ACSI

Research / Engage / Influence /

2025

Stewardship Report

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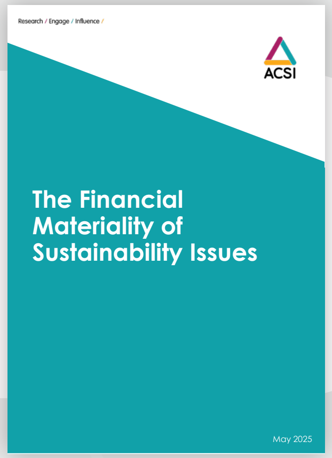
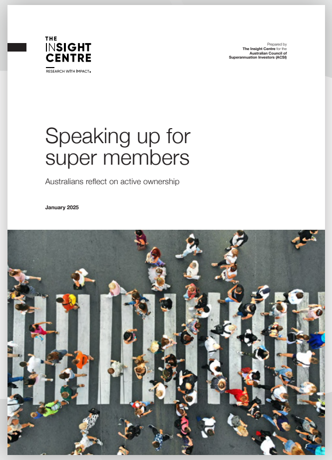
Governance and sustainability factors matter to a business's long-term profitability. This is backed by significant research from around the world, and ACSI has collated it.

Read it here



Research shows that the majority of Australian super fund members support their super funds by speaking up and encouraging companies to manage governance and sustainability risks.

Read it here



Contents

About this report

This report outlines ACSI's stewardship activities, progress on priority issues and important case studies from the 2024-2025 financial year.

What is stewardship?

There are a range of ways to describe investor stewardship but, in brief, investors own assets, including shares in listed companies. Investor stewardship involves investors using their ownership rights and other levers to advance the long-term interests of beneficiaries, such as super fund members. In its Sustainable Finance Strategy consultation, the Commonwealth Treasury recognised investor stewardship, describing it as "the active exercise of asset ownership rights to advance the long-term interests of beneficiaries."

What are sustainability and governance risks and opportunities?

Issues such as corporate governance, climate change, company culture, safety and many more can have an impact on the long-term success of companies. These are often referred to as 'environmental, governance and social' (ESG) factors, and if not managed effectively, they can impact a company's long-term sustainability and profitability. But these issues also offer opportunities for companies to build value over the long-term. This is the reason why ACSI, and its members, encourage companies to adopt good practices – to manage the risks and capitalise on opportunities.

Why ACSI and our members focus on stewardship

ACSI's members are Australian superannuation funds and domestic and international asset owners. Superannuation funds need to act in the best financial interests of their members and ACSI's work is designed to strengthen the value of listed company investments in the best financial interests of Australian super fund members.

We identify financially material sustainability and governance risks within listed companies and seek to improve the way those risks are managed by the company. We also identify market and systemic risks and advocate for public policy settings that align with the interests of long-term investors and their beneficiaries.

We engage with companies and policy makers to encourage good governance, better disclosure and effective risk management practices, all aimed at protecting and enhancing investment outcomes. By engaging with listed companies and policy makers, our approach targets sustainability issues both at individual companies and systemically.

Three principles underpin ACSI's work:

Sustainability risks are financially material
ESG investment risks and opportunities are financially material for long-term oriented investors. However, the short-term outlook of many participants in the investment system means that today's market prices do not always capture these risks and opportunities.

Ownership rights have an economic value
The formal and informal ownership rights that accrue to investors have genuine economic value, and their exercise can materially improve investment outcomes.

Long-term investors therefore have a responsibility to exercise these ownership rights judiciously as part of their stewardship of assets on their beneficiaries' behalf.

Markets don't always operate in the interest of long-term investors
The rules that govern investment markets and the conduct of individual companies do not always operate in the best interests of long-term fiduciary asset owners and their beneficiaries. There is therefore an opportunity and a responsibility for fiduciary investors to engage with policymakers to better align the operation of the financial system with the interest of the beneficiaries.

Our stewardship approach

ACSI's members are universal owners and invest across the ASX300. We target our engagement at the companies with financially material sustainability risks that our members are most exposed to. These risks differ at each company and engagement can differ on each issue. Every year, we set priority issues and, where an issue includes a system-wide risk, or where policy settings don't work in the interests of long-term investors, ACSI develops policy and advocacy, consistent with and complementary to our company engagement work.

Research

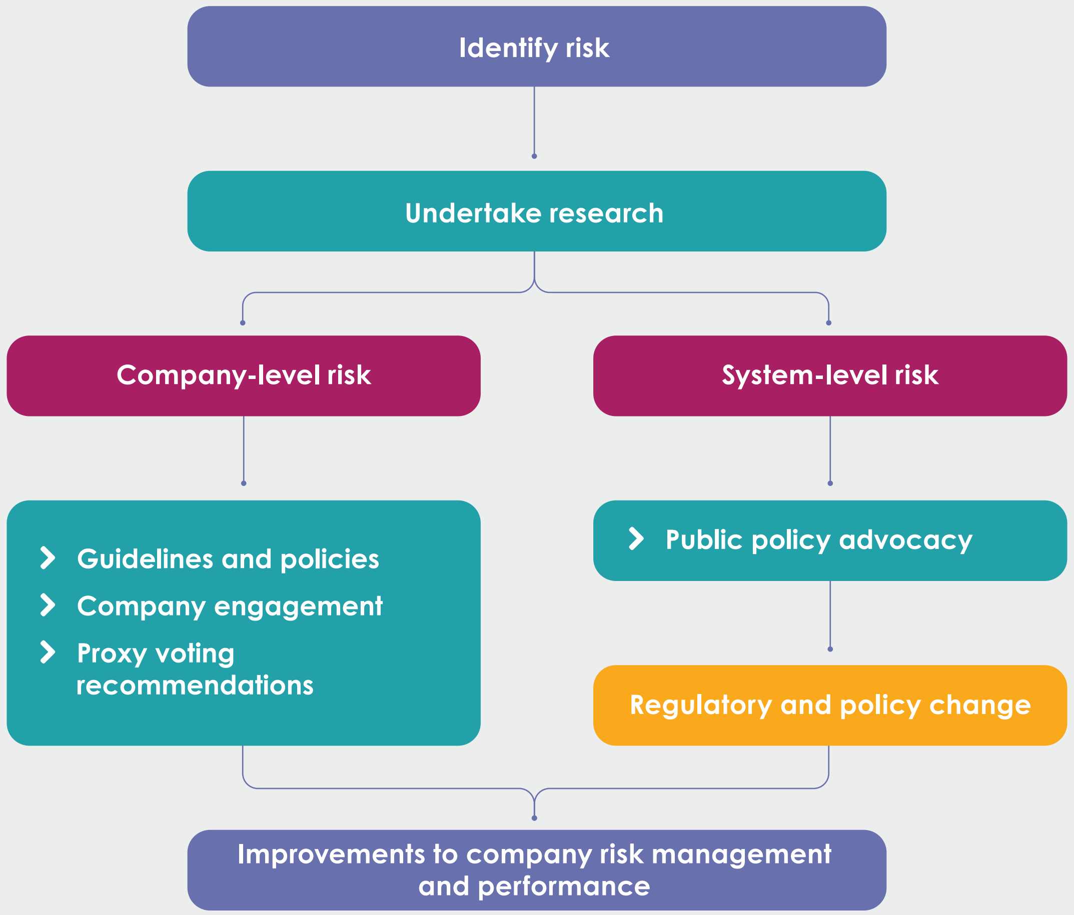
ACSI's evidence-based research on material sustainability issues provides our members with detailed insights into investment issues, market practices and ASX300 companies.

Our research – conducted both in-house and externally - informs our company engagement, supports our advocacy work and underpins voting advice to members.

Our longitudinal research program tracks listed company reporting across issues such as climate change, safety and CEO pay. We also undertake thematic research on specific issues in consultation with our members. ACSI's public reports are supplemented by a series of member-only research documents designed to better inform our members on key sustainability risks.

How we support investment stewardship

ACSI supports our members in using their ownership rights with a work program designed to positively influence the management of ESG issues at listed companies.



Company engagement

ACSI conducts more than 250 meetings with ASX300 companies each year, aiming to enhance long-term shareholder value by encouraging robust ESG practices and performance.

We set priority engagement themes annually, evaluating an issue's materiality, investor exposure and the changes necessary to address investor concerns. Our engagement with listed company boards and management teams covers a variety of issues and can help drive changes in company practices to foster long-term value. We acknowledge that company actions are influenced by various internal and external factors. While our engagement aims to enhance company practices, we do not claim sole credit for any change we may have helped influence.

