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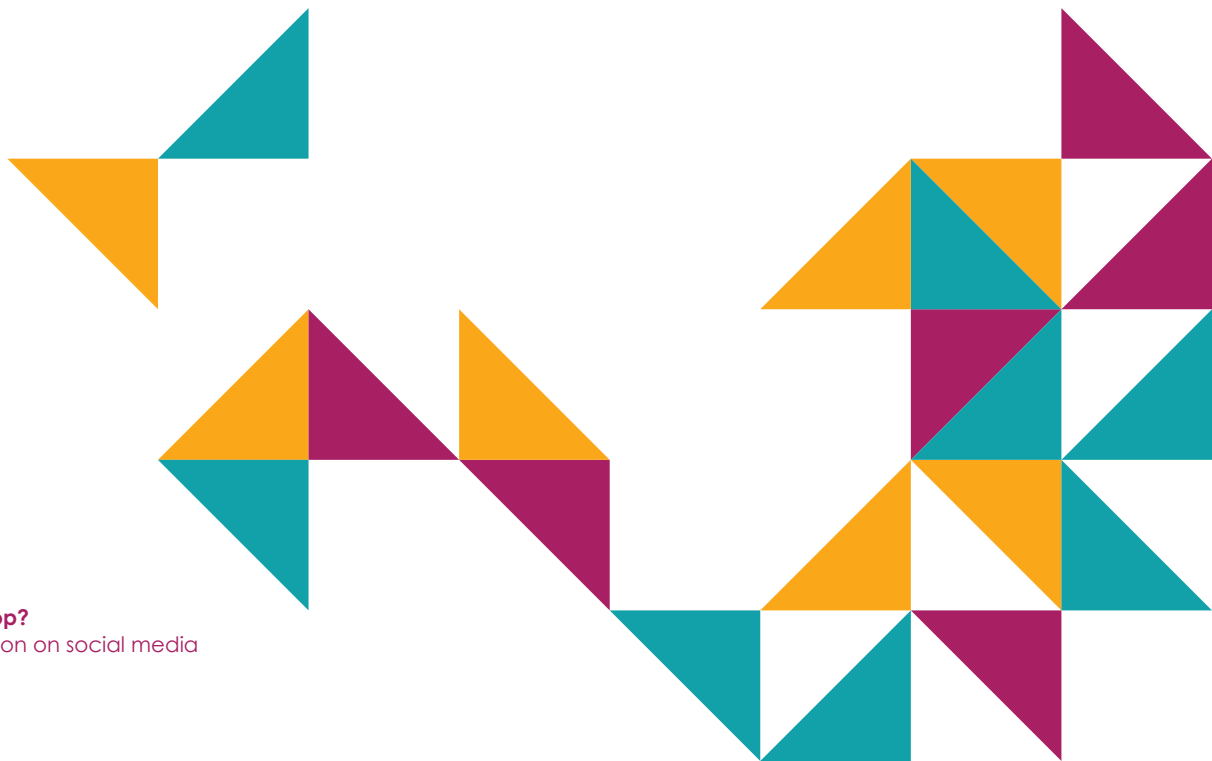
# 2022 ANNUAL REPORT

**2021 – 2022 Financial Year**

November 2022

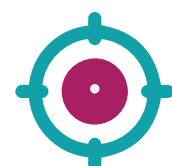


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# The year at a glance

## Net-zero targets



65%

of priority companies have adopted net-zero targets in the six months to the end of FY22

## Climate Change



70%

of climate change priority companies made material improvements in 2021

## Target companies



78%

Target companies made improvements in ACSI priority areas in 2021

## Company engagements



301

Company engagements held with ASX300 companies

## Gender diversity



195

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

## Media



836

Mentions in the media

## ACSI conference



365

Delegates attended the ACSI conference

## AGM agenda items



1938

AGM agenda items covered in voting advice for ASX300 companies in 2021

## Reports



6

Published research reports

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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.

# 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 2021 – 2022 financial year (FY22) and articulates how we deliver value to our stakeholders. Using principles of the <IR> framework, our Annual Report highlights 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.

The name of the Member Council was changed to Member Advisory Council on 9 June 2022.

## 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 FY22 and taken action to ensure the integrity and accuracy of its contents. We recognise that this report incorporates principles from the <IR> Framework.

This report was signed on 24 October 2022.

