



# Responsible Investment Report 2023



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super

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# How we report

Our purpose is to be a force for good in super and retirement, shaping the best outcomes for our members, their families and communities and our industry.



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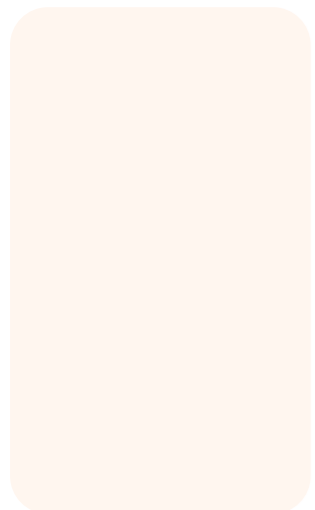
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# About Aware Super

*'Being one of Australia's biggest super funds means we invest and own interests in a wide range of companies on behalf of our members. Being a responsible owner is key to putting our members first and getting the best returns for their retirement.'*



# Our commitment to the United Nations Sustainable Development Goals





# Responsible ownership



The Global Investors for Sustainable Development (GISD) is a global coalition of investors and corporations from across the world. It's convened by the UN Secretary-General to deliver solutions that scale.

For more about GISD, see:

[gisdalliance.org](https://gisdalliance.org)



The Australian Sustainable Finance Institute (ASFI) is a not-for-profit organisation that provides leadership and support to the Australian sustainable finance industry.

to support greater social, environmental and economic outcomes consistent with the ASFI Roadmap. We are a founding member of ASFI. For more about ASFI, see:

[asfi.org.au](https://asfi.org.au)



We are a signatory to the Principles for Responsible Investment (PRI). The PRI is a universal framework to help investors learn from each other and be a collective voice on ESG issues. We participate in convened working groups, contribute to their annual benchmarking survey and publish our assessment and transparency report on our website. For more about PRI, see:

[unpri.org](https://unpri.org)



IAST APAC is an investor-led initiative convened to engage with companies in the APAC region and promote effective environmental, social and governance practices.

IAST APAC, see:

[iastapac.org](https://iastapac.org)



We've joined more than 700 global investors with more than US\$68 trillion in assets under management to engage the world's largest carbon emitting companies to act on climate change through the Climate Action 100+ initiative. For more about Climate Action 100+, see:

[climateaction100.org](https://climateaction100.org)



40:40 Vision is an investor-led initiative to achieve gender balance in executive leadership across all ASX200 companies by 2030. 40:40 stands for a ratio of 40% women/40% men/20% any gender – the composition we have for our own board. For more about 40:40 Vision, see:

[hesta.com.au/4040Vision](https://hesta.com.au/4040Vision)



We use our ownership rights to engage with companies. Where ESG management is not meeting industry standards, community expectations or whose conduct threatens their reputation and value, we work with the company to improve its ESG practices and policies. We believe this improves the company's ability to deliver long-term returns for our members.

We engage directly with Australian companies, through our

We advocate for diversity among Australian boards and executive teams. We believe companies that aren't focused on diversity are missing out on opportunities for idea generation and innovation. Change at the top inspires change across the broader workforce. Diversity is a large

the board to management and the general workforce.

An inclusive workforce means everyone feels valued, which in turn can motivate positive behaviours. For companies to create long-term value, they need to recognise and embrace the value of diversity in their people. While our focus to date has been on gender, we are now looking to understand how companies consider diversity more broadly, including age, ethnicity, education and professional experience. Diversity is not only a social imperative – it's a competitive advantage.

The number of women appointed to boards in Australia

women make up 33.6% of ASX300 board directors, with 11% in chair roles. A record 51 of the 101 appointments to ASX100 boards in 2022 were women. Very few boards remain without any women directors. More companies are also setting targets to reach a 40:40 women to men split in executive ranks.

women, compared with 170 companies with more than 60% men. The higher the ASX position, the more women are represented in executive leadership teams. We'll continue to prioritise engagement on this topic to reach better gender balance on ASX boards.

Our commitment to promoting gender diversity meant we chose not to support the re-election of existing directors

actively participate in the collaborative investor-led diversity initiative known as 40:40 Vision, which encourages companies to set 40:40:20 gender balance targets in executive leadership by 2030.

with six ASX-listed companies on gender diversity across the information technology, healthcare, industrials and consumer sectors. Encouragingly, several boards with low levels of diversity appointed skilled women directors during the year, including Goodman Group, ARB, Flight Centre, IDP Education, Waypoint REIT and Codan.