Public policy advocacy

Public policy settings influence listed companies' performance on long-term sustainability issues.

We engage with government, regulators and other entities to promote an effective regulatory system that promotes the best financial interests of super fund members over the long-term. This advocacy aims to create an environment in which our members can build retirement value for their beneficiaries.

We engage on policy reform with key policy and decision-makers, including regulators, standard setters, governments rand other stakeholders. We also develop coalitions in support of policy reform and consultation with government, regulators and other standard-setting bodies.

Voting advice

Investors vote at company meetings to provide views on the company's strategy, leadership, remuneration, mergers and acquisitions and sustainability practices among other issues. ACSI's voting research integrates insights from our engagement with listed companies and broader research program. ACSI provides voting recommendations as a useful input for subscribers when determining their votes.

What happens when progress is insufficient?

It can take time to see outcomes or improvements to company practice or policy reform. Stewardship activity doesn't often fit neatly into an annual cycle, and that is why ACSI implements a multi-year strategy for company engagement and policy advocacy.

We may engage with a company on an issue over several years before an outcome is reached. Likewise, regulatory and legislative reform can often take multiple years and ACSI's advocacy may occur over a term of parliament or regulatory cycles.

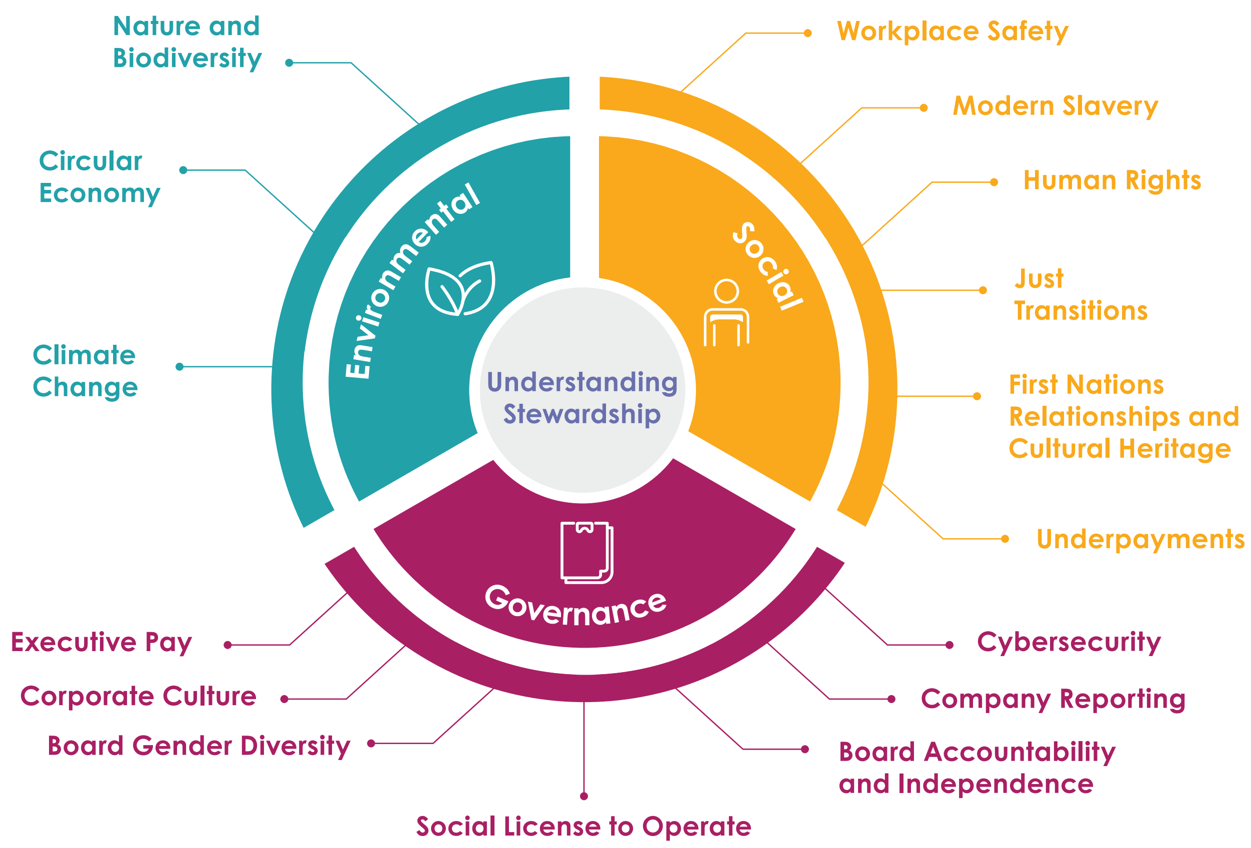
If minimal progress is made on a material issue over a reasonable time, other stewardship activities can be used. These can include voting recommendations, public statements or public policy activity.

Stewardship activities may not follow a pre-determined pathway but respond and adapt to the context, with beneficiaries' best financial interests paramount.

Our priority issues

Every year, in consultation with our members, ACSI identifies and updates priority issues across environmental, social and governance themes. Updated every second year, ACSI's Governance Guidelines are a clear statement of our members' governance expectations of companies in which they invest.

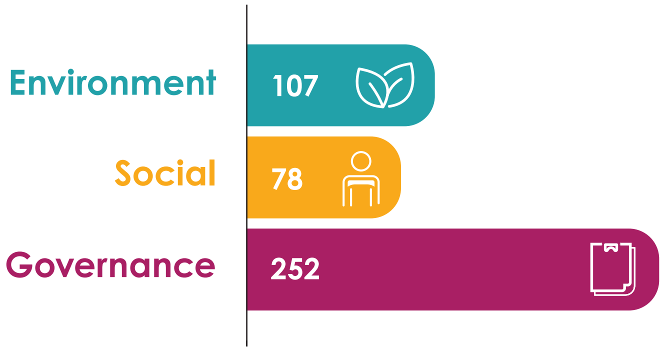
The Guidelines provide insights about governance issues of material concern to our members, articulate the issues that we focus on in our company engagement and the factors we consider when determining our voting recommendations.



A year at a glance

What is discussed in company engagements?

ACSI engagements typically include multiple ESG topics. The chart below illustrates the spread of themes discussed during the Financial Year.



Environment	Climate Change	Biodiversity and Nature	Circular Economy
Companies engaged with	59	18	11
Number of priority companies	25	13	9
% of priority companies improved	85%	69%	78%

Social	Workforce Issues	Safety	Modern Slavery	First Nations and Community Engagement	Corporate Culture	Gambling Harm
Companies engaged with	17	31	18	7	8	7
Number of priority companies	2	24	10	7	11	6
% of priority companies improved	50%	59%	40%	71%	77%	N/A*

*New benchmarking underway

Governance	Board and Governance	Remuneration	Diversity
Companies engaged with	185	188	27
Number of priority companies	23	53	49
% of priority companies improved	75%	52%	67%

ACSI advocates for change though discussion, policy submissions and active membership in policy forums

Sustainability issues

- Climate related and Other uncertainties in the Financial Statements
- Proposed Australian Standard on Sustainability Assurance - ASSA 5010
- ASIC Guidance on Sustainability Reporting
- Productivity Commission Net Zero Inquiry
- Carbon Leakage Review.

Forums

- Net Zero Economy Agency Stakeholder Panel
- Attorney General's Modern Slavery Expert Advisory Group
- ASFI Advisory Committee.

Governance and Stewardship

- Statutory review of the Meetings and Documents Amendments
- Sustainability Collaborations and Australian Competition Law
- WGEA Gender Equality Indicators
- Positioning Australia's financial reporting system for the future
- ASIC Discussion Paper Australia's evolving capital markets
- Treasury Laws Amendment Bill – Enhanced disclosure of ownership of Listed entities
- UK Stewardship Code.

Forums

- ASX Corporate Governance Council member, and member of the drafting Group
- ASIC Consultative Panel on Corporate Governance
- ICGN Global Network of Investor Associations
- ICGN Global Stewardship Committee.

ACSI met with regulators and policy makers throughout the year, including:

- Treasury: on mandatory climate reporting and the sustainable finance strategy (product labelling and transition planning in particular)
- ASIC: on greenwashing, mandatory climate reporting and liaison meetings
- Australian Accounting Standards Board (AASB): on mandatory climate reporting
- APRA
- The Financial Reporting Council
- The International Sustainability Standards Board.

Environment

Climate change

Why do ACSI and our members focus on climate risks?

