

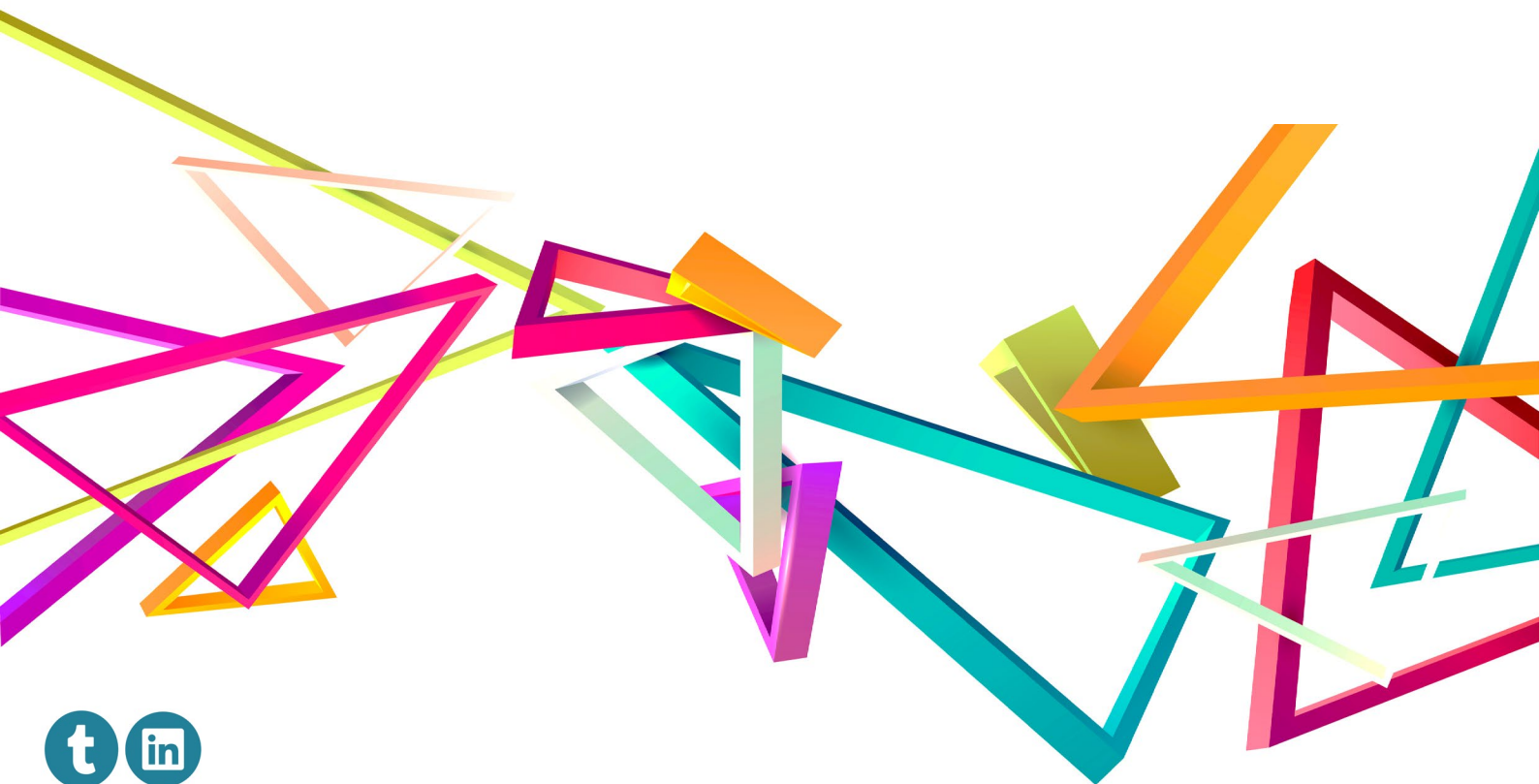


Research / Engage / Influence /

# 2021 Annual Report

2020 – 2021 financial year

November 2021



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# The year at a glance

## Company engagements

Company engagements held with ASX300 companies



## Net-zero targets



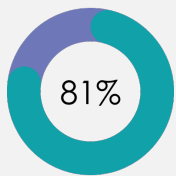
of priority companies have adopted net-zero targets by the end of FY21

## Gender diversity

Number of ASX300 companies with more than 30% of women on their boards



## Climate Change



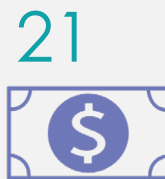
of climate change priority companies made material improvements

## Workforce and supply chain

Workforce and supply chain priority companies made improvements



## Executive remuneration



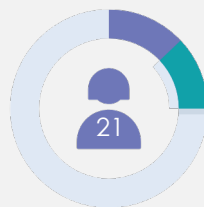
Priority companies improved executive remuneration structures

## AGM agenda items



AGM agenda items covered in voting advice for ASX300 companies

## Gender diversity



Number of priority companies that appointed women to their boards

## Target companies

Target companies made improvements



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## Acknowledgement of Country

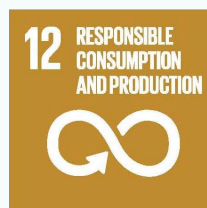
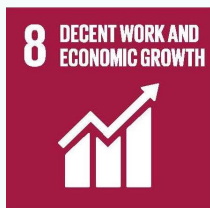
We acknowledge and respect the traditional lands and culture of First Peoples in Australia and globally.

