

2024

Annual Report

2023 – 2024 Financial Year

October 2024



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The year at a glance



387
Formal company engagement meetings



196
unique ASX300 companies met to discuss ESG issues



29 of ACSI's 30
climate priorities made progress in key areas such as improving targets, transparency and governance



125
women appointed to ASX300 boards in FY24, 44 of them at ACSI priority companies



80%
of 184 priority companies have made improvements on key ESG themes including...

14 companies
significantly changed CEO pay practices to better align with investor expectations



360
delegates registered for ACSI's annual conference



10
Media releases

Company resolutions



1,883
The number of resolutions ACSI provided research on



ACSI put forward
22 policy submissions



4 public research reports released

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Acknowledgement of Country

We acknowledge and respect the traditional lands and culture of First Nations people in Australia.

We pay our respects to elders past and present and recognise First Nations people's longstanding and ongoing spiritual connections to land, sea, community and Country.

Appreciation and respect for the rights and cultural heritage of First Nations 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. Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage.

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 2023 – 2024 financial year (FY23-24) 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 tables list ACSI's directors and Member Advisory Council representatives during the financial year and up to the date of signing this report.

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 FY23-24 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 29 October 2024.

Board

The ACSI Board is responsible for all ACSI governance (financial, risk, strategic and business planning, policy, membership and fees). The Board is made up of fifteen Full Member representatives, with the President and Deputy President elected from and by the Board.

- Debby Blakey – HESTA (Chair/President)
- Justine Hickey – Equip Super (Deputy President from 16 September 2024)
- Linda Scott – Care Super (Deputy President until 15 September 2024)
- Donna Heffernan – Active Super (until 30 June 2024)
- Nicole Bradford – Australian Retirement Trust (ART) (from 3 October 2023)
- Paul Schroder – AustralianSuper (until 30 June 2024)
- Rose Kerlin – AustralianSuper (from 1 July 2024)
- Deanne Stewart – Aware Super
- Kristian Fok – Cbus Super
- David Elia – Hostplus
- Joshua Lim – IFM Investors
- Vicki Doyle – Rest Super
- John Livanas – State Super
- Graeme Miller – TelstraSuper (from 1 July 2024)
- Lou Capparelli – UniSuper
- Russell Clarke – Victorian Funds Management Corporation (VFMC) (until 30 June 2024)
- Kate Galvin - Victorian Funds Management Corporation (VFMC) (from 1 July 2024)
- Stephen Rowe – Vision Super

Member Advisory Council

The Member Advisory Council (MAC) provides advisory support to the Board on ACSI's ESG program and advise ACSI management on ESG matters including engagement, advocacy, communications and research programs. Representatives for the 2023-24 Financial Year.

- Justine Hickey (Chair) – Equip Super (from 16 September 2024)
- Linda Scott – CareSuper (Chair until 15 September 2024)
- Moya Yip – Active Super (until 30 June 2024)
- Dan Smith – Australian Retirement Trust (ART)
- Andrew Gray – AustralianSuper
- Liza McDonald – Aware Super
- Fiona Mann – Brighter Super (from 9 February 2024)
- Claire Molinari – CareSuper
- Rosalind McKay – Cbus Super
- Jessie Pettigrew – Equip Super
- Daniel Selioutine – ESSSuper (from 25 October 2023)
- Bill Watson – First Super
- Kim Farrant – HESTA
- Kylie Molinaro – Hostplus
- Ashley Kopczynski – IFM Investors
- Paul Murray – legalsuper (from 22 April 2024)
- Alexander Ng – legalsuper (13 November 2023 – 22 April 2024)
- Linda Trusler – legalsuper (until 12 November 2023)
- Susan Chau – Mine Super
- Skye King – NGS Super (from 12 February 2024)

- Wendy Fang – NGS Super (until 11 February 2024)
- Leilani Weier – Rest Super
- Aoife McCarthy – Spirit Super
- Sarah Gallard – State Super
- David Humphries – TelstraSuper (until 11 December 2023)
- Priya Patel – TelstraSuper (from 12 December 2023)
- Ali El Saleh – TWUSUPER
- Jodie Barns – UniSuper
- Shali Lingaretnam – Victorian Funds Management Corporation (VFMC)
- Michael Wyrsh – Vision Super

Message from the President and Chief Executive Officer



Debby Blakey
President



Louise Davidson AM
Chief Executive Officer

For more than two decades, ACSI has been a strong voice on issues that matter for responsible investors.

ACSI was born from the idea that superannuation funds could strengthen investment returns by working collectively to better manage governance issues in the listed companies they invest in. Over time ACSI's remit broadened to include social and environmental issues, such as gender inequality and climate change, which we believe pose material financial risks to investment portfolios.

By securing genuine and permanent improvements to the ESG practices of the companies in which our members invest, ACSI and our members aim to improve the value of the retirement savings delivered to super fund members.

When ACSI was created, ESG was in its infancy. Reflecting on our journey, it's clear how much progress we've made. What would corporate Australia and corporate accountability look like without ACSI as a champion of good governance?

In 2008, 92% of directors were male, often justified by the claim that there were 'so few good female candidates'. Sixteen years later, thanks to advocacy by ACSI and others, the ASX is close to achieving gender-balanced boards. The goal of a 40:40:20 gender split, set in 2019, is becoming a reality in boardrooms and, we hope, within executive ranks in the coming years. Other equity measures, such as the Positive Duty to prevent workplace sexual harassment, are continuously evolving and have been embraced by the broader business community.

Change can be incremental and feel very slow in coming, especially in the face of resistance. But after many years of researching, advocating and engaging, we passed the gender diversity tipping point. Now listed companies, thanks to a more diverse chorus of voices in their boardrooms, can make better decisions that help underpin improved business performance and enhanced long-term value for shareholders.

Progress has been made on climate risk as well. ACSI began engaging companies on climate risk management in 2007. When the Task Force on Climate-related Financial Disclosures (TCFD) Framework was released in 2017, we encouraged companies to report their climate risks according to that framework, well before it became mandatory. Eleven companies did so.

Fast-forward to 2024, sustained investor engagement has supported progress. Our [annual climate reporting research](#) revealed that 82% of ASX200 companies now report against the TCFD framework and the index is largely prepared for the commencement of mandatory climate disclosures next year.

This is a big moment for investors. That data will be used by investors to better identify climate risks and opportunities, and to more efficiently allocate capital to the challenge of transitioning to a low carbon future. This will support super funds in their aim of delivering for members – for their super account balances and for the world they live in.