Long-term investors want to see an orderly transition to a low-carbon economy to reduce negative impacts from a heating climate and shifts in weather patterns on the economy, ecosystems and communities. A planned transition that takes account of the needs of various stakeholders, with better management of uncertainty and volatility should result in better economic outcomes. An unplanned, disorderly transition, in which climate change is not addressed in a timely manner, would potentially see abrupt policy shifts exposing investors to material risks.

One study shows that if global warming reached 3°C by 2100, the cumulative economic output could be reduced by between 15% to 34%. Climate change can materially impact investment value through physical, transition and systemic risks. These can alter asset valuations, cost structures, supply chains and long-term growth and profitability, while also creating opportunities in renewable energy, green technologies and sustainable solutions. As universal owners, superannuation funds cannot easily diversify away from the impact of climate change and investments are increasingly expected to be affected over time.

How is ACSI driving change?

Research

In July ACSI released its annual assessment of listed entity disclosure on climate change. The 2024 iteration of Promises, Pathways and Performance: Climate Change Disclosure in the ASX200 found that investors are getting clearer sight of how Australian listed companies factor climate change into their operations, with a growing number of ASX200 companies integrating climate change considerations into their financial statements and pricing carbon to test business resilience. The research found that 131 ASX200 companies (66%) have made a net zero commitment, an 8% increase in 12 months.

With mandatory reporting requirements for large entities having begun this year, ACSI's focus on climate-related disclosure has shifted to identifying better practice and disclosures such as transition plans that reflect how and whether a company is planning for a low-carbon future.

Say on climate

Company	Investor support for first 'say on climate'	Investor support for second 'say on climate'
AGL Energy	69% (November 2022)	-
APA Group	79% (October 2022)	-
BHP Group	85% (November 2021)	92% (October 2024)
Incitec Pivot	90% (February 2023)	-
Orica	92% (December 2023)	-
Origin Energy	95% (October 2022)	-
Rio Tinto	84% (May 2022)	93% (May 2025)
Santos	63% (May 2022)	85% (April 2025)
Sims	89% (November 2022)	-
South32	89% (October 2022)	-
Westpac Banking Corporation	92% (December 2023)	-
Woodside Energy Group	51% (May 2022)	42% (April 2024)

Engagement

ACSI talks to company boards and executives about how they assess and manage the physical and transition risks associated with climate change, seeking to understand the challenges they face and to clearly communicate our expectations.

Based on the potential for material impact of climate risk on the company ACSI engaged with 59 companies throughout the year, largely focused on emissions-intensive and climate-exposed sectors.

We expect disclosure to extend to strategies, metrics and targets to manage risk. We encourage companies to conduct and disclose scenario analysis that considers the transition risks of moving to a Paris-aligned economy as well as the physical risks associated with unmitigated climate change. ACSI's climate change priorities are the base for multi-year engagements encouraging companies to not just to set Paris-aligned targets but also provide clear disclosure of progress against these targets in the short, medium and longer term. We also expect a company's advocacy activity (including their industry associations' activities) to be consistent with their internal policies.

Since 2021, ACSI has supported companies in high-risk sectors providing investors with a non-binding vote on climate strategy, often referred to as a 'say on climate'. Three of ACSI's climate change priority companies offered a second 'say on climate' vote during the year – BHP, Rio Tinto and Santos, with more companies offering 'say on climate' votes in 2025. The level of support received from investors grew since the first vote and, in the case of Santos, markedly so.

In ACSI's experience, the companies that have adopted 'say on climate' proposals have undertaken significant engagement with investors and improved their climate strategies as a result. These votes have become a useful accountability measure and a waypoint for gauging investor confidence in a company's climate strategy. They are not, and should not be, the only way a company reviews, evolves and refines its climate strategy.

Circular economy

The circular economy is an economic system aimed at eliminating waste and continually reusing resources. It proposes a solution to the negative impacts of economic activity that damage human health and natural systems and, therefore, carry long-term material financial risks. There can be significant advantages to circularity, including reduced waste, energy use and greenhouse gas emissions.

The circular economy connects to our engagement with companies on climate risk and focuses 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 can be destructive and misaligned with the transition to a low carbon world and emission reduction.

In December 2024, the Australian government launched its circular economy framework, aiming to double Australia's circularity rate – the measure of materials recovered, reused or recycled, rather than disposed as waste – from 4.6% to 9.2% by 2035.

The framework's targets include:

- Shrink per capita material footprint by 10%
- Lift material productivity by 30%
- Safely recover 80% of resources.

The government's framework prioritises four sectors: industry, built environment, food and agriculture, and resources, aligning closely with ACSI's priority areas. CSIRO modelling suggests that doubling circularity in these sectors by 2035 could reduce emissions by 14%, add $26 billion to GDP annually, and divert 26 million tonnes of materials from landfill. The impact on of the framework on Australia's policy settings remains uncertain, and ACSI will engage with companies to understand how these targets affect their business strategy.

The deadline for the Australian Packaging Covenant Organisation's (APCO) 2025 National Packaging Targets is approaching for some of our engagement companies. These targets promote sustainable packaging and have been widely adopted by Australian retail companies. However, many companies provide limited disclosure on their progress, and this has been a focus for ACSI.

Despite industry efforts, APCO reports that 2025 targets are unlikely to be met. ACSI continued to engage with companies to understand the difficulties. Woolworths, while on track to meet its targets, faces challenges in finding alternative packaging for certain products due to food safety risks. ACSI also engaged with Amcor to understand supply-side challenges, with Amcor citing difficulties in accessing food-grade recycled materials. Pleasingly, JB Hi-Fi is likely to meet three of the four targets, and has uplifted its waste diversion target, for 2030.

Public policy advocacy

ACSI has closely engaged with policymakers and members on the implementation of mandatory climate-related reporting requirements.

The climate reporting standard largely adopts the International Sustainability Standards Board's (ISSB) reporting standard and requires disclosures on climate risks and opportunities.

These climate disclosures are expected to be used by investors in investment analysis, risk assessment, stewardship activities and due diligence, and by policymakers to understand climate risks across the economy. ACSI's advocacy aimed to see a reporting regime that is fit for purpose and pragmatic, as well as to support the market and our members in preparing for the implementation of the reporting regime.

Federal climate reporting obligations began this year for large Australian companies. ACSI has contributed to policy development processes supporting implementation, including:

- **ASIC guidance:** ACSI supported ASIC's proposed reporting guidance and suggested enhancements which would and clarify regulatory requirements and provide more practical examples. We were pleased to see the final ASIC RG 280 Sustainability Reporting clarify some reporting requirements.
- **Sustainability reporting assurance:** In a submission to the Audit and Assurance Standards Board (AUASB), ACSI encouraged full and careful consideration of end-state audit requirements, emphasising the current maturity of the market for sustainability assurance services and encouraging focus on the needs of disclosure users.
- **Reform of Australia's financial reporting institutions:** ACSI engaged in Treasury's consultation, supporting the Government's proposal to combine three existing organisations into one body. In ACSI's view, leadership of the new body should include investor voices and sustainability expertise.

ACSI also advocated for the Australian Accounting Standards Board (AASB) to adopt proposed international guidance on how climate-related uncertainties should be integrated into companies' financial statements. This would provide further support to reporters on determining materiality in the context of climate-related issues in financial disclosures.

On climate change mitigation policy, ACSI engaged with the second round of consultation on the Government's Carbon Leakage Review. ACSI advocated for the introduction of a targeted border carbon adjustment (BCA) mechanism, which is aims to promote the ongoing competitiveness of Australian businesses transitioning to lower emissions production processes.

ACSI engaged with policy makers on the Government's upcoming guidance on company transition plans, articulating our views on possible areas of focus, drawing on our experience engaging with listed companies. This project is ongoing, as part of the Government's Sustainable Finance Roadmap.

Next steps

- Engage with companies on the robustness of their climate targets, links to management incentives and likelihood of achieving them, including the four companies offering "say on climate" votes later in the year.
- Develop sector-specific engagement frameworks on the circular economy, starting with the built environment, to drive engagement and assess the extent to which those companies are embedding circularity in their business models.
- Monitor the implementation of mandatory climate reporting and continue to engage in support of fit-for-purpose regulatory guidance and assurance requirements.
- Encourage the Government to further develop policy to support an efficient transition to a net zero economy.
- Provide asset owner perspectives to inform Treasury's upcoming corporate transition planning guidance.
- In collaboration with the Australian Institute of Company Directors (AICD), publish practical guidance for directors on transition planning.

CASE STUDY

Santos' CCS milestone but commercial agreements needed

Santos has been an ongoing engagement priority due to the oil and gas sector's significant exposure to, and contribution to, climate transition risks. In recent market updates, Santos says its Carbon Capture Storage (CCS) projects are central to its business and decarbonisation strategy. ACSI has maintained long-standing engagement with the company on its climate strategy to monitor progress.