We pay our respects to Elders past and present and recognise First Peoples' longstanding and ongoing spiritual connections to land, sea, community and Country.

Appreciation and respect for the rights and cultural heritage of First Peoples is essential to the advancement of our societies and our common humanity.

## Sustainable development goals

ACSI is committed to supporting the United Nation's Sustainable Development Goals and is a member of the United Nations Global Compact. Our work program positively impacts goals 5, 8, 10, 12, 13 & 15. To find out more about the SDGs, follow [this link](#).



# About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues.

## About this report

Our annual report incorporates principles from the International [Integrated Reporting Framework <IR>](#).

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 2020 – 2021 financial year (FY21) and shows a snapshot of our success. In 2018, we began incorporating principles from the International [Integrated Reporting Framework <IR>](#) into our annual report. It is a concise report on how our strategy, services and performance deliver in the best financial interests of our members.

The following were directors of ACSI, or Member Council representatives, during the financial year and up to the date of signing this report.

### ACSI Board

Debby Blakey (President from 5 August 2021)  
Shauna Black (from 19 October 2021)  
Candy Broad (ceased 18 October 2021)  
Lou Capparelli  
Russell Clarke (from 30 August 2021)  
David Elia  
Michelle Gardiner (Deputy President from 5 August 2021)  
Donna Heffernan  
Joshua Lim  
John Livanas  
Liza McDonald (ceased 30 March 2021)  
Dave Noonan  
Michael Pennisi (ceased 1 October 2021)  
Paul Schroder (from 1 October 2021)  
Ian Silk (President until 4 August 2021, ceased as a director on 30 September 2021)  
Deanne Stewart (from 31 March 2021)  
Antony Thow (Deputy President until 4 August 2021)  
Charles Woodhouse (from 2 October 2021)  
David Atkin (alternate director) (ceased 31 October 2021)

## 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 for FY21 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. This report was signed on 29 November 2021.

### ACSI Member Council

Andrew Gray - AustralianSuper  
Antony Thow - LUCRF Super  
Bill Watson - FIRST Super  
Chris Newton - IFM Investors  
Chris Parks - QSuper  
David Humphreys - TelstraSuper  
Debby Blakey (President from 5 August 2021)  
Ian Silk (President until 4 August 2021)  
Mary Delahunty - HESTA (ceased July 21)  
Gerard Noonan - Media Super  
Skye King - NGS Super (ceased March 21)  
Helen Hall - NGS Super (from March 21)  
Sarah Gallard - State Super (ceased September 2021)  
Jennifer Surjadi - State Super (from September 2021)  
Jerom Lotscher - TWUSUPER  
Kim Farrant - Hostplus (to June 21), HESTA from July 21)  
Dmitry Capel - Hostplus (from June 2021)  
Leilani Weier - Rest Industry Super  
Liza McDonald - Aware Super  
Lou Capparelli - UniSuper  
Michael Wyrsh - Vision Super  
Moya Yip - Active Super  
Nicole Bradford - Cbus Super  
Priya Patel - VFMC  
Shaun O'Malley - MTAA (to April 21)  
Ross Barry - Spirit Super (from May 21)  
Rufimy Khoo - Togethr Trustees  
Tim Richardson - Mine Super  
Xinting Jia - CareSuper





For 20 years, ACSI has supported investors to protect and enhance investments over the long term through the consideration of ESG risks and opportunities.

# Message from the President and Chief Executive Officer



**Debby Blakey**  
ACSI President



**Louise Davidson AM**  
Chief Executive Officer

During 2021, the COVID-19 pandemic continued to disrupt the way we lived and worked in Australia and across the globe. Few would have predicted the scale and reach of the pandemic nor the challenges it has presented us all.

Investors and companies juggled the complexities of the pandemic with a heightened focus on Environmental, Social and Governance (ESG) issues against a backdrop of greater regulatory and reporting requirements.

For super funds as long-term investors, prudent stewardship of members' savings has never been more important.

In 2021, ACSI celebrated its 20th birthday. This marks two decades of active company engagement, research, policy and advocacy on ESG issues - all in the interests of supporting the investment returns of ACSI members and in turn the retirement savings of their beneficiaries.