## Board of Directors

Debby Blakey (President from 5 Aug 2021)  
 Shauna Black (from 19 Oct 2021 to 31 Mar 2022)  
 Candy Broad (ceased on 18 Oct 2021)  
 Lou Capparelli  
 Russell Clarke (from 30 Aug 2021)  
 Vicki Doyle  
 David Elia  
 Kristian Fok (from 11 Jan 2022)  
 Michelle Gardiner (ceased 3 Jun 22, Deputy President from 5 Aug 2021 to 3 Jun 22)  
 Donna Heffernan  
 Justine Hickey (from 1 Jul 2022)  
 Joshua Lim  
 John Livanas  
 Dave Noonan (ceased 31 Dec 2021)  
 Michael Pennisi (ceased 1 Oct 2021)  
 Stephen Rowe (from 1 Jul 2022)  
 Paul Schroder (from 1 Oct 2021)  
 Linda Scott (from 4 Jun 2022)  
 Ian Silk (President until Aug 4 2021, ceased as a director on 30 Sept 2021)  
 Deanne Stewart  
 Antony Thow (ceased 3 Jun 2022, Deputy President until 4 Aug 2021)  
 Charles Woodhouse (from 2 Oct 2021)

## ACSI Member Advisory Council

Chair: Debby Blakey (President from 5 August 2021)  
 Ian Silk (President until August 4 2021)  
 Moya Yip - Active Super  
 Nicole Bradford - Cbus Super (to Apr 2022), Australian Retirement Trust (from Jul 2022)  
 Andrew Gray - AustralianSuper  
 Liza McDonald - Aware Super  
 Xinting Jia - CareSuper (to Feb 2022)  
 Claire Molinari - CareSuper (from Feb 2022)  
 Ros McKay - Cbus Super (from Apr 2022)  
 Bill Watson - FIRST Super  
 Mary Delahunty - HESTA (ceased Jul 21)  
 Kim Farrant - Hostplus (to Jun 21), HESTA from Jul 21)  
 Dmitry Capel - Hostplus (from Jun 2021 to Nov 2021)  
 Susannah Lock - Hostplus (from Nov 2021)  
 Chris Newton - IFM Investors (to Jun 2022)  
 Ashley Kopczynski - IFM Investors (from Jul 2022)  
 Linda Trusler - Legalsuper (from Jul 2022)  
 Antony Thow - LUCRF Super (to Jun 2022)  
 Gerard Noonan - Media Super (to Jun 2022)  
 Tim Richardson - MineSuper (to Aug 2022)  
 Susan Chau - MineSuper (from Aug 2022)  
 Skye King - NGS Super (ceased Mar 21, recommenced Jan 2022)  
 Helen Hall - NGS Super (from Mar 21 to Jan 2022)  
 Chris Parks - Qsuper (to Jul 2022)  
 Leilani Weier - REST  
 Ross Barry - Spirit Super  
 Sarah Gallard - State Super (ceased Sept 2021, recommenced Jan 2022)  
 Jennifer Surjadi - State Super (from Sept 21 to Jan 2022)  
 David Humphreys - TelstraSuper  
 Rufimy Khoo - Togethr Trustees (to Dec 2021)  
 Anna Shelley - Togethr Trustees (to Aug 2021)  
 Andrew Howard - Togethr Trustees (from Dec 2021)  
 Jerom Lotscher - TWUSUPER  
 Michael Wyrsh - Vision Super  
 Priya Patel - VFMC (to Feb 2022)  
 Shali Lingaretnam - VFMC (from Feb 2022)  
 Lou Capparelli - UniSuper

# Message from the President and Chief Executive Officer



**Debby Blakey**  
ACSI President



**Louise Davidson AM**  
Chief Executive Officer

2022 marks 30 years of compulsory superannuation in Australia – a important milestone for a crucial reform supporting Australian workers in having a more secure financial future.

ACSI and its members were some of the first in Australia to focus on responsible investment issues, with the establishment of ACSI in 2001. It is pleasing to see that, today, investment stewardship is well and truly a part of mainstream investing.

It seems fitting then that the 2022 financial year saw a groundswell of momentum to act on one of the most critical ESG issues – climate change and the risks associated with it.

After a decade of policy uncertainty, the new Federal Government has legislated a 43% carbon reduction target as floor, not the ceiling, of ambition. This policy progression signals a positive step toward transitioning Australia's economy.

ACSI's research into corporate Australia also reflects this growing momentum. By the end of June 2022, for the first time the majority of the ASX had disclosed detailed information on their environmental, social and governance (ESG) risks and plans to manage them, an encouraging landmark many years in the making. In addition, companies are responding to important market signals that ratchet the global economy towards holding warming to 1.5°C, and nearly half the index – equating to 70% of ASX200 market capitalisation – has made net zero commitments.

Ambitions alone will not be enough, and investors are now calling for detailed action.

This year ACSI turned its focus to the ever-emerging financial and physical risks presented by biodiversity loss. ACSI research revealed that by 2050, biodiversity loss will wipe up to A\$27 billion from the Australian economy annually and must be tackled with the same level of urgency and ambition that should be directed at climate change.

This financial year brought a specific challenge to ACSI, when the then-Federal Treasurer announced controversial regulations on proxy advice. ACSI was concerned about the proposal's impact on its work and, in turn, on the cost efficiencies and quality research delivered by ACSI to members and their beneficiaries. We welcomed the Senate disallowance of the regulations in February 2022, and remain committed to transparency across the market, and to integrity in our own proxy advice.