Engagement

In recent years, we have seen the company provide investors with clearer disclosures on:

- How its targets relate to Paris-aligned scenarios
- Its adoption of Scope 3 emissions targets or milestones
- Its management of methane emissions.

The company made progress in October 2024, when its flagship CCS project, Moomba, came online. With existing memoranda of understandings in place, Santos says it is it is focused on securing binding customer agreements. As CCS is a nascent industry, developing commercial terms will be a key challenge and international policy settings will also be critical. The Australian Government's ratification of the London Protocol in November marked an important milestone, providing a framework for deploying the technology.

Progress

The online Moomba project is a significant milestone for Santos' decarbonisation strategy. Santos has set a new target to capture 14MtCO2e of third-party emissions per year by 2040 and aims to capture more carbon than its Scope 1, 2 and 3 emissions. ACSI sees this as a positive step, as previous targets were limited to Scope 1 and 2 emissions. Santos' climate transition plan was put to a 'say on climate' vote at its April 2025 AGM. Support for Santos' climate strategy increased from 63% in May 2022 to 84% in 2025.

The company has also made progress on disclosure of its management of methane emissions. Santos discloses asset-level decarbonisation plans, rolling up to its group targets. In FY24, it reported a 17% reduction in methane emissions which it stated was from improved detection, reduced flaring and fugitive emissions. Santos states that Moomba was key to this, mitigating one-fifth of methane emissions in the fourth quarter.

Next steps

ACSI will continue to engage with Santos on climate related risks and the implementation of the company's climate strategy.

CASE STUDY

Climate disclosures across the market

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

ACSI engaged with companies to encourage reporting against the TCFD framework. In 2017, just 10% of ASX200 companies did so. In 2024, 82% used it to disclose their climate-related risks, with many factors influencing this change.

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. ACSI has been an important voice in the discussion which saw the mandatory reporting legislation become law.

In 2025 large entities are obliged to disclose climate risks for the first time under the new regime, with a phased approach for other entities in following years.

- **2007** – ACSI begins engaging with companies about climate related risks and opportunities.
- **2015** – The Taskforce for climate-related Financial Disclosures (TCFD) framework is released.
- **2017** – ACSI begins engaging with companies encouraging them to report against the TCFD, 11 companies report against the TCFD.
- **2021** – The International Sustainability Standards Board (ISSB) is announced at COP26 to provide a global baseline for climate reporting.
- **2023** – Following sustained engagement from investors and other influences, by March 2023 70% of the ASX200 are reporting against TCFD. ACSI engages with Government on mandatory climate legislation.
- **2024** – The Federal Government's mandatory climate reporting legislation clears Parliament.
- **2025** – Large entities obliged to disclose climate risks, with smaller companies to follow in coming years.

Environment

Nature

Why do ACSI and our members focus on nature and biodiversity risks?

Biodiversity underpins ecosystems essential to economic growth and human health – some research shows that more than half of the world's GDP is generated in sectors dependent on them. Biodiversity and nature loss, including land and soil management, water stress and degradation of forests, are considered systemic risks but remain nascent in terms of company attention, management and disclosures.

Biodiversity loss can disrupt commodity supply chains and increase operating costs and reputational risk. One study finds that more than half of the world's total gross domestic product – US$44 trillion – is moderately or highly dependent on nature. Companies must first be aware of associated risks and opportunities before they can manage them to avoid potentially negative financial impacts.

How is ACSI driving change?

Research

In March, ACSI released member-only research into nature-related reporting by 25 companies with high nature-related impacts, risks or dependencies and, therefore, potentially significant financial risks. Nature-related issues will differ greatly by company, and this research provided members with high-level findings on disclosures made by relevant companies and company-specific insights to drive engagement and improve disclosure.

Drawing conclusions across companies is challenging, due to their varying nature-related issues. Although some progress and improved reporting are evident, it is inconsistent across areas or sectors. More effort is required to understand companies' interactions with nature and to reduce future negative impacts and manage risks.

Engagement

ACSI selected 13 priority companies across a range of sectors with material nature dependencies and impacts. We engaged with the companies to understand what they perceive to be their key nature risks. While comprehensive reporting aligned to the Taskforce for Nature-Related Financial Disclosures (TNFD) is not expected immediately, ACSI encourages companies to make improvements disclosing available information, even if high-level or limited in scope.

The Kunming-Montreal Global Biodiversity Framework sets clear targets for the protection and restoration of nature globally, including to conserve 30% of land and sea areas by 2030. Our view is that companies should consider how to design their strategies to align with, and contribute to, the global targets.

Our priority companies are in the banking, mining, food retail and agriculture sectors, and through engagement, ACSI seeks more information on how they are assessing their impacts and dependencies on nature. Reporting remains highly varied in detail and quality, but where companies are more advanced, ACSI asks for a nature action plan or strategy to manage the risks, ideally including targets.

Although more companies now refer to the TNFD, detailed disclosures remain limited. Some companies have committed to TNFD-aligned reporting but without specific timelines. Others participated in TNFD pilots but have not disclosed outcomes or lessons learnt.

Many companies are still building their nature-related data. This is a complex task, especially for those operating in multiple locations or with extensive supply chains. Nature impacts and dependencies are highly localised and require significant data from each location to better understand the risks. From engagement, it appears there is widespread hesitancy to discuss risks in detail until data is more comprehensive.

Deforestation is a key driver of biodiversity loss and some Australian companies are focussed on this issue. For example, in August 2024, Woolworths committed to having no deforestation in its primary deforestation-linked commodities, such as beef, paper pulp and palm oil, by 31 December 2025. Disclosure of commitments and progress against targets remains limited across the market and will continue to be a focus for engagement.

Public policy advocacy

ACSI actively engages with companies, regulators and industry bodies to encourage improvements in companies' identification, mitigation and disclosure of their impacts and dependencies on nature.

ACSI has engaged with the development of the Federal Government's Nature Positive reforms, including proposed amendments to the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). ACSI is supportive of the Government's commitment to continue this policy development process its current term. ACSI will continue to advocate for reform which supports more efficient project approval processes and better environmental outcomes to encourage certainty and support management of the risks over the long-term.

ACSI has also monitored the ISSB work to consider a possible nature risk disclosure standard. An ISSB nature reporting standard could enhance company disclosures and could eventually form the basis for an Australian reporting standard.

Next steps

- Refine engagement asks on nature and continue to engage with priority companies.
- Discuss with companies the benchmark results from ACSI's research and ongoing improvements in assessments of nature-related impacts and dependencies.
- Engage with the Government on its Nature Positive reforms, including the establishment of Environment Protection Australia and Environment Information Australia, and reform of the EPBC Act.
- Monitor the work of the ISSB on a possible financial reporting standard on nature-related risks and opportunities.

CASE STUDY

Supermarket supply chains in focus

In 2024, shareholder resolutions at the Woolworths and Coles AGMs sought greater transparency on the impact of farmed salmon supply chains. The resolutions requested disclosure of endangered species impacts linked to their own-brand seafood and called for ceasing procurement of farmed salmon from Macquarie Harbour.

The resolutions demonstrated rising regulatory and reputational scrutiny over biodiversity impacts. ACCC complaints and Senate inquiries into misleading sustainability claims also reflect growing expectations for credible, transparent supply chain management.

The resolutions garnered significant shareholder support - approximately 40% at Coles and 30% at Woolworths - sending a message that investors need more detailed reporting on the management of nature-related risks.

Next steps

Managing nature-related risks across such large and complex supply chains is likely to be challenging for Coles and Woolworths. While both companies state they are assessing their nature impacts, our view is that significant work remains to improve data quality, enhance risk management, and increase disclosure detail.

ACSI will continue to engage with both companies, encouraging continued capacity building to manage nature-related risks across supply chains and provide more detailed disclosures on their activities.

Social

Modern slavery

Why do ACSI and our members focus on modern slavery?

Large Australian companies and many large investors are required by law to report on modern slavery risks in their operations and supply chains.

The exploitation of people for personal or commercial gain can occur in every industry and poses significant legal and reputational risk. Modern slavery can include forced labour, debt bondage, human trafficking and child labour. It is a global challenge, with an estimated 50 million people subject to coercive exploitation such as forced labour, debt bondage and child labour. The Walk Free Foundation's 2023 Global Slavery Index estimated that "on any given day … there were 41,000 individuals living in modern slavery in Australia."

Companies relying on unethical and unsustainable business practices risk reputational damage, regulatory penalties, and eroded stakeholder trust. These issues can disrupt operations, increase costs, and undermine brand value, long-term shareholder value and financial performance.