This year also marked a change in leadership of the Board, with Debby Blakey replacing Ian Silk as ACSI President. We thank Ian for his significant contribution to ACSI. He has been instrumental in elevating the focus on ESG issues and good governance in Australia.

This year saw ACSI go deeper on ESG issues that were important to our members and reflect on the impact to investors when companies manage ESG issues poorly.

Rio Tinto's destruction of 46,000-year-old caves at Juukan Gorge highlighted the importance of strengthening cultural heritage practices and partnerships with First Nations people. That is why ACSI and its members established the cultural heritage and risk management working group to broaden our understanding of these complex issues.

We undertook collaborative research projects with the Australian Institute of Company Directors (AICD) to examine issues such as corporate culture and the Australian Human Rights Commission (AHRC) on sexual harassment. Our focus was to highlight key issues for companies and investors associated with these issues and provide practical steps to address them.

2021 marked a significant milestone for improving gender diversity on ASX listed boards as all ASX200 companies now have at least one woman on their board. This would not have occurred without the work of ACSI and its members in promoting gender diversity across corporate Australia.

When ACSI began its efforts to improve board gender diversity, only 8% of ASX200 director seats were occupied by women. Today, 126 companies in the ASX200 have 30% or more women on their boards, with an average of 34% women. These gains do not mean the job is done, with a need for greater diversity at both the executive level and in board leadership.

There is no doubt that climate change remains one of the most critical issues for investors.

ACSI and our members have long been attuned to the risks of climate change to long-term investment outcomes, and the opportunities it creates. That is why ACSI released a new climate change policy that sets out clearly, and publicly, our expectations when engaging with companies on climate change risks and opportunities.

ACSI plays an important and trusted role in promoting good governance in the Australian market.

Our work supports long-term value creation through a strong focus on the ESG matters that are material to company performance.

In a year in which the role of proxy advisers has received renewed focus, the benefits of ACSI membership have never been clearer. Sourcing research and advice through ACSI is an efficient and effective way for superannuation funds to receive support in their stewardship activities. The outcomes of ACSI's work ultimately is in the best financial interest of superannuation fund members.

ACSI's work provides our members with a solid foundation to understand and engage with companies on important ESG issues.

Investors have a significant role to play in improving ESG standards across corporate Australia.

We thank ACSI's members for their strong engagement and interest in ACSI's work program, and also acknowledge the leadership and support of the ACSI Board and Member Council. Finally, we would like to thank the ACSI team for their commitment and hard work in a challenging year.

We hope you enjoy reading more about our work in this report.



Debby Blakey



Louise Davidson

# ACSI resources

We have a range of resources that support our work, measure our success, and outline our expectations to stakeholders. These include:



## 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](#).



## 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](#).



## Gender Diversity Panel Pledge

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



## Our members

Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them. To see more about our members, [follow this link](#).



## Annual financial statements

We publicly disclose our financial statements on our website. You can view these on our 'Corporate Documents' page [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](#).



# Reporting on our ESG risks

ACSI encourages businesses to appropriately report against ESG risks, including modern slavery and climate change. In 2021 ACSI produced a climate risk report and a modern slavery report.

## Climate risk

Climate change is, and always has been, distinctly financial in nature, presenting risks and opportunities for business. Climate risks are deeply embedded across the financial system and therefore will influence the value of our members' investments. That is why ACSI has been focused on climate risk in ASX listed companies. In 2021, ACSI released an updated climate policy that sets out our expectations of companies on managing climate risk and our support for advisory 'Say On Climate' votes at company AGMs.

In 2021, ACSI took the first step in undertaking its own climate change reporting using the Taskforce on Climate-Related Disclosures (TCFD).

You can read our TCFD statement [here](#).



## Modern slavery risk

At ACSI, we encourage businesses of all sizes and industries to assess their exposure to modern slavery. ACSI's work focuses on supporting management of ESG issues in ASX listed companies, including modern slavery. Modern slavery presents a clear financial risk as well as an ethical responsibility for companies.

For investors of Australia's largest companies, it is important to understand these risks and how companies are approaching modern slavery. That is why ACSI published research *Moving from paper to practice: ASX200 reporting under Australia's Modern Slavery Act*, which analyses the first year of public reporting. For the second year, ACSI has produced its own Modern Slavery Statement to understand our exposure.

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





ACSI's climate change policy aims to improve how companies approach climate risk for the long-term benefit of investors.



# Who we are

ACSI provides a strong voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 36 Australian and international asset owners and institutional investors with over \$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes.

Our evidence-based approach aims to achieve better financial outcomes for our members' beneficiaries through genuine and permanent improvements to the environment, social and governance practices of the companies in which they invest. ESG investment risks and opportunities are financially material for long-term oriented investors.