The vast majority of the ASX200 has set net zero targets and, importantly, have also set interim targets, which are crucial if investors are to understand the credibility of the company's ambition.

2023 was the hottest year on record, and the window to keep the global temperature rise below 1.5c is closing rapidly. Governments, businesses and civil society need to redouble efforts to limit global temperature rises. Getting the policy settings right to support decarbonisation is crucial, and ACSI continues to engage with government to promote policy settings that will facilitate action on the challenges facing investors and companies today.

ACSI's role in supporting super funds continues to be critical as the issues funds are facing become more complex and the need for expertise greater.

As ESG risks and opportunities continue to evolve and new challenges emerge, but alongside issues such as AI and biodiversity, familiar focuses remain. Board accountability, corporate culture and safety are among those which made 2023's AGM season busy for investors, with a record 42 strikes against remuneration packages.

Investor concerns throughout the lively season ranged from poor pay structures, companies waiving performance hurdles, failure to reflect accountability in bonus payouts and in some cases, an overall displeasure of the company's performance and shareholder experience, with the loss of social license to operate a very real risk.

All of these are financial issues that can impact a company's long-term success. That's why ACSI members - as fiduciary investors and stewards of capital - are focused on managing ESG risks and opportunities across their portfolios.

We cannot take Australia's successful governance approach for granted. Without our members working collectively through ACSI, corporate Australia would look very different today. Our ongoing work helps keep corporate Australia and financial markets appropriately governed and accountable – and in turn support delivering investment value in the best interests of super fund members.

Debby Blakey

Louise Davidson

Who are we?

ACSI was created to provide a strong, collective voice on financially material ESG issues on behalf of our members, who include institutional investors and asset owners from Australia and overseas, with \$1.9 trillion in funds under management.

Our research, company engagement, advocacy and voting recommendations support members in exercising active ownership and strengthens investment outcomes.

ACSI's evidence-based approach aims to achieve better financial outcomes through genuine and permanent improvements to the environment, social and governance practices of the companies in which our members invest. These improved outcomes flow through to the beneficiaries, who entrust their retirement savings to our members.



As institutional investors, ACSI's members are focussed on the long-term sustainability and profitability of the companies in which they invest.

What makes us different?

ACSI supports our members in managing ESG risks and opportunities in the companies they invest in. Our member focus differentiates us.

Active owner focussed

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

Amplify member voices

By working collectively through ACSI, our members' voices are amplified in the board rooms of Australian companies and in the policy debates in Canberra.

Member led

Our members help set our strategy and priorities. As a membership organisation, we are focused on outcomes for our members and their beneficiaries.

Focus on material ESG issues

ESG issues have a material financial impact over the long term.

Decades of experience

We have helped members manage ESG risks and opportunities for more than 20 years. Our team are experienced and have a broad range of skills and professional backgrounds.

Collaborate globally

Collaboration is key to our success. We work with other investors globally to advocate for improved ESG practices and performance in listed companies and market regulation.

Strong shareholder voice

Our members' investments across the ASX provide us with a strong platform to urge positive change on ESG issues.

Focussed on policy settings

We advocate for markets to be better aligned with the long term, to protect and enhance the savings entrusted to our members.

Research led

Our work is built from research up with our research program integrated into our work streams.

Integrated approach

Our stewardship approach integrates research, policy, company engagement and voting recommendations.

Our stakeholders

ACSI relies on a range of stakeholders to operate and succeed, and we integrate effective stakeholder engagement into our business operations.

Engaging with our members

In the interests of their beneficiaries, we work and interact with our members via our member-led Board and Member Advisory Council, regular member engagement meetings, working groups and member forums.

Each year, we consult members in identifying engagement priorities, advocacy positions and research projects on the ESG issues with the most material financial impact over the long term.



Our way of interacting

> ACSI Members

Members participate in our company engagements and attend webinars, events and briefings. We update members on our activities through a range of regular, direct communications and measure member engagement and satisfaction through annual surveys. Our governance structure – the ACSI board and Member Advisory Council – is comprised of ACSI members.

> Government and regulators

We advocate for changes to align financial and market settings with the interests of long-term investors directly with policymakers. Regular submissions to public consultations and direct discussions also inform policymakers of our positions and research.

> Employees

ACSI's workplace is highly collaborative with daily informal staff interactions. We also have regular team and individual meetings as well as regular performance feedback. Staff training and flexible working practices contribute to an engaging environment, and our Staff Engagement Survey revealed that 91% of our team would recommend ACSI as a great place to work.

> Investor collaborations and industry groups

We cultivate relationships with investor and industry groups with a range of views in Australia and overseas to strengthen our advocacy for positive change. These collaborations may include sharing resources, developing co-branded guidance and offering training opportunities to each other's staff and members.

> ASX companies

Our access to ASX listed companies, crucial to driving change, depends on the transparency and clarity of our expectations. Our [Governance Guidelines](#) detail our expectations of company governance and ESG risk management, and we engage with companies through meetings, written reports, phone calls and emails about our research, policy announcements and events.

> Non-government organisations

We engage constructively with NGOs, focussing on achieving the best outcome for members' beneficiaries. Relationships like these enable both parties to be aware of each other's work and views.

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

Provides 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 encourage decision makers to pursue positive policy development. Our collaborative approach 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's annual work program supports our members in exercising their ownership rights. Through our research, engagement, advocacy and voting alerts, we aim to deliver material improvements in the companies our members invest in.



Research

ACSI's research program, conducted both in-house and by external organisations, seeks to deliver deep understanding of the material issues significant to our members.



Engage

ACSI speaks directly with ASX300 companies about the importance of managing material ESG risks and opportunities. Having 'a seat at the table' and using it wisely can effect change within listed companies and build long-term value for our members.



Influence

We engage with government, regulators and other financial services sector entities to promote a long-term, equitable and effective regulatory system. This advocacy aims to create an environment in which our members can build long-term value for their beneficiaries.

Our tools for success

Integrated company engagement

Our team of specialists maintains strong relationships with listed companies, and our engagement approach allows us to move beyond narrow or short-term AGM agendas to deal with broader, long-term ESG issues.