Respect for human rights is strongly associated with value chain resilience and business stability. We are increasingly

they fail to manage human rights risks.

These business risks include potential project delays and cancellations, lawsuits and noncompliance with emerging human rights-related regulation, scrutiny from national-

and recruitment challenges, and negative press.

A business that does not act on the risks presented by a failure to respect human rights (which can be in the form of

risks its business and supply chains being unsustainable. The neglect of these issues also threatens a company's social licence to operate.

Since the *Modern Slavery Act 2018* (Commonwealth) was introduced, we've engaged with companies to understand how they manage modern slavery risks in their operations

we engaged with 24 ASX-listed companies, directly and collaboratively via ACSI and IAST APAC. This ongoing program has been received well by companies, increasing awareness and assisting to inform their approaches to assessing, identifying and monitoring modern slavery risks in their supply chain.

Government also conducted a review of the *Modern Slavery Act* (the Act). Public consultation was at the centre of this review and ACSI and IAST APAC provided submissions on our behalf. The review received 136 submissions as well as responses to online questionnaires and surveys, and held 38 consultation meetings with 285 organisations, as and abroad.

While these consultations didn't (yet) yield evidence the Act inspired their life and projects since 2018. P3E80200@P90umaeey, and



We're a member of the ACSI First Nations Rights and Cultural Heritage Risk Management Working Group,

companies don't engage well with First Nations peoples. Using guidelines developed from the working group's research, we measured 11 companies on their approach to First Nations peoples' engagement. We found two lacking in areas, such as compensation and consultation, and we'll work with them to enhance these aspects.

Aware Super has committed to reporting on how we engage with companies on issues related to First Nations land rights and cultural heritage as a part of our Reconciliation Action Plan (RAP). For more information, see the Responsible ownership section of our annual report:



## social impacts

## Examples

### Investing in people and the community



Job creation for all

Investing in products or services that contribute to the new jobs growth that wouldn't

# Responsible ownership

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Key workers have access to affordable housing



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and wellbeing initiatives<sup>7</sup>



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Hours of Employee Assistance Program counselling was provided



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New public transport passenger journeys (62.8 million km travelled)



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Additional jobs created in rural Australia



Our Sustainable Development Investing Assessment methodology uses the sustainable development investing

Sustainable Development (GISD), a UN-formed alliance

qualifying investments that align with the UN SDGs. We

framework, determining the positive and negative impacts of an investment on SDGs.

Although we capture our positive impact in two ways, we believe both methodologies play important roles in assessing the impact our investments have on the environment and society.

For example, our due diligence approach in private equity and our direct credit income investments assesses whether

Over the past four years in our private equity portfolio,

A\$800 million of investment capital, that are contributing positively to the SDGs. The SDG contribution by those investments is shown to the right.

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# Climate change

Climate change poses complex risks to society, nature and the economy – and our members' retirement outcomes. Our investment approach looks at present and future climate risks.

Since 2015, we've actively considered the impact of climate change in our investment approach, drawing on the latest climate science and global best practice.

Through our focus on risk and opportunity, we aim to secure long-term returns for our members while positively impacting society and nature.

Our Climate Change Portfolio Transition Plan (Transition Plan) was approved by the board in early 2020 and was updated in the 2022/23

updated plan provides the framework to guide the action needed to navigate the systemic and structural

# Climate change

# Climate change

of our Climate Transition Plan. This plan plots our path to decarbonisation through measurable, timebound emissions reduction goals and targets.

Aware Super will support an orderly and equitable transition to net zero GHG emissions through its investment activities, stewardship and advocacy. Our overarching targets to support that commitment are to:

- strive to achieve net zero GHG emissions in our portfolio by 2050
- support an economy-wide reduction in GHG emissions of 45% by 2030
- achieve a 45% reduction in Scope 1 and 2 emissions intensity of our investment portfolio by 2030.

Each Aware Super sector portfolio will also have its own 2030 Scope 1 and 2 decarbonisation targets, designed to support the targets above.

under each pillar, position us to meet these targets.

We will be transparent about the progress we make towards our overarching targets, providing regular updates to our board and (at least) yearly updates to our members. To reach our long-term targets, we must set short- and medium-term milestones that guide us towards net zero. We will review our overall target in the 2024/25

best practice.