# What makes us different?

ACSI exists to support our members in managing ESG risks and opportunities in the companies they invest. Our member focus is what makes us unique.



## **Prioritise material ESG issues**

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



## **Shareholder voice**

Our members invest across the ASX. This provides us with a strong basis to advocate for positive change on ESG issues.



## **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 engagement**

Our members are involved in setting our strategy and priorities.



## **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.

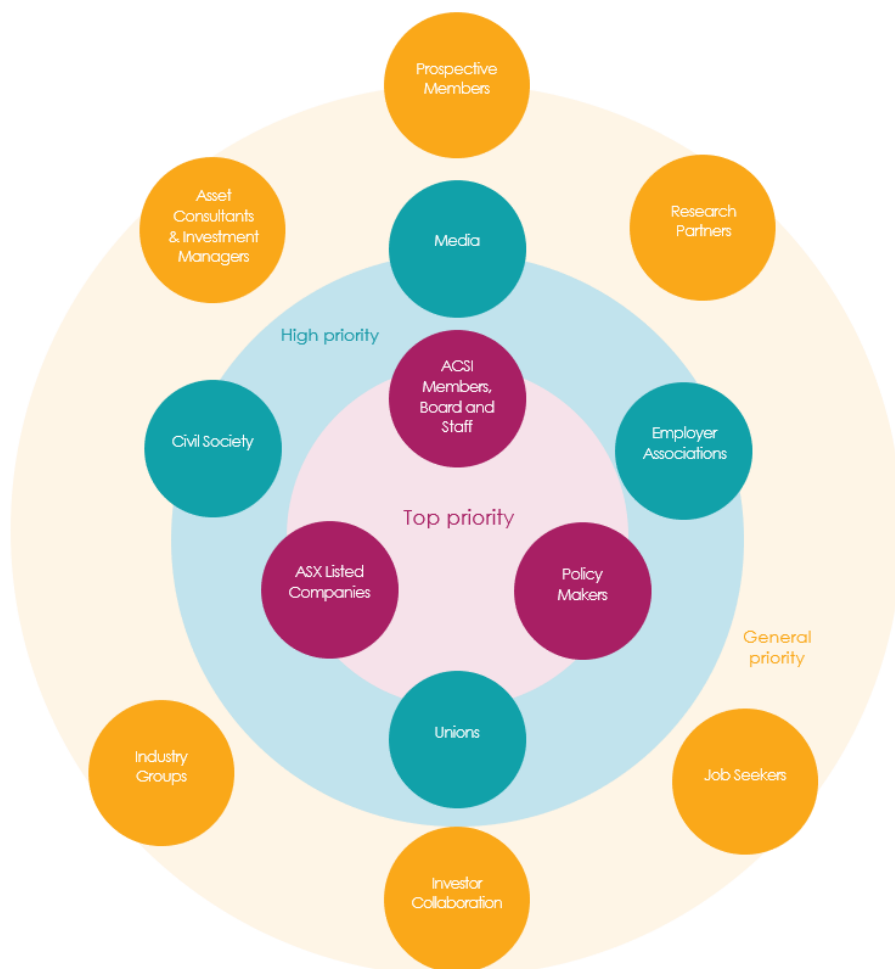


## **Experienced directors**

Our directors are sourced from our membership 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

Working with our members, and in the interest of their beneficiaries is what underpins our success. 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.

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. Members can participate in our engagements and attend webinars and briefings. 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, management meetings, one-on-one meetings and regular performance feedback. Staff training, amongst other employee benefits including flexible working practices, 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.

# Our capitals: how we create value



## 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

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

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



## 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 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 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.





Active ownership allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.



# Our external environment

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 FY21.

## COVID-19 pandemic

COVID-19 continued to cause disruption to the global community and to the way we all live and work. ACSI staff spent most of FY21 working remotely and have adapted our work program to deliver on our objectives.

## Mergers within the superannuation industry

Increased merger activity within the superannuation industry, including within ACSI membership. Recent legislative reform and regulatory pressure will continue to drive mergers into the future.

## Proxy advice scrutiny and treasury consultation

The Federal Government announced a Treasury Consultation into proxy advice in Australia, adding increased focus from parliamentarians and media around ACSI's voting alert service.

## Climate changes takes centre stage

Climate change became an increasing focus for investors and governments globally in the lead up to the release of the IPCC report and upcoming COP26 forum. Companies are faced with increased expectations to act in order to meet the Paris agreement goals, with many ASX300 companies committing to net-zero targets and investors calling for a 'Say on Climate' at company AGMs.

## Changes to corporate governance

The pandemic necessitated changes to corporate governance practices, including allowing companies to hold virtual-only meetings and provide documents electronically. Some changes have now been extended or made permanent.

## NGOs and shareholder resolutions

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

# Opportunities

## Increasing focus on ESG

Integration of ESG risks and opportunities into investment decisions is gaining increasing focus from investors, stakeholders and in the media.