How is ACSI driving change?

Company engagement

ACSI engaged with 24 companies across eight sectors throughout the year, encouraging greater transparency of risk and mitigation actions, improved processes to identify instances of modern slavery and their remediation. ACSI seeks to drive better practice, help our investor members meet their own obligations under the Modern Slavery Act and, through this work, contribute to ending modern slavery.

ACSI encourages companies to apply the Find it, Fix it, Prevent it model:

- **Find it** by proactively searching their supply chain for modern slavery risks
- **Fix it** by addressing those risks and remedying harms to those affected
- **Prevent it** by working to ensure the situation doesn't continue.

Most companies continue to report on foundational measures to address modern slavery risks, such as conducting supply chain risk assessments, incorporating contract clauses and delivering internal training. However, a small group have gone further by disclosing more advanced practices.

These include:

- Collaborating with suppliers to strengthen their capacity to manage modern slavery risk
- Embedding worker voices within risk assessment processes
- Articulating what constitutes an effective response, which is critical for tracking and improving responses over time.

Despite the global prevalence of modern slavery, corporate disclosure remains limited on the ability to identify and respond to incidents or allegations of modern slavery. Few companies outline the steps to ensure their grievance mechanism are trusted, accessible, and capable of addressing modern slavery related complaints.

Only a small number of companies have identified incidents and efforts to remediate issues. We see this transparency as a sign of better practice. For example, in FY24, Wesfarmers disclosed its subsidiary Wesfarmers Health had identified a non-conformance at a tier 2 manufacturing facility in Malaysia, where migrant workers had been charged recruitment fees by agents in their home country.

Positively, the company also reported remediation steps included implementing a Zero Cost Policy, establishing a formal recruitment procedure and obtaining consent of workers to take legal action against the recruitment agencies. Coles reported that the supplier developed a corrective action plan, and a third-party auditor verified remediation of the recruitment fee non-conformance.

Such disclosures are encouraged as recruitment fees can be a key indicator or driver of modern slavery depending on how they are applied.

ACSI wants companies to avoid a legalistic or box-ticking approach when addressing modern slavery risks and this informs our engagement. Companies with better practices are now working with suppliers, contractors, and partners along their supply chains to identify and respond to modern slavery risks and address incidents where they occur.

Policy engagement

ACSI's policy and advocacy work seeks to improve the Modern Slavery Act, including by beyond transparency and disclosure to drive action to eradicate modern slavery. We advocate for accountability, mandatory due diligence requirements and financial penalties for non-compliance with reporting obligations. We also support further guidance for business.

In FY25, we advocated to strengthen the Act through participation in various forums and targeted submissions.

ACSI sits on the Government's Modern Slavery Expert Advisory Group, which includes members from business, civil society, unions, and academia. The group advises the Attorney-General's department on issues around the operation of the Modern Slavery Act.

ACSI supports improved transparency in due diligence, but the timeframe for legislative change is unclear. ACSI will continue to engage in policy discussions.

Working with other investors

ACSI is a founding member of Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC), an investor-led, multi-stakeholder initiative to engage with companies in the Asia-Pacific region promoting action in finding, fixing and preventing modern slavery in operations and supply chains.

IAST APAC comprises 50 investors with AU$12 trillion in assets under management. ACSI believes greater impact can be achieved working collaboratively across the Asia Pacific region, drawing on various sources of knowledge and expertise to assess and address modern slavery risk in operations and supply chains.

ACSI uses its involvement in IAST APAC to complement its engagement objectives.

Next steps

- Continue to monitor companies modern slavery work including research into latest modern slavery statements and engagement on key issues.
- Advocate for progress on recommendations from the review of the Modern Slavery Act and encourage the Government to progress to implement many of the recommendations from the review.

CASE STUDY

Rio Tinto identifies modern slavery in supply chain

Rio Tinto is present in 35 countries across six continents. Most of its assets are in Australia and North America, but it also has operations in Europe, Asia, Africa, and Central and South America.

This year, the company's modern slavery reporting included disclosing a case of modern slavery in its 2024 statement, outside the company's direct operations in sub-Saharan Africa.

A third-party contractor was sourcing crushed ore from a local quarry when they observed concerning conditions, including the presence of children who appeared to be working.

The contractor reported:

- Suspected child labour
- Unsafe working conditions: the quarry lacked basic safety measures such as protective personal equipment, appropriate tools, hygiene facilities and access to clean water.

The company stated that contractor took mitigating action and preventative steps to reduce key vulnerabilities that can lead to child labour:

- Purchased a mobile crusher, removing the need to source crushed ore from the quarry
- Engaged with the community, raising awareness with local families to highlight the dangers and unacceptability of child labour. This led to quarry workers signing a pledge to prohibit children entering the site
- Provided protective equipment and clean water to adult workers
- Constructed a shelter, installed road signage and clearly marking working zones to enhance safety
- Increased wages for quarry workers to help cover educational and household expenses.

Next steps

While the issues are complex, ACSI welcomes disclosure improvements, the inclusion of an example of modern slavery, and action taken by the company. Engagement will continue to encourage continued improvement.

Social

Workforce

Why do ACSI and our members focus on workforce issues?

Companies often highlight ‘people’ as their most important asset. It is therefore vital that the health, safety and well-being of a company’s workforce is well governed, supported and that investors are provided with appropriate information.

Studies show safety directly affects employee wellbeing, productivity and overall company performance. Beyond the human impact, poor safety practices can expose companies to substantial financial, operational and reputational risks. When safety problems are seen as systemic, companies may also risk losing their social licence to operate, further undermining stability, the market’s perception of risk and valuations.

How is ACSI driving change?

Research

ACSI’s work on its 2025 safety research is underway. Our assessment of safety-related disclosures focuses on companies operating in sectors considered to have inherently high safety risks. A key area of interest for ACSI remains the provision of more comprehensive reporting of health and safety by companies, including leading measures of safety such as near misses and severity rates and separate safety data on contractor workforces. Our view is that better disclosure can help drive better safety approaches and outcomes.

ACSI has collaborated with members to assess workforce disclosures across the market. ACSI has been working on a new framework that seeks to identify which disclosures across workforce culture, composition, compensation, and skills and training are most important for investors. We also identify areas of interest for engagement where investors may wish to dive deeper.

Engagement and public policy

Safety

Workplace health and safety has been a longstanding priority in ACSI’s engagement program. ACSI monitors safety performance across ASX300 companies and engages when workplace-related incidents are identified. In FY25, we engaged with 31 companies, seeking to understand what steps companies take to strengthen safety risk management practices, as well as identifying areas for improvement in governance, culture, alignment with remuneration, and reporting.

It is important for investors to assess the board’s oversight and involvement in managing these human, reputational and financial risks. ACSI engages with boards and, where appropriate, senior management to gain insight into safety culture, the level of employee empowerment to ‘speak up’, changes made to prevent future occurrences and how the board seeks to promote accountability.

ACSI also seeks meetings with companies lacking comprehensive safety reporting. Investors need full and transparent disclosures to assess a company’s safety management and evaluate where accountability may be needed.

We believe that proactively engaging with companies to elevate transparency can lead to better oversight of safety to benefit both internal and external stakeholders. ACSI also recommends companies immediately disclose any fatal incidents involving employees, contractors, or members of the public, preferably via the ASX Announcements platform.

Responding to fatal incidents

ACSI seeks engagement with every ASX300 company involved in a workplace fatality to understand the nature of the incident, outcome of investigations, changes made to practices in response and the support provided by the company to those involved.

Through these discussions, ACSI can assess how a board is overseeing its safety culture and whether safety is a priority area for the company. The tone set at the top can dictate how the workforce feels about speaking up about safety and how safety measures are applied in practice. ACSI conducted detailed discussions with 13 companies on recent safety incidents: BHP, Dyno Nobel, Downer Group, Newmont Corporation, Orica, Perenti, Qube Holdings, Rio Tinto, South32, Ventia Services, West African Resources, Woodside Energy and Yancoal Australia.

Corporate culture

ACSI has also worked with regulators, company boards, and specialists to address systemic issues related to corporate culture. We met with 23 companies this year on issues of corporate culture or general workforce management.

Much of ACSI's engagement work in this area has focused on the mining industry, which the 2020 Respect@Work report by the Australian Human Rights Commission (AHRC) identified as having a high incidence of sexual harassment complaints, particularly among remote workforces with traditionally low proportions of women workers.