Throughout, ACSI's focus on members continued, delivering services in support of their stewardship activities.

ACSI and our members have played a significant role in elevating standards and improving management of ESG risks by listed companies, but there remains much work to be done.

2022 marks the end of ACSI's current strategic plan. ACSI is looking forward to the next three years, as we continue to grow our capacity to provide a deeper focus on important ESG issues, and support to our members.

We have now reached a position where the positive role of active ownership in the investment process is clearly recognised. ACSI will continue to play the key role of supporting our members as they focus on the opportunities that good stewardship has to improve investment outcomes for super fund beneficiaries.

We thank our members for their support of, and engagement with, ACSI's work, and thank our Board and Member Advisory Council for their leadership and commitment.

ACSI's team also have our gratitude for their hard work and dedication.

We hope you find this report of our work informative and useful.

**Debby Blakey**

**Louise Davidson**



# Sustainable development goals

ACSI's work program seeks to improve the performance of Australian listed companies' performance on ESG issues, and to advocate for policy outcomes that strengthen ESG outcomes and to ensure markets function in the interest of long-term investors.

With its longer investment horizons, the superannuation sector in Australia has a particular interest in risks that will impact investment performance in the medium to long term – from the risks relating to climate change and natural disasters, to the economic value lost from weak corporate governance systems.

The ACSI work program includes developing research on critical ESG issues, a comprehensive company

engagement program, public policy and advocacy, and development of independent voting recommendations at company AGMs. Through our work program we seek to promote greater awareness of the Sustainable Development Goals (SDGs) and contribute to progress on key SDGs.

ACSI is committed to supporting the United Nations' Sustainable Development Goals and is a member of the United Nations Global Compact. Our work program positively impacts goals 5, 8, 10, 12, 13 and 15. To find out more about how ACSI supports the work of the Global Compact, you can read our latest Communication on Engagement [here](#).



ACSI is a leading voice  
on ESG in Australia.



# Additional 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 recognise 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](#).



## Annual financial statements

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



## Our members

Our members recognise 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](#).



## 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 the team [here](#).

# Reporting on our ESG risks

ACSI encourages businesses to appropriately report against ESG risks, including modern slavery and climate change. We seek to promote better practice reporting across the market and prepare reports that we are asking of others. In 2022, 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.

As a representative of long-term investors, ACSI engages with companies to understand their approach to managing the climate-related risks and opportunities material to their business, the challenges they face, and to clearly communicate our expectations.

ACSI has produced its own climate change reporting using the Taskforce on Climate-Related Disclosures (TCFD).

Importantly in 2022, ACSI has set its own net-zero commitment.

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



## Modern slavery risk

Modern slavery has an horrific personal impact on the millions of people subjected to it around the world.

Alongside that human damage, its potential to undermine shareholder value through reputational damage and financial risk means it is also an investment issue.

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.

ACSI has produced its own Modern Slavery Statement to understand our exposure.

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



# Who we are

ACSI provides a strong voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 26 Australian and international asset owners and institutional investors with over \$1trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members to exercise active ownership and 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.

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



# What makes us different?

ACSI exists to support our members in managing ESG risks and opportunities in the companies in which 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.



## Decades of experience

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



## Active member engagement

Our members are involved in setting our strategy and priorities.



## Investor collaboration

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



## Shareholder voice

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



## Focused on outcomes for members

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



## Active owners

We support our members to be active owners and use their ownership rights to influence governance and improve investment outcomes.