## Going deeper on ESG issues

Our members are seeking to understand a broader range ESG issues and at deeper level. ACSI has expanded, bringing in new staff with diverse professional backgrounds and expertise, allowing us to broaden our work program.

## Digital environment bolsters engagement

The COVID-19 pandemic required our business to adapt to a digital environment. This allowed us to increase the number of company engagement meetings and member information sessions, improving member engagement.

## Broadening our reputation on ESG issues

We have strengthened our reputation as a leading voice on ESG issues and expertise in Australia, collaborating with reputable organisations such as the National Native Title Council, The Australian Institute of Company Directors and the Australian Human Rights Commission.

## 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.



#### 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 support our members in understanding ESG issues and exercising their ownership rights.

We also run events and 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 aligns our engagement work with our voting research and advice and is a useful input for subscribers when determining their voting positions.



## 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.



#### Interested in our research?

You can find copies of ACSI research reports on our website [here](#)



# 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.

In FY20-21, we published the following research:



## Equality across the board: Investing in workplaces that work for everyone, June 2021

This report outlines the state of sexual harassment reporting in Australia's largest companies and provides eight recommendations to support the prevention of sexual harassment and appropriate management of any incidents. The research was undertaken by the Australian Human Rights Commission (AHRC), led by Sex Discrimination Commissioner Kate Jenkins, and commissioned by the Australian Council of Superannuation Investors.

### How we use the research:

- ▶ Providing tangible steps for companies and their leaders to improve their approach to sexual harassment
- ▶ Developing investors' understanding of how sexual harassment is currently managed within large Australian companies



## ESG reporting trends in the ASX200, May 2021

In its 14<sup>th</sup> year, this research report assesses the quality of ESG reporting by ASX200 companies, covering a broad range of financially material ESG risks and opportunities. The report includes statistics relating to ESG reporting trends.

### How we use the research:

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



### Governing company culture: Insights from Australian directors, December 2020

This report is a first-of-its-kind collaboration between investors and directors to understand how culture is overseen, assessed and influenced in ASX listed companies and what information is currently available to investors. The research draws on interviews with experts and senior directors of ASX50 companies to provide perspectives on company culture from inside the boardroom, supplemented by desktop analysis of public disclosures. It also provides directors with practical guidance about overseeing, assessing and influencing company culture. This research was a collaboration between ACSI and the Australian Institute of Company Directors.

#### How we use the research:

- ▶ Providing members with perspectives on company culture from inside the boardroom and analysis on company culture across listed companies
- ▶ Encouraging company directors to improve governance of culture through practical guidance about overseeing, assessing and influencing company culture



### Financial materiality and ESG, November 2020

Investors can help protect and enhance investments over the long term through the consideration of ESG risks in their investment decision-making processes. This report provides a summary of the research and analysis undertaken over many years on the financial benefits of managing ESG risks and opportunities.

#### How we use the research:

- ▶ Supporting members to demonstrate the links between ESG management and financial performance
- ▶ Communicating leading research on the financial relevance of ESG issues in investment publicly





### Promises, pathways & performance: Climate change disclosure in the ASX200, October 2020

This report provides an overview of the current state of climate-related disclosure in the ASX200. While there has been significant improvement to climate-related disclosure and management, the research indicates there are still key challenges to overcome.

#### How we use the research:

- ▶ Benchmarking companies' disclosure across TCFD adoption, net zero commitments, emissions reporting and target-setting and climate change scenario analysis (transition and physical) for members' portfolio analysis
- ▶ Encouraging companies to improve climate change reporting in specific areas



### Safety in numbers: Safety reporting by ASX200 companies, September 2020

Serious safety incidents come at significant personal cost to employees and financial cost to employers. This report analyses all safety reporting provided by ASX200 companies as at 31 March 2020. It refers to ACSI's 2019 safety research, which introduced a framework for safety reporting.

#### How we use the research:

- ▶ Benchmarking companies' safety reporting and identifying those requiring further engagement from ACSI and its members
- ▶ Communicating ACSI's expectations on health and safety reporting to companies
- ▶ Identifying companies that reward executives for safety in the absence of adequate safety performance indicators



ACSI and our members aim to see the risks associated with harm to First Peoples' lands, communities and cultural heritage effectively mitigated and managed through principled and constructive engagement between companies and First Peoples.



Karijini National Park in Western Australia.