The AHRC's work was followed in 2022 by the 'Enough is Enough' Western Australian parliamentary inquiry into sexual misconduct and bullying among fly-in-fly-out (FIFO) workers, and capped by Rio Tinto's groundbreaking decision to make its own 'Everyday Respect' report public later that year. In November, Rio Tinto released a progress review of its Everyday Respect work. In December, a class action was launched against Rio and fellow miner BHP Group.

In FY25, Nine Entertainment commissioned an independent cultural review, 'Out in the Open' which was published in October 2024. Disclosure enables investors to assess the company's approach and forms their views on whether the sexual harassment and culture issues are being addressed by the company. ACSI met with board representatives of Nine twice in the wake of the report to gauge progress.

Two positive trends that ACSI has seen in the market are increased transparency of corporate culture issues and investment in new initiatives such as 'bystander training' at companies where harassment or bullying has occurred, which aims to encourage other employees or suppliers to report witnessed behaviours.

Next steps

- Engage with companies involved in serious safety incidents, calling for strong board oversight, accountability and alignment with remuneration outcomes.
- Focus on broader health and well-being beyond physical safety with research and engagement on psychosocial safety to encourage boards to take a holistic approach to managing and overseeing its workforce culture.
- Continue to advocate for better disclosure of safety performance including workplace fatalities, which are inconsistently disclosed by listed companies. Investors would benefit from consistent and timely reporting on these incidents.

CASE STUDY

Safety improvements and pay consequences at Perenti

As a contract mining services provider, Perenti Limited undertakes both surface and underground mining. Given the nature of operations in the sector, safety risks are inherently high. Contractor workers have historically been involved in more fatal incidents than employees. As a contractor, this elevates the risks for Perenti and emphasises the importance of maintaining a strong safety culture, risk management practices and due diligence.

In February 2024, a company employee was killed while undertaking maintenance work at a mine in Burkina Faso. This tragic death took Perenti to a total of eight worker deaths in five consecutive years.

Engagement
ACSI has engaged Perenti at the executive management and board level for several years. With executives, we have focussed on delving deeply into the nature of incidents, outcomes of investigations, changes adopted to prevent future occurrences and support provided to those involved and the broader workforce. With the board, a key emphasis has been the oversight of the company's safety culture in light of the multi-year fatalities and the need for executive remuneration to reflect accountability.

Progress
The board has made several governance changes:

- More meaningful remuneration penalties for poor safety outcomes through board discretion. The CEO was awarded 60.5% of the maximum bonus, reflecting poor safety outcomes, well below the prior year's 94.2% of maximum.
- Progress with Safety Transformation Taskforce – Perenti has established a Taskforce which included board and executive representation, as well as independent safety experts to assess the safety culture, assurance and technology of the company.

Next steps
Our view is that the recent governance changes are positive. While Perenti's 2025 fatality-free year is noted, ACSI will continue to monitor and engage the company on its safety culture, changes observed against its Taskforce initiatives and objectives.

Social

First Nations and community engagement

Why do ACSI and our members focus on First Nations and community engagement?

First Nations people and communities have inherent rights, cultural heritage and a vital role in decisions that affect them. This theme focuses on how companies engage with these communities through building collaborative and respectful relationships.

ACSI thinks that strong relationships demonstrate alignment with the United Nations Guiding Principles on Business and Human Rights and support a company's social licence to operate. Conversely, failing to respect First Nations' peoples' rights as custodians of their heritage and land can result in significant financial and operational risks, including project delays, conflicts, litigation and reputational damage. It is critical to safeguard long-term value and manage financial risks.

How is ACSI driving change?

Engagement

In the wake of Rio Tinto's 2020 destruction of historic rock shelters in Juukan Gorge, investors and boards are more aware of these financial and reputational risks, and investor engagement with high-risk companies on First Nations issues has seen increased. There has been greater disclosure of governance, policies and standards applied by companies.

ACSI engaged with seven companies across the mining, oil and gas sectors whose operations interact with First Nations people, their land or cultural heritage areas and therefore require strong collaborative relationships with First Nations people.

We continue to encourage companies to improve transparency and explain how they are working with key First Nations groups and protecting cultural heritage.

Better policies and recognition of the risks does not, however, always result in better practice in integrating the concerns and interests of First Nations communities into company activities, such as the partnerships considered in multi-decade mine plans.

ACSI has seen improvements in the discussion and disclosure around First Nations relationships.

Community voices

Engagement with First Nations groups and communities affected by companies' operations is crucial to understanding the level of company trust within communities. Over the past year, ACSI has engaged with representatives of communities affected by company operations.

In parallel, ACSI has engaged with relevant companies to understand how they respond to these concerns and working to build trust.

Modernising agreements and engagement practices

ACSI's work has focused on monitoring whether, and how, priority companies are modernising their agreements with First Nations groups. Modernisation was a key component of the recommendations in 'A Way Forward', the final report of the inquiry into the Juukan Gorge tragedy which included recommendations to formalise protections for Traditional Owners in agreement making. Our view is that the longevity of many agreements means that they need to be regularly refreshed to reflect current expectations of First Nations partners and respect their expertise and right to self-determination. Companies and Traditional Owner Groups see this as a means to help foster respectful and mutually beneficial relationships.

While most companies said that they are working to modernise their agreements, including eliminating any 'gag' clauses that limit the ability of Traditional Owners to speak out or take legal action to protect heritage when disputes occur, progress remains slow.

Next steps

- Continued engagement with listed companies on relationships with First Nations people and communities. We will focus on seeking tangible progress on the modernisation of agreements, as well as clear evidence that levels of trust and respect are improving among affected communities.
- Continue to build relationships with First Nations groups and broader communities to understand their perspectives on company operations.

CASE STUDY

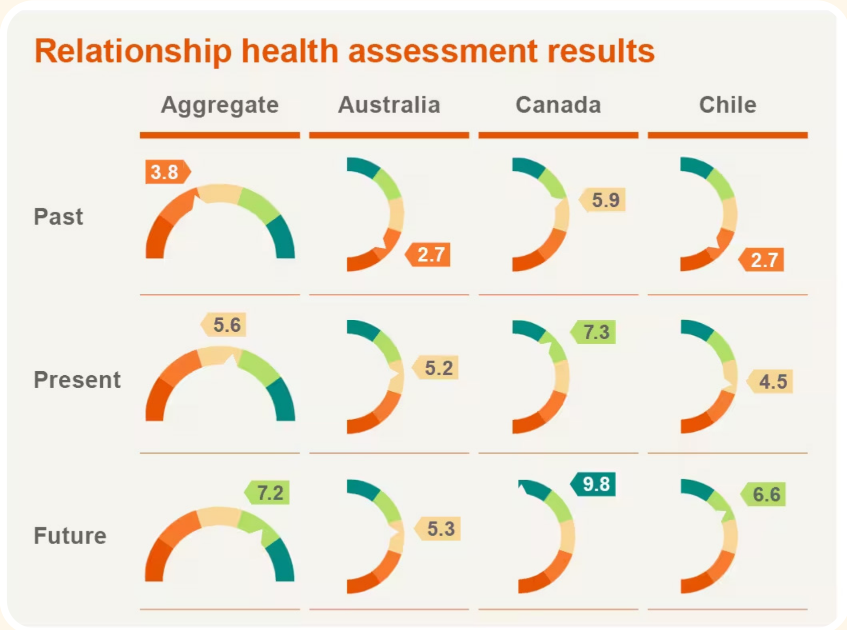
Reporting on First Nations relationships and community engagement

Companies are beginning to include the perceptions of Indigenous communities in their ongoing reporting.

One example is BHP Group's 2024 annual report included the results of its surveying of Indigenous partners in its three main operating geographies – Australia, Canada and Chile – and a graphic representation of those groups' views (see below).

BHP's survey, conducted using Ipsos, received responses from 17 of 26 Indigenous partners (those with current agreements with BHP or located on or near its operations) who were asked to participate. Five of them were in Canada and six each in Australia and Chile. Ideally, BHP will extend these surveys to other countries where it operates or undertakes joint ventures.

The survey results indicate that BHP was, historically, starting from a low base in both Australia and Chile on the ways in which it interacted with Indigenous groups but appears to have made progress – although in Australia local groups appear to feel, perhaps worryingly, that relationships will not improve much more. Canadian partners were the most positive and have high expectations of future working relationships, particularly at the Jansen potash operation which is under development.



Source: BHP Group Annual report 2024, p69.

Social

Gambling harm

What is the theme?

In recent years, there have been high profile governance issues at two of Australia's largest casino businesses. These issues had significant impact on shareholder value, reputation and gambling companies license to operate.