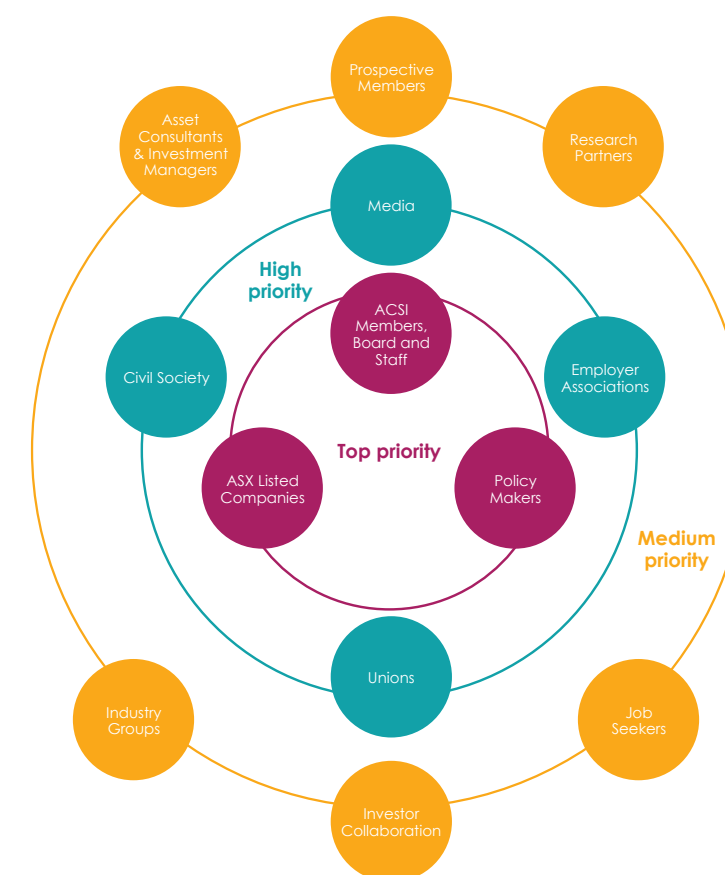


## Policy advocacy

ACSI advocates to better align financial markets with the long term, to protect and enhance the savings entrusted to our members.

# 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.



## Engaging with our members

Working with our members in the interest of their beneficiaries underpins our success. We engage with our members in a range of ways, including through our Board and Member Advisory Council, regular member engagement meetings, working groups and our member forums.

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' recognition 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 structure. 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 policy 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, policy-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. Our Governance Guidelines are our expectations of companies and are publicly disclosed on our [website](#). 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 their views and concerns 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 members' 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

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, aimed at developing 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. Direct engagement is an 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 changes, we aim to create an environment in which our members are able to thrive and create value for their beneficiaries over the long-term.

## 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 a leading voice on ESG issues.

We seek to drive public discussion on ESG issues to see 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 impact



## Company engagement with First Nations people

Rio Tinto's destruction of the Juukan Gorge caves highlighted the financial and human rights risks involved in companies' engagement with First Nations people. ACSI and its members had discussions with Rio Tinto on improving board governance, management and practices on cultural heritage protection and First Nations engagement.

In order to better understand the investment risks involved in company engagement with First Nations people, ACSI and its members established a Working Group on Rights and Cultural Heritage Risk Management.

The Working Group aims to see the risks of harm to First Nations people's rights and cultural heritage effectively mitigated and managed through principled and constructive engagement between companies and First Nations people.

The Working Group supported the development of tools for improved risk management including research that outlines the issues and ACSI's policy that outlines expectations of companies that engage with First Nations people. We have made this information publicly available in order to help promote change.



## Gender diversity

Demonstrating the impact of engagement over time, directors are now approaching 35% women on average across the ASX200.

When ACSI began its drive in 2015 to improve board gender diversity in the ASX200 (extended to the ASX300 in 2019), there were 34 companies without a female director. At the end of 2021, there were no boards with zero women in the ASX200.

Unfortunately, changes to the index saw two zero-women boards enter the ASX200 and five remain in the ASX300.

ACSI's diversity policy helped to drive change on corporate boards. ACSI will continue engaging with zero-women boards, while also focusing on increasing diversity at the executive level and exploring ways to boost diversity other than gender on corporate boards.



## Climate change

Climate change risks are deeply embedded in the financial system and impact all sectors and asset classes.

ACSI has focused on those companies with the highest risk, advocating for greater management and disclosure of climate risks. All of ACSI's engagement priorities have adopted reporting under the Taskforce on Climate-related Financial Disclosure (TCFD).

ACSI's research shows listed companies are rapidly increasing their commitments

towards a low-carbon economy, with 70% of ASX200 market capitalisation now covered by net zero commitments.

In 2021, seventeen of ACSI's 23 Climate Priorities set net-zero targets following extensive engagement.

We are also pleased to see progress in the public policy environment more broadly.



# 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 FY22.

## COVID-19 pandemic

COVID-19 continued to loom large in FY22, as Australia continued to experience lockdowns before opening up to a vaccinated economy. Despite the economy re-opening, COVID-19 continued to impact ACSI's business and staff health.

## Regulatory environment for superannuation funds

The Your Future Your Super legislation came into effect on July 1, 2021, implementing new regulatory measures for superannuation funds. These included a legislated requirement for funds to act in Best Financial Interests of Members, member stapling, and performance benchmarking.

## Government regulations on proxy advice

In December 2021 regulations that sought to limit the provision of proxy advice were announced. The regulations were disallowed by the Senate in February 2022, three days after coming into effect.

## Climate change

COP26 in Glasgow further increased the focus on climate change for investors and governments globally. Companies are facing increased expectations to act in order to meet the Paris agreement goals. Superannuation funds continue to face pressure from members to articulate their approach to managing the risks associated with climate change.

## Change of Government

The Australian Labor Party was elected to form a new Federal Government in May 2022. The Government has begun work on a number of reforms relating to ESG issues, including climate change, gender equity, better recognition of First Peoples and protection of the environment and biodiversity.

## Superannuation fund mergers

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

# Opportunities

## ESG takes centre stage

Integration of ESG risks and opportunities into investment decisions is now part of mainstream investing and a focus of companies and stakeholders.