Respected voice on ESG issues

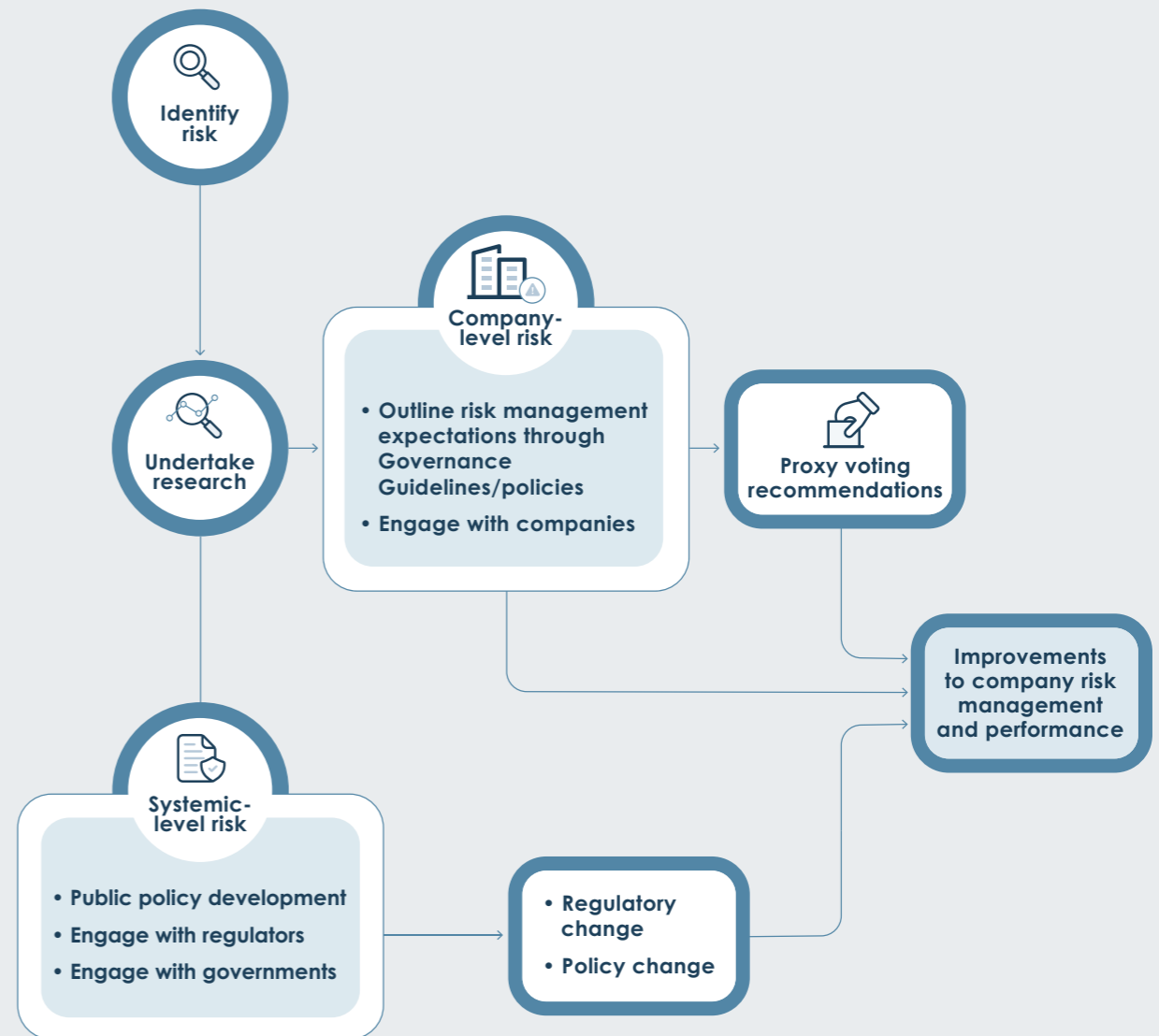
We have a strong public profile and seek to promote positive change on ESG issues across the market. We help drive public discussion on ESG issues to build permanent improvements in the performance of the companies our members invest in.

Our research is a trusted source of information for investors and companies.

Leadership on ESG regulatory issues

Our public policy positions are developed with a forward-thinking, long-term perspective, backed by our research. ACSI seeks to lead in our key areas of ESG expertise, advocating for financial markets to consider long-term value.

How do we influence management of ESG issues?



Read our [Stewardship report](#) to learn more about our work across research, policy and company engagement over the past twelve months.

Examples of our contribution



Diversity

In early 2015, when ACSI accelerated its campaign to improve board gender diversity, fewer than 20% of ASX200 directors were women, and 34 ASX200 companies had no women on their boards. Now, around 30 more appointments of women are needed to hit our target of 40% representation - there are no zero-women boards in the top 200 companies.

This demonstrates the impact of significant work from ACSI and others in the Australian market since 2015.

ACSI is a founding member of the 40:40 Vision initiative, which also wants Australia's leading companies to commit to the gender diversity target of 40:40:20 in their executive leadership teams by 2030.



Climate transparency increasing

ACSI has been advocating for better climate disclosure across the market for well over a decade. Increased company disclosure means that investors are better able to assess climate-related risks and opportunities in portfolio companies. The progress on climate reporting is an example of how ACSI's integrated stewardship approach works in action.

We were an important voice in the discussion which saw mandatory reporting legislation pass through Parliament this year. We also engaged with the Australian Accounting Standards Board and Auditing and Assurance Standards Board on the developing Australian reporting and auditing standards. While ACSI is one of many stakeholders in this area, we are encouraged by the level of industry collaboration and input into this important progress.

ACSI engaged with companies to encourage reporting against the TCFD framework - in 2017, just 10% of ASX200 companies did so. This year, 82% used it to disclose their climate-related risks. As disclosure across the market grew, and a global reporting baseline under the ISSB was established, ACSI recognised a clear role for a mandatory reporting regime to capture laggards and lift the standard of reporting.



Superannuation funds have a duty to act in the best financial interests of their members, and ACSI engages with companies and policy makers to encourage the adoption of good governance, better disclosure and effective risk management practices to improve investment outcomes.

ACSI Stewardship Report, September 2024

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 FY23-24.

> Geopolitical trends

Russia's war on Ukraine, the middle-east in crisis and continuing supply chain issues are among the global headwinds that impacted markets around the world.

> Greenwashing and greenhushing

Asset owners and companies are balancing ambition and transparency with renewed focus from regulators.

> Brand ESG under attack

In the United States, some states have banned ESG integration – the legitimate management of financial risks – though it's unclear if the trend will take hold outside the US.

> Community interest

Superannuation funds continue to see member requests to understand their approach to managing the risks associated with climate change.