Investors have interest in the appropriate management of regulatory and operational risk in the sector. In response to these issues, many companies have committed to address gambling harm and disclosures indicate a concerted and focused effort since the Royal Commission into the Casino Operator and Licence findings in 2017. However, investors often lack clear, and comparable, data and information on company practices.

Engagement

During the year, ACSI met nine gaming companies for whom management of harm-related risks is material, spanning casinos, machine manufacturers, wagering and betting companies.

During the year, ACSI engaged with five major Australian gaming companies – Aristocrat, SkyCity, Star Entertainment, Tabcorp, and The Lottery Corporation – and Endeavour Group, the hotel and drinks retailer with a significant gaming division. In addition, ACSI met representatives from two global betting companies, Entain and Flutter.

Together, the eight companies have a market value of $142 billion and, last year, over $27 billion in gaming-related revenues. All list gambling harm and the social impact of their operations as principal business risks.

Discussions focused on governance, strategy, data availability and performance metrics, and the integration of responsible gaming practices into product development and corporate culture.

A key theme was the evolution of terminology and strategy from "responsible gaming" to "safer play". This reflects the onus shifting from players to companies in managing risks around gambling harm, recognising the public health implications and addictive nature of gambling. ACSI questioned how this is reflected in new products, such as Tabcorp's "tap-in play" live betting feature, Aristocrat's social gaming, Endeavour's loyalty schemes, Lottery's new draws and the casinos' latest games.

ACSI also explored the use of technology, with companies detailing the algorithms used to spot players at risk of harm, and the intervention processes, backed by new technologies such as mandatory carded play, facial recognition and AI-led real time risk profiles.

Progress

The engagements reveal a sector speaking more about gambling harm, and communicating a more proactive approach, but companies are at different stages of maturity.

While ACSI sees progress, significant challenges remain. There is clearly a divergence in quantity and quality of data collected and disclosed, with companies taking differing approaches to target setting.

A primary issue is the difficulty in collecting reliable data, particularly for anonymous, cash-based play in retail venues and pubs. All companies highlight the risk that stricter controls, and greater customer friction, could push players towards unregulated operators.

Where data is collected, it is not clear to us how representative this is and what proportion of gambling revenues are actively monitored. It is difficult to set targets or seek an "ideal" level of gambling harm.

Next steps

- Establish ACSI guidelines for better practice disclosure of gambling harm management. These views will be shared with the companies, with the aim of improvements in FY26 reporting.
- Future engagement will focus on companies' progress against their commitments and evolving practice, including quality and transparency of reporting.
- For companies rolling out new technologies, ACSI will seek evidence of impact and evolving staff training, and of boards embedding "speak up" cultures.

Governance

Corporate governance

Why do ACSI and our members focus on corporate governance issues?

Corporate governance broadly refers to the processes and structures used to direct and control companies. It includes the composition of company boards, management teams and workforce, as well as the company's culture. It also covers remuneration structures and outcomes, oversight of financial and non-financial risks, capital structure and shareholders' rights.

It is widely accepted that strong corporate governance provides a crucial foundation for strategic success and supports a company's ability to effectively manage environmental, social and sustainability risks and opportunities. ACSI assesses governance practices with a focus on improving long-term investment outcomes.

How is ACSI driving change?

Research

Since 2001, ACSI has conducted a detailed annual survey of Chief Executive Officer (CEO) pay in Australia's largest listed companies. The research has become Australia's benchmark longitudinal study into CEO pay trends.

The 2024 study, released in June 2025 and conducted with research from Ownership Matters, includes unique 'realised pay' data which cuts through complex public reporting to provide a clearer picture of the pay received by Australian CEOs. A headline finding in this year's study is that since termination payments laws changed in 2009 the cost CEO departures has decreased, with termination payments to CEOs of Australia's largest listed companies shrinking to their lowest levels in 15 years. This saved half a million dollars per departure in FY24.

Engagement

Strong governance supports companies to achieve their long-term strategy. This begins with the composition of a high-quality board who can provide the oversight needed to support the adoption of good governance practices.

ACSI held 252 meetings with 192 companies in FY25. The last 12 months saw many examples of poor corporate governance. These have included the significant challenges following allegations of inappropriate conduct by WiseTech Global founder and former CEO Richard White and the governance issues involving Mineral Resources' founder and CEO Chris Ellison.

The events revealed at WiseTech and Mineral Resources have undoubtedly become standout examples of governance issues involving founder-led businesses. ACSI has engaged extensively with other companies to encourage improved governance practices.

How companies respond to governance challenges is crucial to investors. For example, Qantas Airways has made substantial governance change following the well-publicised governance failures at the company. The company has now seen the departure of three long-standing directors including former Chair Richard Goyder and Chair of Remuneration Jacqueline Hey and the subsequent appointment of three new independent directors including new Board Chair John Mullen.

In August 2024, Qantas also publicly released the findings and recommendations of its external governance review, which scrutinised the decision-making and governance processes at the company which saw Qantas' relationships with customers, regulators and other stakeholders deteriorate. The review led to the cancellation of more than $9 million of former CEO Alan Joyce's previous bonuses, a 33% reduction to senior manager pay and a cut to incumbent board director fees by one-third in 2025.

ACSI welcomed the external review recommendations and the response of the new board.

Remuneration

Executive remuneration should be designed to align management's interests with sustainable long-term performance and shareholder value creation. For investors, remuneration structures serve as a signal of board oversight, corporate governance quality and the company's strategic priorities.

ACSI engaged with boards to understand their rationale for remuneration benchmarking, challenged excessive package increases, and sought greater transparency in reporting. This engagement supports investors in assessing whether executive remuneration aligns with long-term shareholder interests.

One recent challenge in the Australian market has been the adoption of "service-only" incentives, where executives receive bonuses simply for staying in the job, without needing to meet performance conditions. This approach, commonly found in the US, diverges from the expectations of many Australian-based investors, and raises concerns about magnitude of remuneration and the risks of pay-for-failure.

Public policy advocacy

ACSI submitted a response to the Statutory Review of the Meetings and Documents Amendments. This Independent Review assessed the functioning of annual general meetings, including relevant notices and meeting forms. ACSI's submission supported the retention of the ability to hold hybrid meetings. In ACSI's view, virtual only, or in-person only, meetings can impact on the reasonable exercise of shareholder rights. The Independent Panel made 11 recommendations in its final report and the government agreed, or agreed in principle, to all recommendations, including no recommendation to move towards wholly-virtual meetings.

ACSI also worked with Treasury to highlight the perspectives of superannuation funds as Treasury designs a sustainable investment product labelling regime, which is an element of the Government's Sustainable Finance Roadmap.

ACSI responded to ASIC's discussion paper on dynamics between public and private markets. Our response highlighted that investors' participation in Australia's public equity market is supported by frameworks that protect shareholder rights and promote strong company governance. ACSI will continue to engage with ASIC and the Government on concepts raised in the consultation, including to emphasise the importance of key shareholder protections.

We were disappointed that the ASX Corporate Governance Council did not proceed with a Fifth Edition of the Principles. Good governance plays an important role in our market and the ASX Corporate Governance Council has played a constructive role for many years. We support the 'if not, why not' approach of the Principles and encourage listed entities to explain their approach. While we understand that ASX is conducting a review of Council, we remain committed to the view that a strong set of principles is key to supporting better governance and investment outcomes.

ACSI has been engaging with the ASX in relation to its review of the Listing Rules related to shareholder approvals, following the approach taken to shareholder approvals in the transaction involving James Hardie and Azek. ACSI's view is that ASX's review should demonstrate independence, focus on the dilution suffered by investors and address investor concerns in a timely manner.

Next steps

- Engage in policy discussion around Australia's evolving capital markets, articulating the importance of company governance and the importance of upholding shareholder rights.
- Engage with Government on sustainable finance policy development processes, including investment product labelling reforms.
- Advocate for the appropriate recognition of investor stewardship.

CASE STUDY

James Hardie's AZEK acquisition and the ensuing storm

James Hardie's decision to acquire the AZEK Company has raised major governance concerns.

On 24 March 2025, James Hardie announced its decision to acquire The AZEK Company (NYSE: AZEK) at a 37% premium to AZEK's (then) closing share price. James Hardie shares dropped 14.5% the day of the announcement and just over 30% in the three weeks following.

The transaction was unanimously approved by the directors of both companies and was completed on 1 July 2025. Approval by James Hardie shareholders was not sought. Any shares issued by James Hardie on the ASX to complete the transaction did not require shareholder approval.