## Global reporting standards on the way

The formation of the International Sustainability Standards Board (ISSB) at COP26 in Glasgow, aims to drive a standardisation of sustainability reporting globally, lift standards across the market, and improve ESG disclosure and reporting.

## Policy makers shift focus to ESG

The new Parliament has seen an increase in MPs with a policy focus on ESG issues such as climate change and gender diversity. The new Government has announced legislative changes focussing on significant ESG issues.

## A trusted ESG advisor

With ESG now firmly in focus, our members continue to see ACSI as a trusted advisor, despite an increasingly crowded market for ESG advice. ACSI is also seeing increased demand for collaboration across the market.

## 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

## 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

In 2021 we held 301 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 effective for long-term investors.

Through extensive consultation between investors and First Nations peoples, companies and community groups, ACSI conducted research to help investors and companies identify good practice in engagement, risk management and disclosure.





# 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 investors.

In FY21-22, we continued our longitudinal research program, which tracks listed company reporting on key ESG issues including reporting, climate change and CEO pay. We also released thematic research on three key issues: Modern Slavery Biodiversity and Company Engagement with First Nations Peoples.



## ESG reporting trends in the ASX200

- June 2022

In its 15th year, this report assessed the quality of ESG reporting by ASX200 companies, on 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.



## CEO Pay in the ASX200 – July 2021

In its 20th year, this research analysed data published by ASX200 companies, examining the impacts of the COVID-19 pandemic on company performance and remuneration outcomes.

How we use the research:

- ▶ Identifying trends in CEO pay
- ▶ Providing transparency to the market on realised pay
- ▶ Informing discussions with company directors about remuneration practice.



## Modern Slavery: Moving from paper to practice: ASX 200 reporting under Australia's Modern Slavery Act – July 2021

The research provides a valuable snapshot of key reporting trends among ASX200 companies, covering the first year of reporting under Australia's Modern Slavery Act. The report found that while most companies complied with the minimum requirements of modern slavery reporting, the majority of statements appear to follow a 'race to the middle' approach.

How we use the research:

- ▶ Providing members with a snapshot of modern slavery reporting practice across their listed company investments
- ▶ Encouraging companies to improve their identification, management and reporting of modern slavery risks.



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

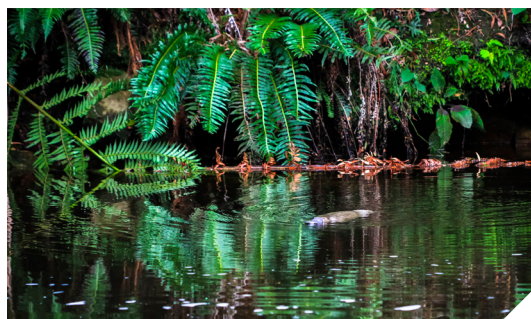
- August 2021

This report provides an overview of climate-related disclosure in the ASX200. While there has been significant improvement to climate-related disclosure and management, significant challenges remain.

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.





### **Biodiversity: Unlocking Natural Capital for Investors - November 2021**

Biodiversity loss is increasingly recognised as a financially material issue. This report provides a foundation for Australian investors to understand the scale of the issue and the types of financial risks affecting companies across different sectors of the economy.

How we use the research:

- ▶ Targeted conversations with companies about managing biodiversity loss-related risks and opportunities,
- ▶ To support the Australian investor community's understanding
- ▶ To provide foundation for ACSI's work, and policies on biodiversity loss.



### **Company Engagement with First Nations People – November 2021**

Through extensive consultation between investors and First Nations peoples, companies and community groups, ACSI conducted research to help investors and companies identify good practice in engagement, risk management and disclosure.

How we use the research:

- ▶ Support company and investor understanding of the issues
- ▶ Development of an ACSI policy position on expectations of companies
- ▶ To support investor engagement with companies on the issues.

**Biodiversity is facing destruction at unprecedented rates globally. As long-term investors, ACSI's members have a strong interest both in managing the risks associated with biodiversity loss, and in encouraging companies to pursue opportunities associated with preserving biodiversity.**



# Engagement

In FY22, ACSI intensified its work on climate change reporting, disclosures and management and expanded its priority themes to include a focus on the prevalence of sexual assault and harassment, bullying and discrimination in certain sectors.

Each year, ACSI sets priority themes for engagement, aligned to ESG factors. Under each of our priority themes, specific goals are set for individual companies based on the materiality of an issue to the companies and their investors, or where there is evidence of poor practices or outcomes. Many of these goals are multi-year aims.

ACSI conducted 301 engagement meetings with 193 ASX300 companies, and another 13 meetings with NGOs to gain better insight into their concerns about company activities.

During calendar year 2021, improvements were made in 78% of priority areas identified by ACSI. More than 40% of 176 priorities have already improved in the 6 months to June 2022.