> Superannuation fund mergers

Merger activity within the superannuation industry continued in FY23-24, including within ACSI membership. Regulatory action and other pressures will continue to drive mergers into the future.

> Sector growth

As funds under management continue to grow, Australian superfunds are investing in global markets.

Opportunities

> ESG policy in spotlight

The Federal Government has introduced changes on a range of ESG issues, including climate change, biodiversity and modern slavery. Mandatory climate disclosures have been legislated and will begin in 2025. The Government is also developing a sustainable finance strategy.

> Global reporting standards

We are closer than ever before to global, standardised ESG company reporting, with the ISSB reporting framework, the Taskforce for Nature-related Disclosures (TNFD) in place and Australia's mandatory climate disclosure regime beginning in 2025. Reporting progression will support investors in comparing like for like while making decisions on behalf of their beneficiaries.

> Growing scrutiny good for business

The increasing scrutiny of the public, media and NGOs on the ESG practices of organisations is driving interest in stewardship and active ownership.

> 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.

> Demand for ESG knowledge

With the boom in focus on ESG there is a growing need for expertise on ESG. ACSI's deep knowledge, and experience as a market player provides opportunities to support investors and companies in lifting expertise.

Our work in action

Our program of research, engagement, advocacy and voting advice support our members in understanding ESG issues and exercising their ownership rights.

We also conduct events and offer consulting services on ESG and related policy development, service provider analysis, 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 2023-24 we held 387 meetings with ASX300 companies. Our research allows us to move beyond the day-to-day AGM agendas and speak to companies about the specific ESG issues material to them.



Voting Advice

ACSI members are active owners and exercise their voting rights to manage risks. Our voting recommendations align our engagement work with our voting research and are a useful input for subscribers when determining their voting positions.



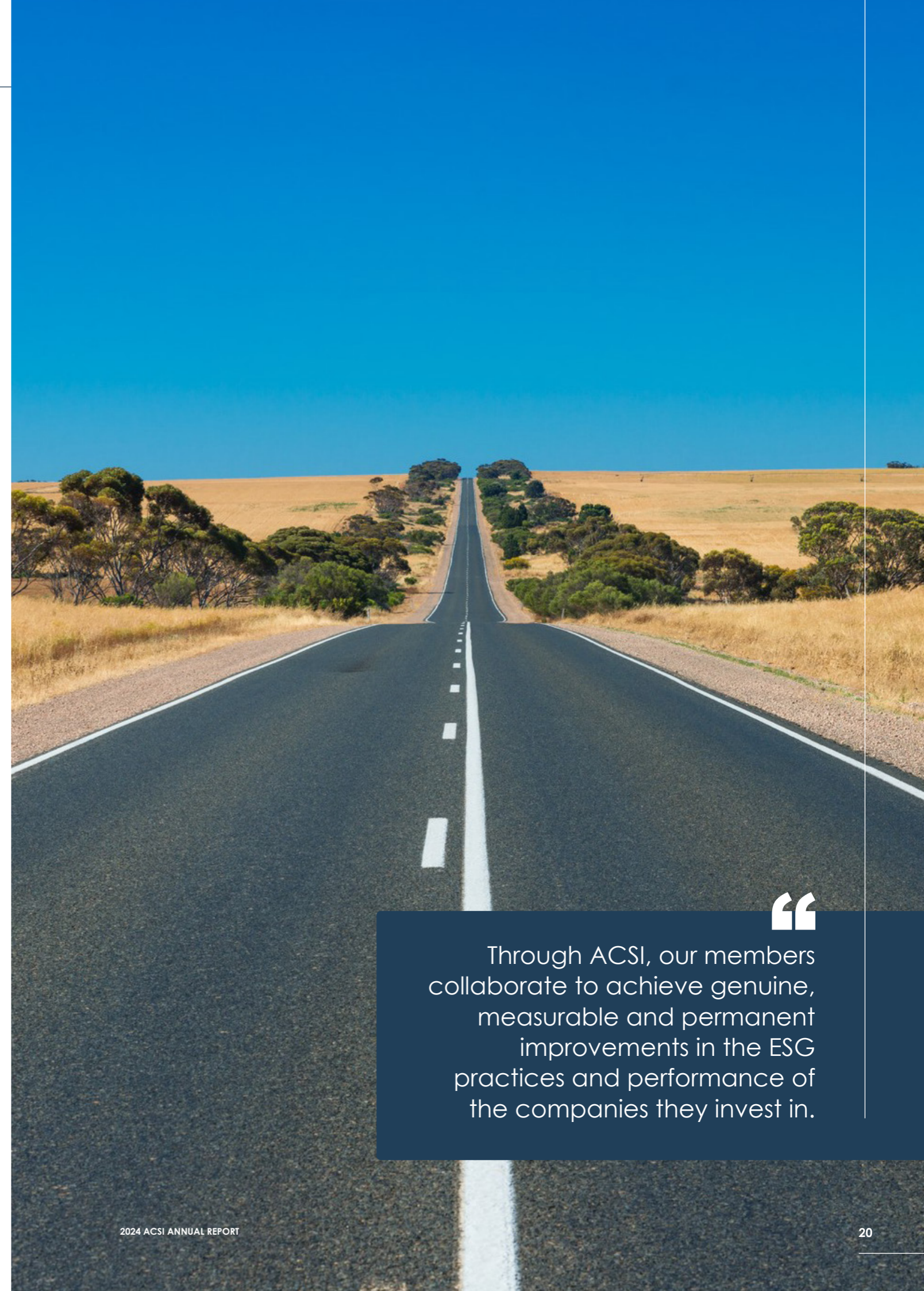
Advocacy

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



Events and training

We support our members and ASX listed companies in building capabilities and knowledge on ESG issues.



Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

Research



Our research provides the foundation of our policy work and company engagement, and it underpins our voting advice. Our research focuses on financially material ESG issues that are important to long-term investors.

In FY23-24, we continued our longitudinal research program, tracking listed company reporting on climate change and CEO pay. We also released standalone research papers on how climate-related metrics are being integrated into

executive remuneration and partnered with the Australian Institute of Company Directors (AICD) to examine whether listed company boards were prepared for the enforcement of the positive duty to prevent and respond to workplace sexual harassment.

ACSI's public reports are supplemented by a series of member-only research documents designed to better inform our members on key ESG risks.