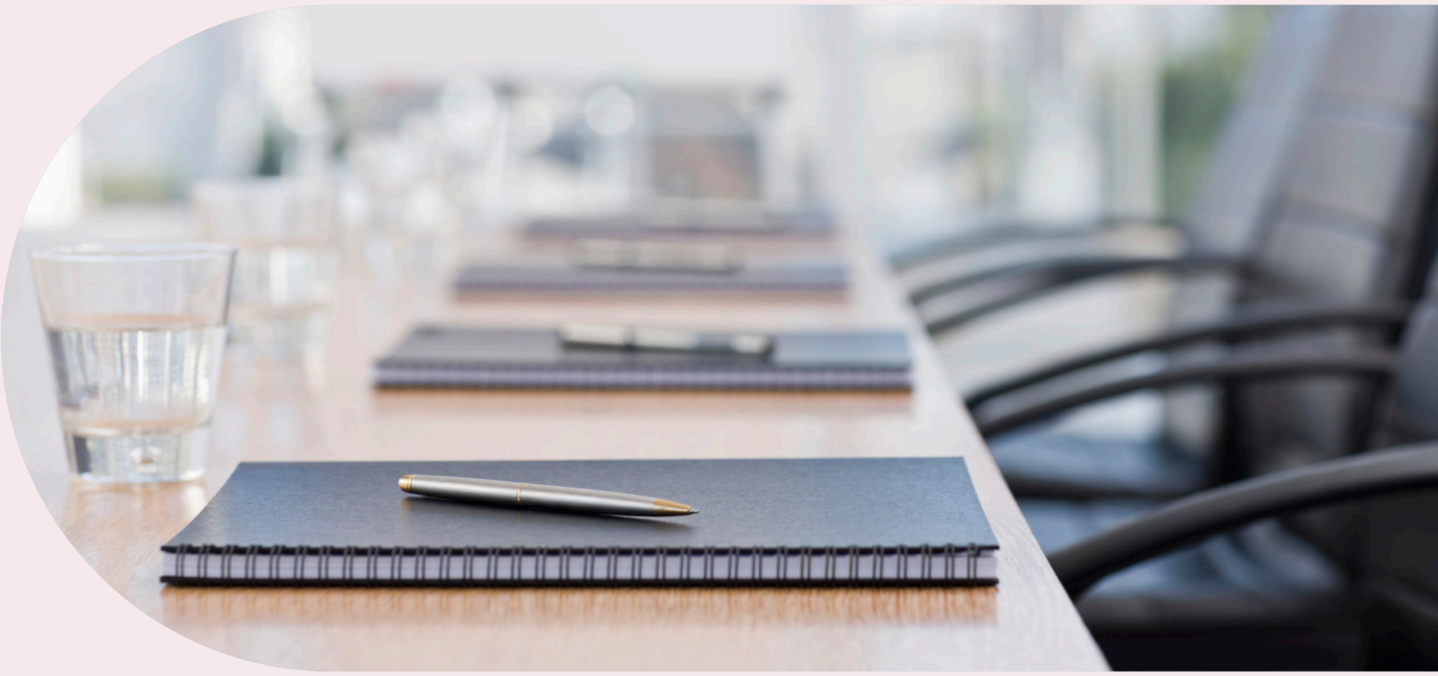
The transaction has raised major governance concerns for James Hardie shareholders given:

- Unfavourable terms of the agreement for James Hardie shareholders
- The lack of a shareholder vote on the transaction.

Following extensive engagement with the ASX and a joint open investor letter supported by ACSI members and some of Australia's largest asset managers, ASX CEO Helen Lofthouse announced that the ASX will be reviewing the listing rules regarding mergers, acquisitions and takeovers. This is a significant step and demonstrates the importance of investor engagement.

Next steps

ACSI welcomes the planned review of the listing rules and will be actively engaging with the ASX as part of the process. ACSI is also seeking to engage with the James Hardie board to better understand the rationale for the acquisition and how the terms of the agreement were arrived at.



Governance

Diversity

Why do ACSI and our members focus on diversity?

ACSI's approach to board gender diversity in listed companies is based on the belief that boards should be comprised of individuals who are able to work together effectively, and who bring diversity of thought to board decision making, to promote success over the long-term.

A properly structured board should include appropriately skilled and experienced directors, drawing on a range of criteria, including gender, ethnicity and age, in addition to core skills and experience. Companies are likely to be most successful when they harness collective intelligence, and approach problems with cognitive diversity.

ACSI's view is that diversity of thought assists boards to set and challenge company strategy, and to better understand the markets in which they operate. We have worked for many years to encourage improved gender diversity as historically, 50% of the talent pool was overlooked in Australian boardrooms.

How is ACSI driving change?

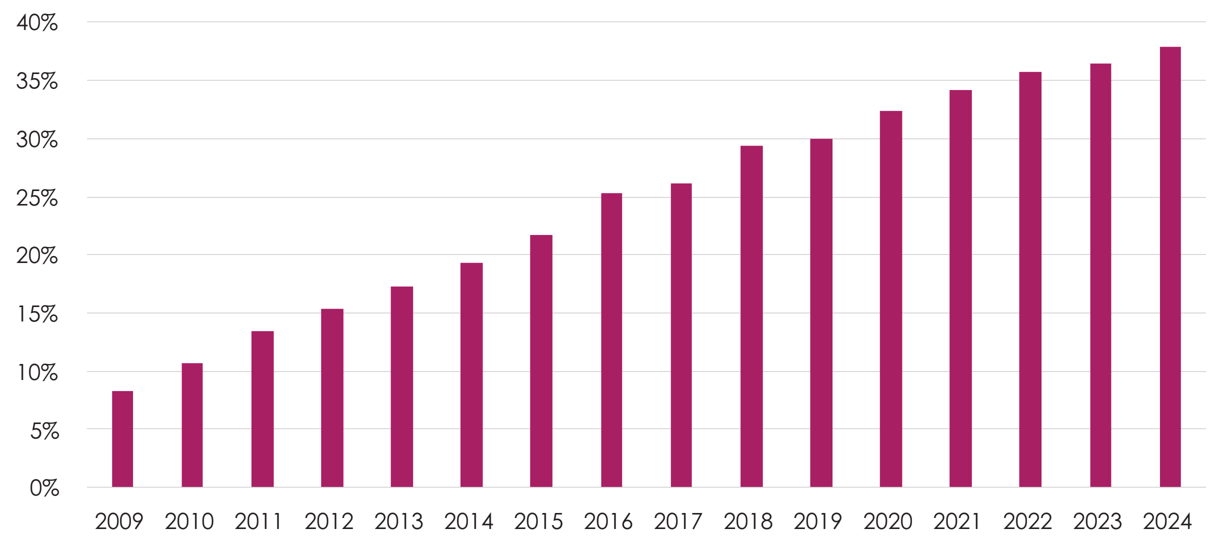
Engagement

ACSI has worked with companies to promote improved gender diversity at board level over the past decade, through our voting recommendation policies and consistent company engagement. In early 2015, when ACSI accelerated its campaign to improve board gender diversity, fewer than 20% of ASX200 directors were women. Now, following the ongoing work of many, including Australian directors and investors, gender balanced boards are fast becoming the norm in Australia, with the ASX20, ASX50 and ASX100 all now averaging 40%, or more, women on their boards.

Overall, 28 of our 50 diversity priority companies either appointed women directors, made near-term commitments to improve gender diversity, or achieve the 30% minimum through reducing the number of male directors.

There are now more than 40 women chairs of ASX300 companies, the highest level ever, and just under 20 women in CEO or executive chair roles, again a new peak. While both these statistics are encouraging and moving in a positive direction, in percentage terms they represent just 14% and 6% respectively of ASX300 companies. ACSI does believe, though, that the increasing representation of women in leadership roles demonstrates a growing recognition of the available talent that can be added through diversity.

Percentage of women directors over time



Despite the improvement, there were four zero-women boards in the ASX300 by the end of the financial year: Botanix Pharmaceuticals, Catalyst Metals, Chalice Mining and Supply Network Limited. It should be noted that three of those only joined the index in March 2025 and some have lost women directors in recent times.

Public policy advocacy

ACSI responded to the Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024. ACSI welcomed the introduction of the Bill, which requires disclosure of the outcomes of gender equality initiatives.

ACSI supported the proposal of the ASX Corporate Governance Council (in its draft 5th Edition of the Corporate Governance Principles and Recommendations) to recommend that listed entities adopt a measurable objective of gender balanced boards. We were disappointed when Council stopped work on the 5th Edition of the Principles and Recommendations.

Next steps

- Continue to engage with companies with low levels gender diversity.
- Continue to promote the benefits of diversity on the basis that companies are likely to be most successful when they harness collective intelligence, and approach problems with cognitive diversity.

ACSI Members 2024/25

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