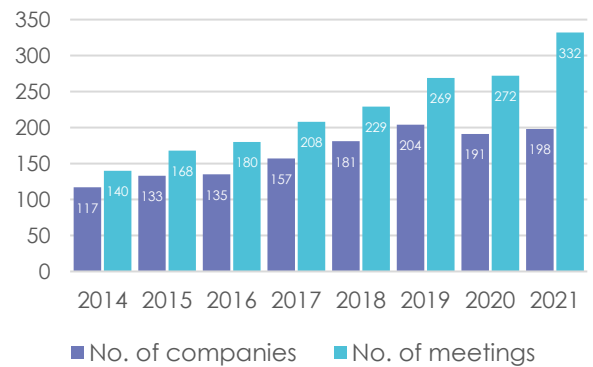


# Engagement

In FY21, ACSI's engagement program expanded to include greater focus on cultural heritage following the disastrous destruction of Aboriginal sites at Juukan Gorge.

Along with modern slavery, these issues are an increasing focus for global investors. Overall, in FY21 ACSI held 332 meetings with 198 ASX300 companies. The work of boards during the COVID-19 pandemic was a continued focus of discussions. Following our work in promoting board gender diversity, we are working to accelerate inclusion of women in senior executive ranks of listed companies.

ACSI in action - ASX300 meetings



## Engagement theme and action

### Climate change & circular economy

Adapting to a low-carbon future and minimising climate change impacts generates both investment risk and opportunity. We encourage companies to assess and identify their business and physical risks and to disclose strategies for measuring and managing them using recognised frameworks such as the Taskforce on Climate-related Financial Disclosures (TCFD). We are also working to understand how environmental degradation can be reduced by shifting from the 'take, make, use, dispose' approach to a continuous flow system.



## Our impact

- Half of our 22 priority companies had adopted net zero targets by the end of FY21. Another 18 companies have set short, medium and long-term targets for emissions reduction. An increasing number are adopting or reviewing science-based targets.
- Companies are increasingly providing investors more detailed short, medium and long-term climate transition targets covering Scope 1, 2 and 3 emissions.

### Board diversity

Our belief is that boards with an appropriate mix of gender, cultural background, experience and skills produce better outcomes for investors. This includes the expectation of regular review and refreshment of the talent pool. For example, there is evidence that companies with a significant weighting of women directors perform better than their counterpart all-male boards.



- 21 priority companies appointed skilled women directors during FY21. The universe of companies with 'all-male' boards is shrinking. By June 30, just two ASX200 companies lacked a woman director, and both have since made appointments.
- More than 160 companies in the ASX300 now have 30% or more women on their boards. ACSI is promoting its 40-40-20 policy to encourage balance at both board and senior executive levels.

	Engagement theme and action	Our impact
Workforce issues	<p>FY21 was the first year of mandatory reporting under Australia's new Modern Slavery Act. ACSI has been engaging with companies on the quality of their disclosures. Safety and wellbeing of employees, contractors and customers continues to be a priority topic in our conversations, particularly during the pandemic. We encourage companies to disclose how they identify, prevent, mitigate and account for the risks and impact on people.</p>	<ul style="list-style-type: none"> <li>• Focusing on 12 companies, exposed to horticulture, retail and guest-worker factories in supply chains.</li> <li>• We worked with a group of investors in the Asia-Pacific on human rights and modern slavery issues at a range of ASX-listed companies seen to be most at-risk, domestically and internationally.</li> <li>• Our analysis of safety disclosures by the ASX200 over the past two years, saw ACSI engage with 17 companies where disclosures fell well below investor expectations, and with another six companies on workplace fatalities.</li> </ul>
Corporate Governance	<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 at more than 20 priority companies, including using discretion to pay a bonus when financial gateways were missed, setting more stretching hurdles and lowering fixed pay on CEO changeovers.</li> </ul>
Cultural heritage	<p>Rio Tinto's destruction of the Juukan Gorge caves highlighted the risk to investors about how companies engage with First Nations people. Issues included 'gag' clauses in agreements, depth and frequency of contact with Traditional Owners and disconnects between company heritage teams and their operational arms.</p>	<ul style="list-style-type: none"> <li>• ACSI identified 25 companies with potential exposure to cultural heritage issues and engaged with all to evaluate what steps they have taken to review and update their approach.</li> <li>• ACSI played a leading role in discussions with Rio Tinto on improving board governance, management and practices on cultural heritage and First Nations Engagement. The company has committed to report publicly and regularly on cultural heritage management.</li> </ul>



#### Did you know?

ACSI's research on CEO pay is used to support our recommendations.

Click [here](#) to view the full report.

# Voting advice

In FY21, we provided research on 1908 resolutions across 340 ASX300 company meetings. Our detailed research and voting recommendations allow subscribers to exercise their voting rights in an informed manner.

## Remuneration Tested During the Pandemic

There was a near doubling of remuneration strikes from 12 to 22 among the ASX200.

While most companies showed restraint on executive remuneration given the impacts of COVID-19, this approach was not adopted in all companies. Many of the 'first strike' votes recorded were in response to incentive outcomes that ignored the impacts of the pandemic on shareholders, employees, and others.