We know the journey ahead will be long and uncertain. Nevertheless, we are determined to make sustainable

to our members, but also considers how people and planet are affected by climate change and shift to a low-carbon economy.

intent to action.

Pillar 1's primary aim is to reduce emissions across our portfolio. This involves reducing emissions at a sector level, within each investment and encompasses our broader efforts to reduce emissions in the economy. Pillar 1 outlines the methodologies for tracking portfolio emissions and projecting decarbonisation progress into the future.

- develop a bespoke, dynamic decarbonisation roadmap and pathway to achieve net zero portfolio emissions
- set, measure and achieve credible short-, medium- and long-term emissions reduction targets in all asset sectors
- establish a meaningful framework to measure, manage and forecast investment GHG emissions
- undertake an annual assessment of progress towards decarbonisation goals.

When it comes to measuring our portfolio emissions, we acknowledge our methodology and dataset will continue to improve. In next year's report, we plan to share our progress in this area.

To support our targets, we've set 2030 investment sector targets for the Infrastructure, Property, Australian and International Listed Equities sectors. In the coming year,

Credit Income sectors. We're also continuing to factor in current and forecast emissions into our due diligence and investment decisions.

Progress against these targets is evident in our listed equities portfolio. As at June 2023, the portfolio has seen a

### Private equity

Rumin8 - Rumin8 is an Australian start-up agritech

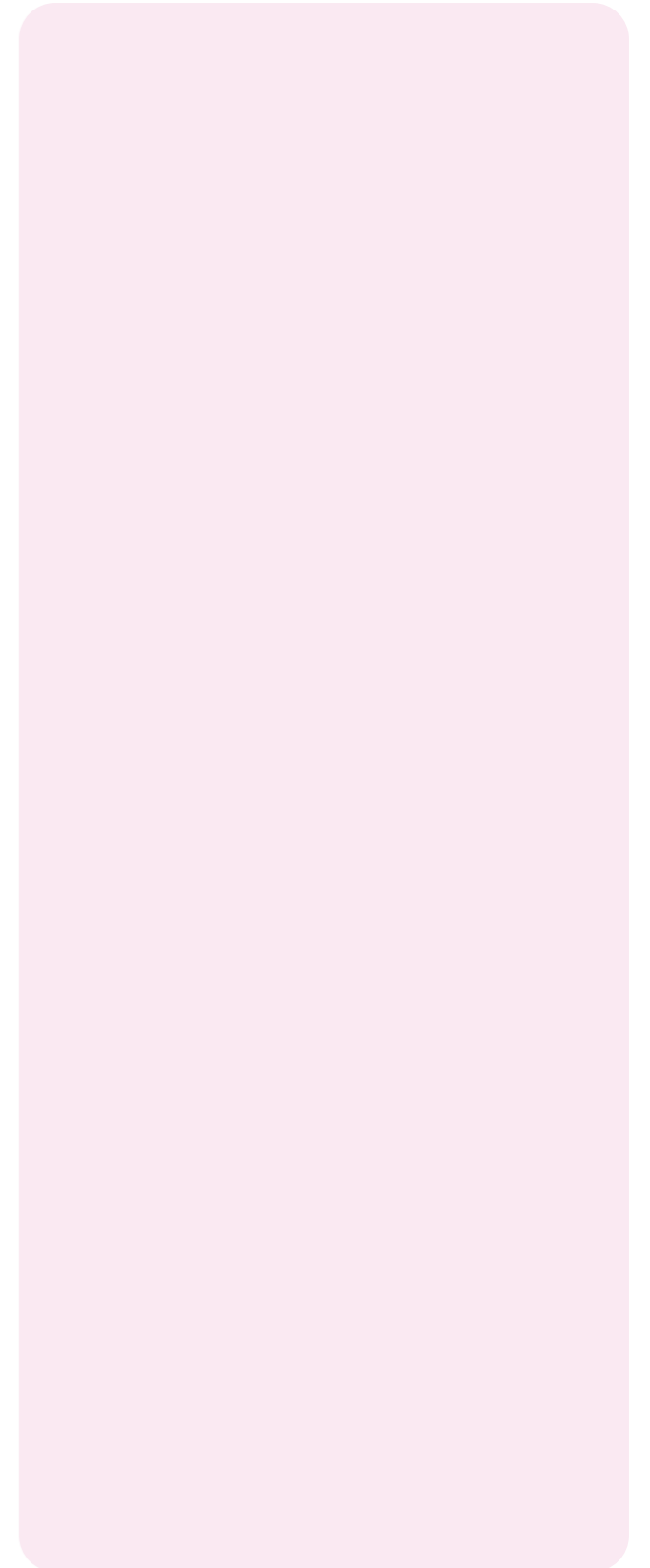
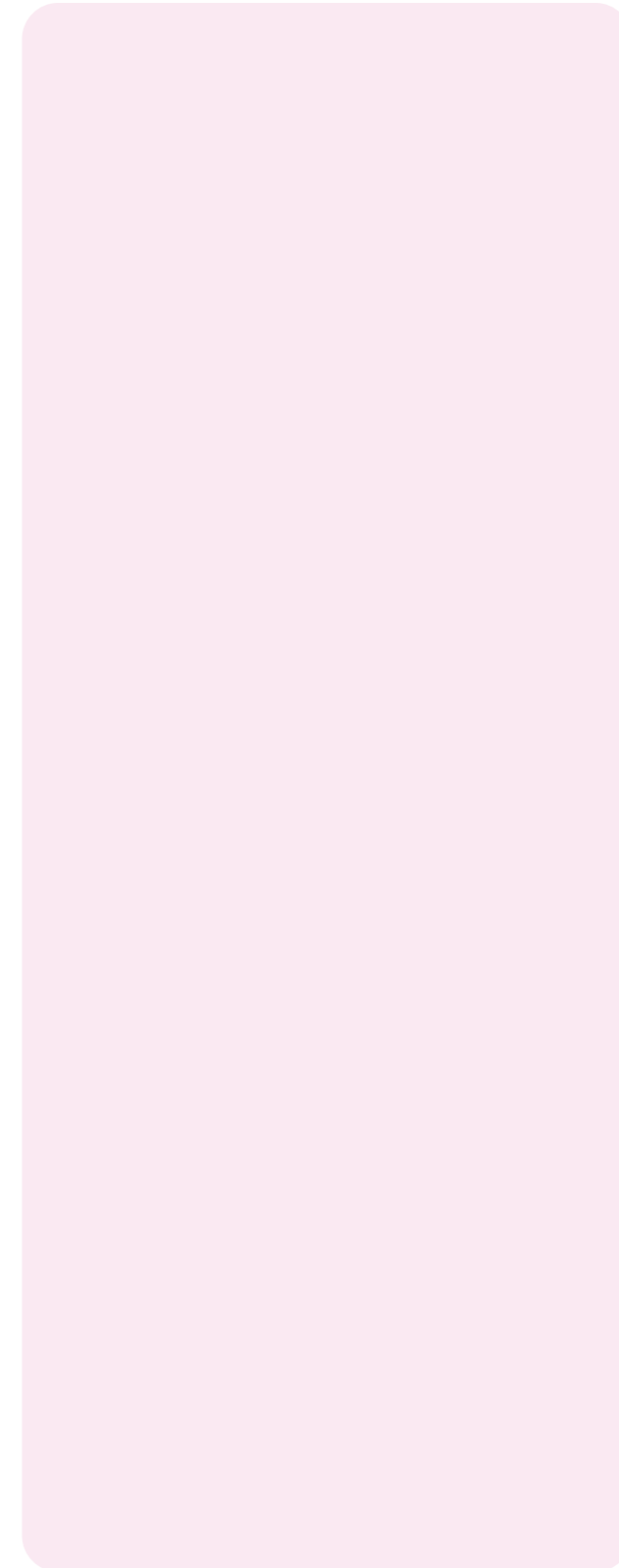
company that is focused on providing a platform for farmers to manage their operations and improve their productivity. The company was founded in 2015 and has since raised a total of \$10 million in funding from private equity investors.



# Climate change

We hold investments in thousands of companies spanning virtually every sector and region. Where it will be most

Listed equities, which accounted for over 50% of our



# Climate change

- participating in the Climate Change Authority Consultation: Setting, tracking and achieving Australia's emissions reduction targets
- being part of a coalition of investors highlighting the need for sector transition pathways to guide Australia's transition to net zero. The Australian Government has now committed to developing sector pathways
- participating in the Australian Government's Review of Development Finance.

We supported or participated in a number of face-to-face collaborations, including:

- **Australian Sustainable Finance Institute (ASFI) Member Canberra Visit**

Representatives from 22 ASFI member organisations came together in Canberra in September 2022 for a day of meetings and events with government ministers