Workplace sexual harassment, bullying and hostile work environments not only harm individuals, they can also have serious financial impacts on companies and lead to significant reputational damage. As long-term investors, it is in the interests of ACSI's members that the companies in which they invest are well-run, safe, and have supportive and healthy cultures.

Louise Davidson, Positive Duty: Preventing and responding to workplace sexual harassment



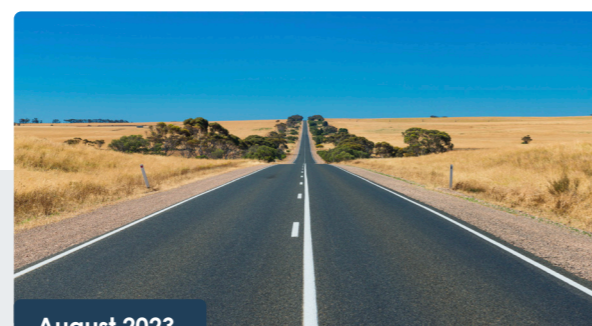
July 2023

CEO Pay in ASX200 Companies

The 22nd annual iteration of our examination of executive remuneration revealed that bonuses for listed company CEOs retreated from the previous year's record high and that the average realised pay for ASX100 CEOs was the lowest in nine years, but still represented 55 times average adult earnings.

ACSI uses this research to:

- Identify trends in CEO pay.
- Provide transparency to the market on realised pay.
- Inform discussions with company directors about evolving remuneration practice.



August 2023

Promises, pathways and performance: Climate change disclosure in the ASX200

ACSI's longstanding research assesses climate change disclosure including net-zero commitments, Taskforce for Climate-related Financial Disclosures (TCFD) alignment and scenario analysis by the ASX200. This edition showed the majority of the ASX200 ready for mandatory climate reporting, with nearly 70% reporting against the TCFD and 80% of market capitalisation covered by net zero commitments. However, detail, depth, comparability and credibility gaps remained.

ACSI uses the research to:

- Benchmark disclosure.
- Identify priority areas for engagement.



December 2023

Positive Duty: Preventing and responding to workplace sexual harassment

This research, undertaken with the AICD, considered board preparedness in light of the new 'Positive Duty'. This duty, to prevent and mitigate a range of behaviours including sexual harassment, hostile work environments and bullying, found that improvement was needed across companies and offered suggestions for how some companies had improved their practices, and questions for investors to ask.

ACSI used the research to:

- Identify priority areas and questions for engagement.



June 2024

Measuring and rewarding climate progress

This research analysed the ways in which ASX200 companies have integrated climate-related metrics within variable executive remuneration structures to identify market trends and the performance measures used.

The aim is to understand these issues, promote good practice and identify gaps in disclosure. It does not seek to prescribe which (and even if) specific climate measures should be adopted as this varies between companies and sectors.

ACSI used the research to:

- Inform discussions with company directors about evolving remuneration practice and identify priority areas for use in engagement.

Engagement



ACSI engages with the boards of ASX listed companies to discuss, understand and improve corporate governance practices and ESG performance. This year, ACSI held a record 387 engagement meetings with ASX300 companies in FY23-24, including 272 meetings with 184 high priority companies – resulting in some 80% making progress on ESG issues identified as significant to our investor members.

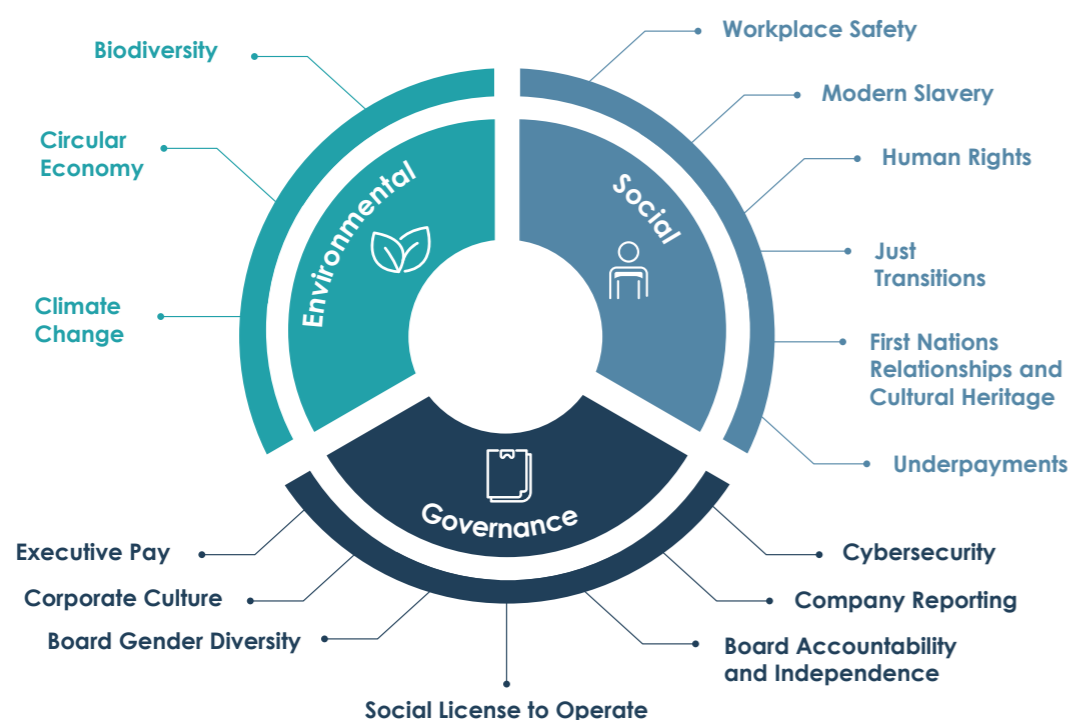
ACSI broadened its work in environment-related themes with increased focus on nature and biodiversity and delved deep into modern slavery reporting with intensive engagement work driven by our detailed research.

How do we engage?

Our company engagement usually involves meeting with board representatives and management teams of ASX300 companies to discuss a range of ESG matters.

Each year, ACSI sets priority themes for engagement, aligned to material ESG factors. When setting engagement priorities, ACSI's process is to assess the materiality of the issue, the exposure of investors and the objectives that need met to address investor concerns. In the table below we explain those themes in more detail as well as the outcomes of investor engagement. We note that company actions will be influenced by a range of internal and external factors. Our engagement seeks to provide a catalyst for change, but we do not seek to claim 'sole credit' for each change we contribute to.

Many of the key themes and target companies are part of multi-year engagements. This reflects the fact that change often requires persistence.