## Engagement theme and action

**Climate change, biodiversity & circular economy**

ACSI engages with companies exposed to climate risks to improve performance on climate-related practices. This includes advocating for changes such as adopting credible short and medium-term targets and pathways to achieve net zero aims and Paris-aligned goals, as well as producing detailed (including 1.5°C) scenarios and adopting science-based targets.

Investors have been encouraging companies adopt a net-zero commitments and investor engagement has contributed to an uptick in commitments. While commitments are important, ACSI has been working to ensure that companies also disclose detailed roadmaps for how they will get there, particularly through setting and achieving short and medium-term targets.

## Our impact

- ▶ By the end of 2021, over 70% of ACSI's climate priority companies had improved their climate-related practices.
- ▶ \$1.59 trillion or 70% of the ASX200's collective market capitalisation adopting net zero commitment (95 companies).
- ▶ 15 of ACSI's priority companies also integrated climate change considerations into executive remuneration as a means of ensuring those targets are met.
- ▶ In 2021-22, 10 companies conducted a Say on Climate or committed to introduce one in the future, resulting in engagement that enhanced company practices and disclosures.

## Engagement theme and action

**Corporate culture, Governance and responsible gambling**

ACSI engages with companies on cultural and governance issues. Management of sexual harassment and discrimination remained a focus in FY22, off the back of Western Australia's parliamentary inquiry into sexual harassment among fly-in fly-out work crews, and Rio Tinto's publication of a report into its own workplace culture.

ACSI added responsible gaming as a focus theme in 2022 after it became clear from evidence in public inquiries that there were serious issues of transparency and governance in the gaming sector that represented material risk to investors.

ACSI engages with companies who receive a 'strike' vote or those who propose problematic incentive structures, retention payments or misaligned outcomes for senior executives.

## Our impact

- ▶ ACSI has engaged on several occasions with Rio Tinto on how it is implementing the recommendations of reports on culture to ensure a safe and inclusive workplace. ACSI began engagement to improve transparency in reporting across the sector – including disclosure of the numbers and types of complaints, and what consequences flowed if they were substantiated.
- ▶ ACSI also engages with every ASX300 company that receives a 'strike' vote and recorded positive changes – such as raising performance hurdles - from more than 20 companies during FY22.

**Cultural heritage**

Following the tragic detonation of the Juukan rock shelters by miner Rio Tinto in 2020, ACSI engaged extensively with boards and Indigenous groups, as well as contributing to public policy debate on appropriate regulatory settings to make sure this does not occur again.

ACSI also worked with stakeholders to develop a framework for assessing companies' agreement-making and cultural heritage protection practices when negotiating access to the lands of Traditional Owners and Custodians. ACSI uses this framework in its company engagements.

- ▶ ACSI identified a group of 11 at-risk companies to evaluate their progress in renewing relationships, reviewing and rewriting agreements (including elimination of 'gag' clauses), and ensuring that their heritage teams are both appropriately resourced and sufficiently empowered to minimize the risk for investors.



## Engagement theme and action

Board diversity

Boards with an appropriate mix of gender, cultural background, experience and skills are likely to 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.

ACSI's long-running engagement and strategic voting recommendations to improve board gender diversity continued in FY22.

## Our impact

- ▶ Across the ASX300 there were 15 appointments of women at priority companies during FY22.
- ▶ Only eight companies in the ASX300 had zero-women boards at the end of FY22, with the average representation of women at almost 34%.
- ▶ Of 291 director appointments across ASX300 companies in FY22, 126 (43.3%) were women.

Board diversity

ACSI engages with companies who are reporting under Australia's new Modern Slavery, engaging with companies on the quality of their disclosures.

ACSI commissioned and published research to critically analyse the quality of practices and reporting by ASX200 companies under the Modern Slavery Act to support in our engagement with companies.

- ▶ ACSI research scored companies against the mandatory reporting requirements, after which ACSI engaged with each company on how they can improve disclosure and move beyond it being just a compliance exercise.

## Engagement case study

In 2022 ACSI engaged with Adbri Limited with the company improving its climate change strategy. Adbri Limited released a roadmap detailing short and medium-term targets for reducing both its absolute emissions and the intensity of energy usage in cement and lime production – as well as shifting to 100% renewable energy sources.



In 2021 ACSI updated its Governance Guidelines to reflect our evolving expectations of companies on ESG issues.

You can find out more about the [Guidelines here](#).



**Did you know?**

ACSI's research on CEO pay is used to inform our recommendations. Click [here](#) to view the full report.



# Voting advice

In FY22, we provided research on 1943 resolutions across 302 ASX300 company meetings. Our detailed research and voting recommendations allow subscribers to exercise their voting rights in an informed manner.

## Remuneration

A total of 22 ASX300 companies recorded 'against' votes exceeding 25% on their remuneration reports, thereby receiving a 'strike'. There was no net change from the prior year in terms of the number of companies receiving 'strikes' on their remuneration reports. ACSI recommended against 45 remuneration reports during FY22.