In particular, the AGM season saw significant investor votes recorded against remuneration reports where bonus outcomes were propped up by Government subsidies like JobKeeper, rental concessions from landlords and capital injections from shareholders.

More positively, while safety targets have long been included in incentive plans, we continue to see a growth in climate change related incentive targets. Companies including AGL Energy, Ampol, BHP, Beach Energy, BlueScope Steel, Origin Energy, Orica, Oil Search, Rio Tinto, South32, Santos and Woodside Petroleum either have or plan to add climate change to incentives.

## Shareholder Resolutions and Say on Climate

Several leading companies in climate-exposed sectors voluntarily adopted an advisory 'Say on Climate' vote following investor engagement on the issue. This fast-growing list includes major oil and gas companies and diversified miners- Rio Tinto and BHP.

ACSI's new [Climate Policy](#) supports Say on Climate as a way of focusing discussions on the development and implementation of Paris-aligned strategies between companies and long-term investors.

More broadly, shareholder resolutions (including on climate change) in FY21 did not capture the same levels of support as FY20.

## Virtual only AGMs

The 2020 AGM season saw some high votes against constitutional amendments by investors concerned with clauses that (expressly or implicitly) allowed 'virtual only' AGMs indefinitely. These included Newcrest, Ansell and SCA Property Group, which all had resolutions withdrawn or defeated seemingly due to these concerns. These votes demonstrate investor concern over the potential of 'virtual only' AGMs to become the norm for Australian companies and reduce participation and accountability. Most companies seeking amendments to company constitutions during the year noted that the changes were only sought to ensure protection during the pandemic with the intention to revert to in person or hybrid AGMs.

## Director Votes

Director accountability was again an important theme in FY21. Rio Tinto faced scrutiny for Juukan Gorge disaster and the board of Crown faced its investors amid the NSW Casino inquiry. Crown's October AGM saw significant opposition to three incumbent directors as well as a strike on its remuneration report.



### 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.

[Click here](#) to find out more.

# Advocacy

ACSI is focused 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.

## Climate change

Climate change poses a significant financial risk for investors and the Australian economy, with an estimated a reduction in GDP of 6 per cent by 2070, equivalent to \$3.4 trillion.<sup>1</sup> Therefore climate change is one of our key priority areas.

In FY21, ACSI updated its policy position on management of climate-change related risks and opportunities. You can read our policy [here](#).

ACSI also participated in a number of parliamentary inquiries and regulatory reviews, including the Federal Government's Technology Roadmap.

## First Nations

There is growing global scrutiny of companies' interactions with First Peoples following the destruction of Juukan Gorge rock shelters by Rio Tinto. Poor practice or practice misaligned with company policy, heightens the risk of significant financial loss.

In FY21, through our Rights and Cultural Heritage risk management working group, ACSI has deepened understanding of the issues and developed policies to support its engagement with companies. ACSI has consulted widely with Traditional Owners and other Indigenous groups, listed companies, academics, and international investors through this process.

## Corporate Governance through the pandemic

The Covid-19 pandemic triggered a number of changes to the corporate governance landscape, including a switch to virtual AGMs, capital raisings and changes to the continuous disclosure regime. ACSI has been an advocate for sensible changes, while outlining the adverse impact that some changes would have on shareholder rights.

ACSI has participated in the policy debates, providing a long-term investor voice.

## Proxy advice proposals

In FY21, the Federal Government announced a Treasury Consultation into proxy advice. ACSI is concerned about the impact of the proposal on ACSI's work and in turn the cost efficiencies and quality research delivered to members. ACSI has actively engaged with Treasury on this issue. You can read our submission outlining our concerns [here](#).

<sup>1</sup> Deloitte, '[A new choice: Australia's climate for growth](#)', November 2020.

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.](#)



# 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. The Board set the Risk Appetite on an annual basis.

Risk reporting to the Finance, Risk and Audit Committee (FRAC) and the Board occurs on a quarterly basis as we continue to monitor and evolve our control environment to reflect the broader environment in which we, and our members, operate in.

ACSI reviews our inherent and residual (after controls have been applied) risk profile for each risk every quarter 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. These risks are defined within one of four risk categories being strategic risk, operational risk, financial risk and governance risk.

## Key inputs



### Board

Overall responsibility for ensuring risks are managed and minimised and setting our risk appetite.



### Finance, Risk and Audit Committee (FRAC)

Reviews material risks and advises the Board on our risk management process.



### Management

Responsible for day-to-day risk management and reporting to Board and FRAC

## 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.

Material loss of funding			
Risk	Key risk indicators	Response	Rating
Material loss of funding	Increasing merger activity between funds Member departures or downgrade	High member retention & satisfaction Review of fee structure Sufficient operating reserve Member acquisition	Inherent rating High Residual rating Moderate





### 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 their decisions in voting their shares.



## Non-strategic risks

All our non-strategic risks fall within the categories of operational, financial and governance risks. These include risks related to operational stability in services, communication and relationship management, financial management, governance, HR or IT. Most have a low to moderate risk rating and are managed within our existing mitigation controls.

