, ACSI may provide our voting services free of charge to assist them with demonstrating good stewardship and voting their shares.

## Measuring our success

### STRATEGIC AND BUSINESS PLANS

We operate on a three-year cycle for strategic planning and are in our last year of the three-year cycle. Engagement with our Member Council and Board are a critical part of the strategic planning process. In addition, each year we prepare a detailed twelve-month business plan. Our business plan focuses on the actions and projects we must achieve to deliver the strategic plan. The Board and Member Council monitor our progress towards achieving our strategic and business goals. Our 2020/21 business plan considers the impacts of the current operating environment in which we operate, including COVID-19 impacts.

### KEY PERFORMANCE INDICATORS

We set detailed key performance indicators (KPIs) for our main activities. We have made good progress against our strategic plan and business plan, considerate of COVID-19 impacts, and are on track to achieve our KPI's.



## Examples of our outcomes

112 of our target companies made improvements or commitments through our engagement

ACSI won the RIAA ESG Research Australia award and was a finalist for the 2019 Australian Human Rights Commission Business Award.

ACSI's diversity policy continues to see outcomes. Board seats held by women in the ASX200 continued to move upward, to 32%.

In response to the COVID-19 pandemic, ACSI launched a new webinar program for ACSI members called the Insight Series.

In alignment with our own guidance for investors, ACSI developed its first Modern Slavery Statement.

ACSI's engagement and advocacy held boards to account on corporate governance issues including on failings identified by AUSTRAC at Westpac.

# Financial information

## Financial statements

The table below is an extract from ACSI's financial statements for the year ended 30 June 2020, taken from our audited financial statements. Our latest financial statements are available on our website, [here](#).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2020 (\$)	2019 (\$)
<b>Revenue from ordinary activities</b>		
Membership subscription fees	3,762,305	3,866,284
Voting alert subscription fees	1,306,443	1,109,230
International engagement services fees	165,918	8,994
Fee-for-service consulting fees	40,500	21,500
Conference and events	125,699	417,487
Interest	118,264	140,676
Other income	117,344	2,903
<b>Total revenue from ordinary activities</b>	<b>5,636,473</b>	<b>5,567,074</b>
<b>Expenses from ordinary activities</b>		
Staff cost including superannuation	2,886,445	2,465,392
Finance and office expenses	543,092	412,275
Legal, compliance and consulting expenses	79,686	98,140
Research costs	52,604	270,785
Events and communication	159,110	277,630
Travel expenses	66,388	117,526
Promotion and development costs	24,330	27,563
Voting alert services	934,623	839,389
International engagement	96,205	9,636
<b>Total expenses from ordinary activities</b>	<b>4,842,483</b>	<b>4,518,336</b>
<b>Profit from ordinary activities before income tax</b>	<b>793,990</b>	<b>1,048,738</b>
Income tax expense	-	-
<b>Profit from ordinary activities after income tax</b>	<b>793,990</b>	<b>1,048,738</b>
Other comprehensive income	-	-
<b>Total comprehensive surplus for the period</b>	<b>793,990</b>	<b>1,048,738</b>
<b>BALANCE SHEET</b>	<b>2020 (\$)</b>	<b>2019 (\$)</b>
<b>Current Assets</b>		
Cash and cash equivalents	10,038,590	8,857,877
Receivables	167,563	85,895
Other assets	151,584	323,335
<b>Total current assets</b>	<b>10,357,737</b>	<b>9,267,107</b>
<b>Non-current assets</b>		
Property, plant & equipment and right-of-use assets	903,681	86,419
Intangible assets	281,180	103,360
<b>Total non-current assets</b>	<b>1,184,861</b>	<b>189,779</b>
<b>Total assets</b>	<b>11,542,598</b>	<b>9,456,886</b>
<b>Current liabilities</b>		
Other payables	912,516	796,114
Employee benefit obligations	391,461	296,405
Lease liabilities	102,909	-
Income received in advance	4,358,111	4,110,715
<b>Total current liabilities</b>	<b>5,764,997</b>	<b>5,203,234</b>
<b>Non-current liabilities</b>		
Employee benefit obligations	17,298	52,715
Lease liabilities	765,376	-
<b>Total non-current liabilities</b>	<b>782,674</b>	<b>52,715</b>
<b>Total liabilities</b>	<b>6,547,671</b>	<b>5,255,949</b>
<b>Net assets</b>	<b>4,994,927</b>	<b>4,200,937</b>
<b>Equity</b>		
Reserves	3,027,000	1,776,640
Retained earnings	1,967,927	2,424,297
<b>Total equity</b>	<b>4,994,927</b>	<b>4,200,937</b>

## Remuneration

All our capitals are vital to creating value, however, our staff (our 'human capital') arguably play the greatest role in achieving our mission and vision. Therefore, getting our staff remuneration right is extremely important. As part of its commitment to its dedicated people, ACSI focuses on remuneration within its capacity to pay in accordance with staff responsibilities, while also ensuring that ACSI staff have the right training and development opportunities.

Our remuneration policy is designed to achieve the following goals:

- Support our strategic and cultural objectives.
- Ensure remuneration is equitable, transparent and consistent.
- Be competitive within the market in which ACSI operates.
- Balance the relationship between remuneration pressure and cost to our members.
- Enable employees to understand the basis for remuneration decisions.

ACSI's Remuneration Committee assists the Board with the oversight of ACSI's Remuneration Policy and practices.

2019/20			
Executive	Employment Category	Total remuneration package (\$)	Total remuneration benefits for the period (\$)
Louise Davidson	Full-time	400,000	404,586
Ed John	Full-time	280,000	285,937
Kate Griffiths	Full-time	280,000	282,779
Connie Howe	Part-time 0.6 FTE to 17/01/2020	138,412	81,641
Jane Rennie	Part-time 0.9 FTE to 27/09/2020	156,828	48,186
Carole Alt	Part-time 0.5 FTE	90,125	91,439
Nathan Robertson	Full-time from 29/09/2020	164,250	127,044
Karen Griffiths	Part-time 0.8 FTE from 20/01/2020	174,720	77,516

2018/19			
Executive	Employment Category	Total remuneration package (\$)	Total remuneration benefits for the period (\$)
Louise Davidson	Full-time	356,895	361,364
Ed John	Full-time	250,000	253,655
Kate Griffiths	Full-time from 24/09/2018	250,000	179,808
Connie Howe	Part-time 0.9 FTE to 23/09/2018 0.6 FTE from 24/09/2018	201,571 134,381	152,535
Jane Rennie	Part-time 0.9 FTE	152,260	153,924
Carole Alt	Part-time 0.5 FTE from 19/09/2018	87,500	62,529

Remuneration packages for ACSI executive staff are set out in the table above and include base salary and superannuation. In addition to the remuneration package, total remuneration benefits for the period reflects annual leave loading of 17.5 per cent of base salary and staff eligibility to purchase additional annual leave from their annual salary. This figure however does not include any statutory accrual for annual leave or long service leave. ACSI does not pay bonuses to staff. Total remuneration package and remuneration benefits for the period has been pro-rated for part-time staff based on the hours they work and total remuneration benefits for the period reflects the service period of Executives in the period reported. Members of the Board, Member Council and Board committees are not paid for their services.

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