A theme reasonably peculiar to FY22 was the issuance of large one-off awards to executives in response to perceptions of elevated retention risk. ACSI's Governance Guidelines views such awards with scepticism. Where companies failed to provide a clear or robust rationale, or where the awards were simply too large, ACSI opposed the relevant resolutions.

ACSI's CEO pay research again showed that whilst company boards continue to hold down fixed remuneration, equity rewards are rising. Despite ACSI supporting executive pay directed towards variable reward schemes, we remain mindful that to support remuneration outcomes that are aligned to shareholder interests, variable reward should be truly at-risk and reflect genuine performance.

## Shareholder Resolutions and Say on Climate

During FY22, we advocated for 'Say on Climate' resolutions to become a permanent feature of the Australian corporate governance landscape. ACSI has been encouraging climate-change exposed companies to empower shareholders with this mechanism as an effective way to gauge investor support for their approach to managing the transition to a low-carbon economy. During FY22, ACSI provided advice on four 'Say on Climate' resolutions. ACSI has supported three and recommended against one resolution.

Market support for NGO proposals on climate varied considerably from the year prior but showed little correlation with Say on Climate voting outcomes.

## Virtual only AGMs

Following on from the pandemic, the main AGM season coincided with a Bill to change the Corporations Act to allow 'virtual only' AGMs to reflect the changed circumstances of public gatherings in a COVID-19 environment. When engaging with companies trying to change constitutions to allow 'virtual only' AGMs as a permanent feature, rather than only in extreme circumstances such as the pandemic, ACSI held the line against the change, maintaining that, at a minimum, hybrid AGMs be held.

ACSI's engagement with ASX300 companies contributed to several contentious constitutional amendment resolutions being withdrawn or modified that would prevent virtual only AGMs. Where companies elected to put such resolutions to a shareholder vote, ACSI recommended against the resolutions.

## Director Votes

ACSI recommended against a total of 35 director elections with most of these being in accordance with our board gender diversity policy. Pleasingly, ACSI's strong leadership on this issue has contributed to overall improvements in board gender diversity resulting in fewer applications of our policy.

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 and is estimated to contract the GDP by 6% by 2070, equivalent to \$3.4 trillion. Therefore, climate change is one of our key priority areas.

ACSI's policy position on management of climate-change-related risks and opportunities sets out our policy priorities, including in respect to an investor 'Say on Climate' for materially exposed companies.



## First Nations

The global scrutiny of companies' interactions with First Peoples following the destruction of Juukan Gorge rock shelters by Rio Tinto continued in FY22, as did ACSI's work on the issue.

With poor practice clearly -increasing the risk of significant financial loss, in FY22, ACSI consulted widely with Traditional Owners, Indigenous groups, and other stakeholders to deepen understanding of the issues. This work resulted in the release of research and a policy position on company engagement with First Nations Peoples. We continue to advocate for better legal protection.



## Continued advocacy for better diversity

ACSI and its members have long called out the lack of diversity on Australia's listed company boards. When ACSI was created, just 8% of ASX200 board seats were filled by women. Now, women hold close to 35% of ASX200 board seats, however more work remains to be done to support further progress and diversity throughout organisations.

ACSI supports gender balance throughout companies, including on company boards and at executive level. We also support the 40:40 Vision, which is an investor-led initiative seeking gender balance in corporate executive ranks. We also participated in the review of the Workplace Gender Equality Act, and welcome the findings of that review, with its recognition that promoting outcomes is important.



## Proxy advice proposals

In FY22, the then-Federal Treasurer announced the introduction of the Treasury Laws Amendment (Greater Transparency of Proxy Advice) Regulations 2021, which made controversial changes to rules relating to proxy advice. ACSI was concerned about the proposal's impact on its work and, in turn, on the cost efficiencies and quality of research delivered by ACSI to members and their beneficiaries. ACSI actively engaged on the issue and welcomed the Senate's disallowance of the Regulations in February 2022. ACSI remains committed to transparency across the market, and to integrity in ACSI's own proxy advice.



## Updated Governance Guidelines

In December 2021, we released the 10th edition of our Governance Guidelines, providing companies and other market participants with updated expectations on key ESG issues, and guiding ACSI's voting recommendations.

ACSI's Governance Guidelines cover a range of critical ESG issues, including modern slavery and climate reporting, board and management diversity, sexual harassment and safety, executive remuneration and the use of virtual technology at annual general meetings.

The new edition contains a number of updates, including in relation to expectations on the prevention and management of sexual harassment, the importance of diversity (of all forms) and inclusion of ACSI's climate change policy, among other issues.


# 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.



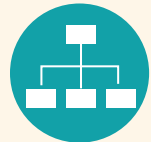
**Board**

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	Response	Rating
Material loss of funding	Increasing merger activity between funds Market volatility Member departures or downgrade	High member retention & satisfaction Fee structure Sufficient operating reserve Member acquisition	Inherent rating High Residual rating Moderate

### 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.

### Did you know?

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](#).