## Measuring our success

### Strategic and Business Plans

We operate on a three-year cycle for strategic planning, however, have chosen to extend our current plan by one year (to FY22) in light of COVID-19. The development of our next three-year strategic plan has commenced and will include engagement with our Board as a critical part of the process. Each year we also prepare a detailed twelve-month business plan. Our business plan focuses on the actions and projects we must achieve to deliver the strategic plan and the Board monitor our progress on a quarterly basis. Our 2021/22 business plan considers the impacts of the current operating environment in which we operate, including ongoing COVID-19 impacts and merger activity within the superannuation industry.

### 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 KPIs.

## Examples of our outcomes

135 of our target companies made improvements or commitments through our engagement.

ACSI held a record number of meetings with ASX listed companies, holding 332 meetings with 198 companies.

ACSI published 7 research projects and worked with key partners including the Australian Institute of Company Directors (AICD) and the Australian Human Rights Commission (AHRC).

ACSI released a new policy that outlines our views around climate risk and opportunities. It also outlines our support for an advisory 'Say on Climate' at AGMs.

In alignment with our own guidance to companies, we produced climate change reporting using the Taskforce on Climate-related Disclosures (TCFD).

ACSI held 19 events, including our Annual Phil Spathis Governance Address held virtually that raised \$3,400 for the Cure Brain Cancer foundation.



# Financial information

## Financial statements

The table below is an extract from ACSI's financial statements for the year ended 30 June 2021, 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	2021 (\$)	2020 (\$)
<b>Revenue from ordinary activities</b>		
Membership subscription fees	4,071,644	3,762,305
Voting alert subscription fees	1,353,431	1,306,443
International engagement services fees	377,580	165,918
Fee-for-service consulting fees	2,500	40,500
Conference and events	7,520	125,699
Interest	68,784	118,264
Other income	80,631	117,344
Total revenue from ordinary activities	5,962,090	5,636,473
<b>Expenses from ordinary activities</b>		
Staff cost including superannuation	3,237,562	2,853,045
Finance and office expenses	676,577	543,092
Legal, compliance and consulting expenses	159,322	113,086
Research costs	112,027	52,604
Events and communication	60,895	159,110
Travel expenses	8,470	66,388
Promotion and development costs	10,603	24,330
Voting alert services	1,036,434	934,623
International engagement	207,924	96,205
Total expenses from ordinary activities	5,509,814	4,842,483
Profit from ordinary activities before income tax	452,276	793,990
Income tax expense	-	-
Profit from ordinary activities after income tax	452,276	793,990
Other comprehensive income	-	-
Total comprehensive surplus for the period	452,276	793,990
<b>BALANCE SHEET</b>	<b>2021 (\$)</b>	<b>2020 (\$)</b>
<b>Current Assets</b>		
Cash and cash equivalents	11,571,401	10,038,590
Receivables	256,798	167,563
Other assets	172,019	151,584
Total current assets	12,000,218	10,357,737
<b>Non-current assets</b>		
Property, plant & equipment and right-of-use assets	757,297	903,681
Intangible assets	224,944	281,180
Total non-current assets	982,241	1,184,861
Total assets	12,982,459	11,542,598
<b>Current liabilities</b>		
Other payables	787,017	912,516
Employee benefit obligations	490,180	391,461
Lease liabilities	110,071	102,909
Income received in advance	5,458,062	4,358,111
Total current liabilities	6,845,330	5,764,997
<b>Non-current liabilities</b>		
Employee benefit obligations	34,149	17,298
Lease liabilities	655,777	765,376
Total non-current liabilities	689,926	782,674
Total liabilities	7,535,256	6,547,671
Net assets	5,447,203	4,994,927
<b>Equity</b>		
Reserves	3,827,000	3,027,000
Retained earnings	1,620,203	1,967,927
Total equity	5,447,203	4,994,927



## 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.
- Promote sound risk management principles.
- 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.

2020/21			
Executive	Employment Category	Total remuneration package (\$)	Total remuneration benefits for the period (\$)
Louise Davidson	Full-time	400,000	405,553
Ed John	Full-time	285,600	290,566
Kate Griffiths	Full-time	285,600	289,983
Carole Alt	Part-time 0.5 FTE	91,927	92,913
Nathan Robertson	Full-time	180,000	182,879
Karen Griffiths	Part-time 0.9 FTE from 01/02/2021	207,000	193,327

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 29/09/2019	164,250	127,044
Karen Griffiths	Part-time 0.8 from 20/01/2020	174,720	77,516

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, Board committees and the Member Council are not paid for their services.