Climate change

ACSI encourages companies to not just set Paris-aligned aspirations but also provide clear disclosure of progress against those targets in the short, medium and longer terms.

Our multi-year engagement program with those ASX200 companies most exposed to climate change has contributed to clear shifts in FY23-24, with 29 of 30 priority companies making progress.

Australian companies have increasingly recognised the importance of managing material climate-related risks and opportunities. ACSI's company research has identified increases in the adoption of net zero ambition and the majority of ASX200 companies have included climate-related measures in executive remuneration hurdles. More companies recognise the importance of a just transition, however, there is still little detail on specific just transition risks and strategies.

- 29 out of 30 priority climate companies made progress in FY24 after engagement which focussed on companies progress against Net Zero commitments.

ACSI's engagement work has supported 10 companies now providing investors with a vote on climate transition plans.

Circular economy

The circular economy is focused on three key principles – designing out waste, circulating products and materials, and regenerating nature. Adopting and scaling circular practices presents numerous opportunities, including emission reductions and reduced impact on nature and biodiversity loss.

The financial risks of continuing 'business as usual' with a linear economy include regulatory changes (such as end producer laws), changing consumer and customer sentiment, higher costs and more.

ACSI has continued to engage with our priority companies across the retail, packaging and built environment sectors on how they are incorporating circular principles within their strategy, designing out waste and to encourage better disclosure of circular practices and ambitions.

- 83% of ACSI's priorities made progress in developing and reporting on circular economy strategies.
- Economic supplies of recycled materials are making it difficult to attain goals.

Governance and culture

Governance risks for investors extend well beyond how boards meet the letter of the law to how they set and guide culture in their organisations. Below are examples of material governance risks and the work ACSI does to encourage improvements.

Executive Remuneration

Persistently high bonus outcomes and lack of alignment with the shareholder experience are among the governance issues that investors are focused on.

Recent voting results indicate a marked increase in shareholder concern over executive remuneration in the Australian market. There were 42 strikes against ASX300 remuneration reports in the year to 30 June 2024 – a record number which is already forming the base for our FY25 engagement priorities.

Of the 26 companies on ACSI's priority list in FY23-24, half have demonstrated improvements in executive pay practices or set change in motion. Interestingly, many of the companies identified as having poor executive remuneration practices have their primary share market listings outside Australia, where different remuneration disclosures and reporting rules prevail. These include several New Zealand-based groups that ACSI has been engaging with for several years about offering investors non-binding votes on remuneration policies and outcomes to raise their governance standards.

Gender diversity

Demonstrating the impact of significant work from investors and boards in the Australian market, in 2024 over 37% of all director positions in the ASX200 were held by women.

There is still work to be done. Most companies have made substantial improvements. While engagement is generally effective in driving outcomes, laggards in the market remain.

ACSI continues to engage with the small minority of companies that have made little progress at board level, while also considering diversity at the executive level and exploring ways to boost diversity more broadly on corporate boards.

- 40.4% of ASX100 boards seats are held by women (37.5% in ASX300).
- 46.4% of ASX300 director appointments in FY23-24 were women.

Modern Slavery

- 74% of priority companies made progress on modern slavery risk management.
- 61 companies engaged with on modern slavery issues.

In FY23-24, we held 74 company engagements with 61 companies. Whilst most companies have taken foundational actions to address modern slavery risks, we continue to see significant gaps.

It is only a small minority of companies that have successfully identified and sought to remediate modern slavery risks within their supply chains. Driving better engagement with these issues and better disclosure in line with the requirements of the Modern Slavery Act, remain key engagement and advocacy priorities for ACSI.

First Nations relationships and cultural heritage

- More than 20 company meetings in FY23-24, including all high priority companies.
- Building relationships with First Nations groups to improve understanding and outcomes.

Failure to respect First Nations peoples' rights as custodians of their heritage and lands risks a company's social licence to operate, leading to financial risk for investors.

ACSI's engagement draws principally on the company expectations established in [ACSI's Research and Policy on Company Engagement with First Nations People](#). The focus was on how companies maintain relationships with First Nations groups and ensure their practices and agreements reflect better-practice standards.

Nature

- Eight of ACSI's 11 priority companies are working to align with nature-related frameworks.
- ACSI joins global collaborative investor initiative Nature Action 100+ to engage on risks.

Nature-related risk poses a significant financial risk to companies with operations which are dependent on, or impact, biodiversity. However, assessing and reporting on nature-related risks at a company level is more challenging, and is a key priority for ACSI's company engagement program.

Addressing biodiversity loss as a systemic risk is still a relatively new area for many investors and companies.

ACSI's engagement is focussed on 11 companies with material exposure to nature impacts and/or dependencies. ACSI is assessing the progress of companies identifying and reporting on nature-related risks across their operations and supply chains. There has been progress with priority companies setting nature positive strategies, targets on deforestation, measurement of impacts and dependencies and commitments to TNFD.

Safety

- 83% of priority companies made progress on our workforce theme (including workplace safety, culture, sexual harassment, human capital development and underpayments).

ACSI has monitored the safety performance and reporting of ASX300 companies for several years. The high proportion of fatal incidents involving contract workers has driven ACSI's efforts to have companies separately disclose contractor-related data and explain how the company ensures that its safety culture and practices are aligned amongst its direct and indirect workforce to prevent future harm.

ACSI has made it clear to companies it expects boards to meaningfully reflect the consequences of fatalities in remuneration to drive accountability and change.

Voting advice



Voting shares at company meetings is an important shareholder right, and a means for investors to monitor company governance and promote long-term performance. ACSI provides members with detailed research and voting recommendations to ensure that funds are able exercise their voting rights in an informed manner. In FY23-24, ACSI provided research on 1,883 resolutions across 294 ASX300 company meetings.

Record year of remuneration strikes

Forty-two ASX300 companies received remuneration strike votes in FY23-24 - the highest amount ever recorded. This included a staggering 13 company reports receiving a majority vote against from investors.

Investor concerns ranged from poor pay structures, companies waiving performance hurdles, failure to reflect accountability in bonus payouts and in some cases, an overall displeasure of the company's performance and shareholder experience.

When assessing remuneration proposals, ACSI also considers elements beyond financial performance. In FY23-24, ACSI recommended against two remuneration reports at ASX300 companies due to concerns regarding the insufficient recognition of the poor safety performance and workplace fatalities in the board's determination of executive bonuses. Both companies proposals incurred a shareholder 'strike'. It is important that boards reflect on material outcomes beyond financial performance to drive accountability and change.