Measuring our success

Strategic and Business Plans

ACSI operates on a three-year cycle strategic plan period. With the successful completion of the 30 June 2022 annual business plan year, we now enter our 2022-2025 strategic plan period. The development of our strategic plan incorporates the input of our staff, board and Member Advisory Council representatives, considers the environment and industry landscape in which we operate and ensures we not only consider business as usual initiatives but transformational opportunities as well. In addition to the program of work approved by our board for the strategic plan period, 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 2022/23 business plan considers the impacts of the current operating environment in which we operate, including ongoing merger activity within the superannuation industry.

Key performance indicators

We set detailed key performance indicators (KPIs) that reflect the primary and secondary milestones and activities that will support the overall achievement of our strategic plan objectives. We have successfully completed our existing strategic plan and business plan periods, considerate of COVID-19 impacts and other industry challenges and look forward to the prospect of our new strategic plan and 2022/23 business plan period.

Examples of our outcomes

78% of our target companies made improvements or commitments through our engagement.	ACSI held 301 meetings with ASX300 listed companies and 13 meetings with non-government organisations.	ACSI published 6 research projects and worked with key partners including Pillar Two.	Many of ACSI policy positions put forward in submissions in FY22 were adopted.
ACSI released a new policy that outlines our views around company engagement with First Nations peoples.	We produced climate change reporting using the Taskforce on Climate-related Disclosures (TCFD) and set a net-zero ambition for our organisation.	Despite the pandemic, ACSI held its Annual Conference, which was held virtually and had a record of 365 participants.	ACSI maintained strong member satisfaction with a survey of members showing the majority rated all ACSI's services highly.

Financial information

Financial statements

The table below is an extract from ACSI's financial statements for the year ended 30 June 2022, 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	2022 (\$)	2021 (\$)
Revenue from ordinary activities		
Membership subscription fees	5,162,240	4,071,644
Voting alert subscription fees	1,337,028	1,353,431
International engagement service fees	375,747	377,580
Fee-for-service consulting fees	-	2,500
Conference and events	229,919	7,520
Interest	67,592	68,784
Other income	7,714	80,631
Total revenue from ordinary activities	7,180,240	5,962,090
Expenses from ordinary activities		
Staff cost including superannuation	3,650,140	3,237,562
Finance and office expenses	1,011,254	676,577
Legal, compliance and consulting expenses	352,317	159,322
Research costs	282,248	112,027
Events and communication	77,906	60,895
Travel expenses	77,548	8,470
Promotion and development costs	18,334	10,603
Voting alert services	1,149,719	1,036,434
International engagement	209,828	207,924
Total expenses from ordinary activities	6,829,294	5,509,814
Profit from ordinary activities before income tax	350,946	452,276
Income tax expense	-	-
Profit from ordinary activities after income tax	350,946	452,276
Other comprehensive income	-	-
Total comprehensive surplus for the period	350,946	452,276

BALANCE SHEET	2022 (\$)	2021 (\$)
<b>Current Assets</b>		
Cash and cash equivalents	12,923,958	11,571,401
Receivables	271,154	256,798
Prepayments and other assets	193,081	172,019
Total current assets	13,388,193	12,000,218
<b>Non-current Assets</b>		
Property, plant & equipment and right-of-use assets	789,973	757,297
Intangible assets	168,708	224,944
Total non-current assets	958,681	982,241
Total assets	14,346,874	12,982,459
<b>Current Liabilities</b>		
Other payables	890,815	787,017
Employee benefit obligations	532,422	490,180
Lease liabilities	137,483	110,071
Income received in advance	6,296,446	5,458,062
Total current liabilities	7,857,166	6,845,330
<b>Non-current Liabilities</b>		
Employee benefit obligations	45,863	34,149
Lease liabilities	645,696	655,777
Total non-current liabilities	691,559	689,926
Total liabilities	8,548,725	7,535,256
<b>Net assets</b>	<b>5,798,149</b>	<b>5,447,203</b>
<b>Equity</b>		
Reserves	4,273,453	3,827,000
Retained earnings	1,524,696	1,620,203
Total equity	5,798,149	5,447,203

### Remuneration

All our capitals are vital to creating value, however, our staff (our 'human capital') 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.

2021/22			
Executive	Employment Category	Total remuneration package (\$)	Total remuneration benefits for the period (\$)
Louise Davidson	Full-time	415,000	421,645
Ed John	Full-time	300,000	306,328
Kate Griffiths	Full-time	300,000	303,606
Carole Alt	Part-time 0.7 FTE from 03/01/2022	131,861	121,765
Nathan Robertson	Full-time	184,422	187,440
Karen Griffiths	Part-time 0.9 FTE	225,000	227,773

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

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 Advisory Council are not paid for their services.





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