Director elections and board diversity

ACSI recommended against the re-election of 38 directors at ASX300 companies in FY23-24/24 after considering several factors including board accountability, independence and diversity composition. Of these, 12 were due to a lack of improvement on board diversity. This is a higher than last year's five 'against' recommendations on diversity grounds as ACSI exercised its refreshed Gender Diversity Voting Policy. This policy drove our expectation for a minimum 30% of board positions at ASX-listed companies to be occupied by women.

Say on Climate and Shareholder Resolutions

During FY23-24, ACSI provided voting advice on 'Say on Climate' proposals at six ASX-listed companies. These proposals involve companies proposing their climate transition plans as a non-binding shareholder resolution and providing an opportunity for investors to assess company strategy and plans to transition to operate in a low- carbon economy. In ACSI's experience, companies committing to such advisory proposals often increase the level of engagement with shareholders and can contribute to improvements in transparency and company practices.

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, with some estimates of the cost to Australia as high as \$1.19 trillion by 2050 if Paris Agreement targets are missed. Therefore, climate change is one of our priority areas.

2023-24 saw a significant amount of climate-related policy work. ACSI engaged on the Australian Government's [incoming mandatory climate disclosure regime](#) (and accompanying disclosure standard developed by the Australian Accounting Standards Board), the [carbon leakage review](#) and the [Australian carbon credit unit Review](#), among other significant issues.

ACSI established a working group to inform ACSI's engagement on forthcoming mandatory climate-related financial disclosure legislation and to develop an understanding of the changes as they emerged and to provide views on what good reporting may look like.



Sustainable finance

The Government's sustainable finance strategy aims to lift the barriers to investment in sustainable activities and encourage the transition to net zero. ACSI [has contributed to the Federal Government's Sustainable Finance Strategy consultation](#), and has engaged directly with Government on a range of sustainable finance measures.

ACSI staff sit on [ASFI's Taxonomy Technical Expert Group](#), working with a range of stakeholders to provide common definitions and standards for green and transition finance, helping accelerate the allocation of capital towards sustainable activities to achieve Australia's net-zero ambitions activities.



Governance

In addition to engaging with companies about governance issues, ACSI is also a member of the [ASX Corporate Governance Council](#), helping to develop governance principles for listed companies and promote confidence for investors. In February 2024, the Council released consultation materials for a proposed fifth edition of the Corporate Governance Council's Principles and Recommendations for listed companies. The consultation process is ongoing, with Council considering the feedback provided through the consultation process.



First Nations people

ACSI is contributing to multiple, much-needed law reform processes, including the federal consultation related to Aboriginal cultural heritage reform, which is co-designed by the Government and First Nations organisations. In addition, we participated in the Government's [First Nations Clean Energy Strategy Consultation Paper](#).

There have been some small steps towards law reform, although no significant change yet. Much remains to be done to achieve a regulatory system that will better protect the rights of First Nations people and better manage the associated investment risk.



Modern slavery

In November 2023, ACSI was appointed to the Government's Modern Slavery Expert Advisory Group. The group's membership comprises a cross section of business, civil society, union, and academia, and was set up to advise the Attorney-General's department on the operation of the Modern Slavery Act.

We are pleased that a number of the recommendations from the Modern Slavery Act review are aligned with ACSI's position and encouraged by the passage of Federal legislation to establish Australia's first federal Anti-Slavery Commissioner. We look forward to working with the Commissioner (when appointed) to strengthen the work to prevent and respond to modern slavery.



Nature

The Government has committed to a 'Nature Positive Plan'. This includes significant reform of the Environment Protection and Biodiversity Conservation (EPBC) Act, the backbone to the Federal environmental law framework. ACSI participated in consultations on proposed reforms and will continue to encourage the Government to progress the work. ACSI advocates for ambitious laws on the basis that our economy depends on the long-term sustainability of the natural environment.

ACSI also made a [joint submission](#) with the Australian Sustainable Finance Institute (ASFI) on the TNFD's metrics for financial institutions. These are the metrics that the TNFD recommends that financial institutions use to monitor their nature-related impacts, dependencies, risks and opportunities. ACSI sought to encourage that the TNFD metrics for financial institutions are practical and support improved risk management.



Stewardship

ACSI continues to advocate for better recognition of stewardship activities in the Australian environment. In 2024, we updated the [Australian Asset Owners Stewardship Code](#) to continue to support the transparency and accountability of stewardship activities in Australia.

Events and training



ACSI Conference

ACSI's Annual Conference was held on Thursday 14 March 2024 in person at the Sofitel Melbourne on Collins. Three hundred and sixty delegates registered for the conference, a significant increase on last year's numbers.

Featuring sessions on human rights, regulation, positive duty and workplace culture, energy opportunities, artificial intelligence and our regular directors and investors panel sessions, the event was rated 95.83% 'good to excellent' by delegates and 97.26% of delegates would recommend the ACSI Conference to a peer or colleague.

The member-only dinner hosted by ACSI on the eve of the Conference was attended by 117 people.



ACSI CEO Louise Davidson and ASIC Commissioner Simone Constant.



ACSI President and HESTA CEO, Debby Blakey.



Delegates at the ACSI Conference.



ACSI CEO Louise Davidson.



UTS Prof Nicholas Davis.



Woolworths and Origin Energy Chair, Scott Perkins.



Aware Super Chair Sam Mostyn.

Trustee Forum

Sixty delegates from 14 member funds registered for ACSI's 2024 Trustee Forum. The Forum featured sessions on regulation, social issues, pension capital and responsible investment and global development and the introduction of a superfund chairs roundtable. One hundred percent of delegates rated the event 'good to excellent', and 100% would recommend the Trustee Forum to other directors.

Phil Spathis Governance Address

In October 2023, 165 gathered to hear Dr James Cockayne, the Anti-slavery Commissioner for New South Wales, deliver the Phil Spathis Governance Address. Dr Cockayne outlined the human cost of modern slavery, and the material, and foreseeable, risks it poses for business.

Education

ACSI Seminar and Luncheon Briefing Series

As part of ACSI's 2022 – 2025 Strategic Plan, we implemented an education program which sought to leverage ACSI's ESG expertise and improve ESG practices within companies. We delivered ESG thought leadership through a series of half-day seminars and a luncheon briefing to meet the education needs of members and ASX representatives.

The series considered one topic per event, covering climate risk, modern slavery, nature and biodiversity and remuneration.

The series' benefits have included providing ACSI members with greater understanding of the ESG practices and challenges in their investee companies, increasing direct exposure through education to ASX company representatives and providing forums where both ACSI members and ASX representatives could learn from each other and discuss common issues.

Climate Seminar

Sixty-one delegates gathered at the Melbourne Business School in November 2023 to hear about key climate risk topics including climate reporting, carbon offsets, lessons from UK & Europe of the challenges of high-risk climate sectors and looking down the path to net-zero.

Modern Slavery Seminar

In April 2024, 61 delegates attended the Melbourne Business School to examine topics including the state of modern slavery in Australia, whether companies are meeting investors' expectations, modern slavery audits, procurement and integration of human rights and modern slavery reporting.

Nature and Biodiversity Seminar

On International Biodiversity Day in May 2024, ACSI held a Nature and Biodiversity Seminar at the Melbourne Business School with 45 people registered to learn about topics including advancing Australia's biodiversity capabilities, the policy and landscape blueprint, the global biodiversity perspective and biodiversity reporting frameworks.

Remuneration Luncheon Briefing

The Remuneration Luncheon was held at the Park Hyatt in Melbourne in June 2024 with 65 attendees registered. Topics included the use of board discretion around incentives, gaps around performance, termination and exit pay and target settings and the hurdles.

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 sets the risk appetite on an annual basis.

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

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.



There is clearly a long way to go, but there are clear signs that many ASX companies are now focussing on the net zero transition, and that most recognise its importance to their long-term success.

Promises, Pathways & Performance Climate Change Disclosure in the ASX200, August 2023.

Strategic risk example

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

Non-strategic risks

All 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.

Material loss of funding			
Risk	Key risk	Response	Rating
Material loss of funding	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

Measuring our success

Strategic and business plans

ACSI operates on a three-year cycle strategic plan period, having recently completed year two of 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 monitors our progress on a quarterly basis. Our 2023/24 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.

Reporting on our ESG risks

ACSI encourages listed companies to report their ESG risks and opportunities, including on modern slavery and climate change. Recognising the importance of doing as we ask others to do, we also prepare these reports ourselves.



Climate risk

Climate change is distinctly financial in nature. Its risks and opportunities are deeply embedded across the financial system and can impact the long-term value of our members' investments.

ACSI engages with companies to understand how they manage the climate-related risks and opportunities material to their business and to clearly communicate our expectations.

We have a net zero commitment and report our own climate risks against the Taskforce on Climate-Related Disclosures (TCFD).

Read our TCFD statement [here](#).



Modern slavery risk

Modern slavery impacts millions of people across the globe. Because of that, modern slavery issues are not just an ethical responsibility for companies, they are a reputational and investment risk with the potential to undermine shareholder value.

All businesses should assess their exposure to modern slavery. ACSI undertakes a modern slavery assessment each year.

Read our Modern Slavery statement [here](#).

Financial information

Financial statements

The tables below are extracted from ACSI's financial statements for the year ended 30 June 2024, 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	2024 (\$)	2023 (\$)
Revenue from ordinary activities		
Membership subscription fees	6,276,198	5,761,939
Voting alert subscription fees	1,337,721	1,254,992
International engagement service fees	305,340	332,064
Conference and events	810,644	695,919
Interest	461,433	218,000
Other income	938	3,539
Total revenue from ordinary activities	9,192,274	8,266,453
Expenses from ordinary activities		
Staff cost including superannuation	5,147,222	4,378,206
Finance and office expenses	917,744	925,127
Legal, compliance and consulting expenses	458,948	238,578
Research costs	286,904	251,950
Events and communication	492,744	388,170
Travel expenses	87,654	137,648
Promotion and development costs	20,051	24,100
Voting alert services	1,264,608	1,213,520
International engagement	191,867	190,548
Total expenses from ordinary activities	8,867,742	7,747,847
Profit from ordinary activities before income tax	324,532	518,606
Income tax expense	-	-
Profit from ordinary activities after income tax	324,532	518,606
Other comprehensive income	-	-
Total comprehensive surplus for the period	324,532	518,606

BALANCE SHEET	2024 (\$)	2023 (\$)
Current Assets		
Cash and cash equivalents	7,076,043	3,258,087
Term deposits	7,900,000	7,400,000
Receivables	329,495	280,323
Prepayments and other assets	556,952	311,186
Total current assets	15,862,490	11,249,596
Non-current Assets		
Property, plant and equipment and right-of-use assets	1,115,400	664,849
Intangible assets	56,236	112,472
Total non-current assets	1,171,636	777,321
Total assets	17,034,126	12,026,917
Current Liabilities		
Other payables	1,104,864	522,892
Employee benefit obligations	784,117	621,220
Lease liabilities	136,826	146,688
Income received in advance	7,356,202	3,853,178
Total current liabilities	9,382,009	5,143,978
Non-current Liabilities		
Employee benefit obligations	69,572	67,131
Lease liabilities	941,258	499,053
Total non-current liabilities	1,010,830	566,184
Total liabilities	10,392,839	5,710,162
Net assets	6,641,287	6,316,755
Equity		
Reserves	4,950,000	4,465,240
Retained earnings	1,691,287	1,851,515
Total equity	6,641,287	6,316,755

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. Members of the board, board committees and the Member Advisory Council are not paid for their services. Executive remuneration can be seen [here](#).

Additional resources

A range of ACSI resources support our work, measure our success, and outline our expectations to stakeholders. These include:



Governance Guidelines

The Governance Guidelines define our members' expectations for the governance practices of the companies in which they invest. The guidelines are updated every two years. Find out [more](#).



Policies

Our members recognise that ESG risks and opportunities can have a material impact on investment outcomes. Our position on, and approach to, key ESG issues are found in our policies. Find out [more](#).



Stewardship reports

Each year we summarise our company engagements, including key topics we discussed and measurements of outcomes. Find out [more](#).



Annual financial statements

Our financial statements are publicly disclosed on the ACSI website. Visit our 'Corporate Documents' [page](#).



Our members

Our members are fiduciary Investors with a responsibility to act to enhance the long-term value of the savings entrusted to them. Find out [more](#) about our members.



Our team

Our staff has a depth of experience in ESG and financial services and came to ACSI from a variety of disciplines and backgrounds. Meet ACSI's [staff](#).



*Equip Super and Catholic Super classed as one member fund (Togethr Trustees) but two different brands

Disclaimer

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