

# TIIP

THE INVESTMENT  
INTEGRATION PROJECT



Investor Case Study

# HESTA

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## Research Methods And Acknowledgements

As part of its mission to build the market for system-level investing, The Investment Integration Project (TIIP) conducts in-depth case studies on institutional investors that have adapted their practices to better manage systemic risks and rewards. With a growing index of examples, TIIP seeks to provide the investment industry with the tools and guidance needed for adopting a system-level investing approach—looking beyond the impact of specific investments or portfolios to consider the broader context in which investments are made. System-level investors demonstrate a clear understanding that managing systemic risks is aligned with fiduciary duty and that it offers an additional lens for long-term value creation. By applying resources at key leverage points, investors have the potential to set new standards of action that can improve portfolio performance and resilience while supporting healthy and sustainable environmental, social, and financial systems.

The process for developing these investor case studies includes:

1. Research of publicly available information such as annual reports, investment policies, and news articles, complemented by internal documentation such as policies, memos, roadmaps, and performance results.
2. Interviews with key staff members and stakeholders to understand motivations, milestones, operational shifts, inflection points, and challenges.
3. Analysis of key findings and synthesis into a comprehensive overview that details the system-level investing strategy, techniques used, impact achieved, and future priorities.

We express our gratitude to the Tipping Point Fund on Impact Investing for supporting the development of this case study and to Akaash Sachdeva and the Responsible Investment team for sharing their time and insights in interviews and consultations.

Established in 1987, Health Employees Superannuation Trust Australia (“HESTA”) is an Australian industry superannuation fund for workers predominantly in healthcare and community services. It currently manages the retirement savings of more than 1.05 million members (nearly 80% of whom are women) and has approximately AU\$101 billion in assets under management (AUM).<sup>1</sup> HESTA is one of the only industry super funds dedicated to people working in the health, aged, community, and early childhood education and care sectors.<sup>2</sup> As a diversified super fund with global investments, HESTA recognizes that it is exposed to systemic risks that can potentially affect the performance and returns of its investment portfolio. The fund identifies as an active owner and, therefore, seeks to invest in a way that enhances returns over the long-term in the best financial interests of its member beneficiaries.<sup>3</sup>



# System-Level Investing Strategy

**“We recognise how important a growing, sustainable and inclusive economy is to delivering strong long-term returns for members. As a super fund with diversified global investments, we are structurally exposed to risks related to some of the world’s biggest issues and therefore manage these risks on an ongoing basis. Factors such as gender equality, decent work, and good health and wellbeing support strong market fundamentals including economic growth that drive member investment returns, while systemic risks<sup>4</sup> such as climate change and biodiversity loss<sup>5</sup> have the potential to undermine these returns. System level issues cannot be fully mitigated through diversification or divestment.” – HESTA Responsible Investment Policy**

HESTA’s purpose is embodied in its commitment to deliver “Super with impact<sup>TM</sup>”, a three-pronged strategy for delivering investment returns, while seeking to create positive outcomes for its members and the world they live, work, and retire in.<sup>6</sup> In short, HESTA believes that delivering strong long-term returns to its members largely depends on the long-term health of global

environmental, social, and financial systems. HESTA operationalizes this belief – and Super with impact<sup>TM</sup> – primarily through the second and third prongs of its strategy: (2) advocacy for a fair and healthy community, which focuses on addressing systemic issues, and (3) investment excellence with impact, of which responsible investment is a key element (see Figure 1).<sup>7</sup>

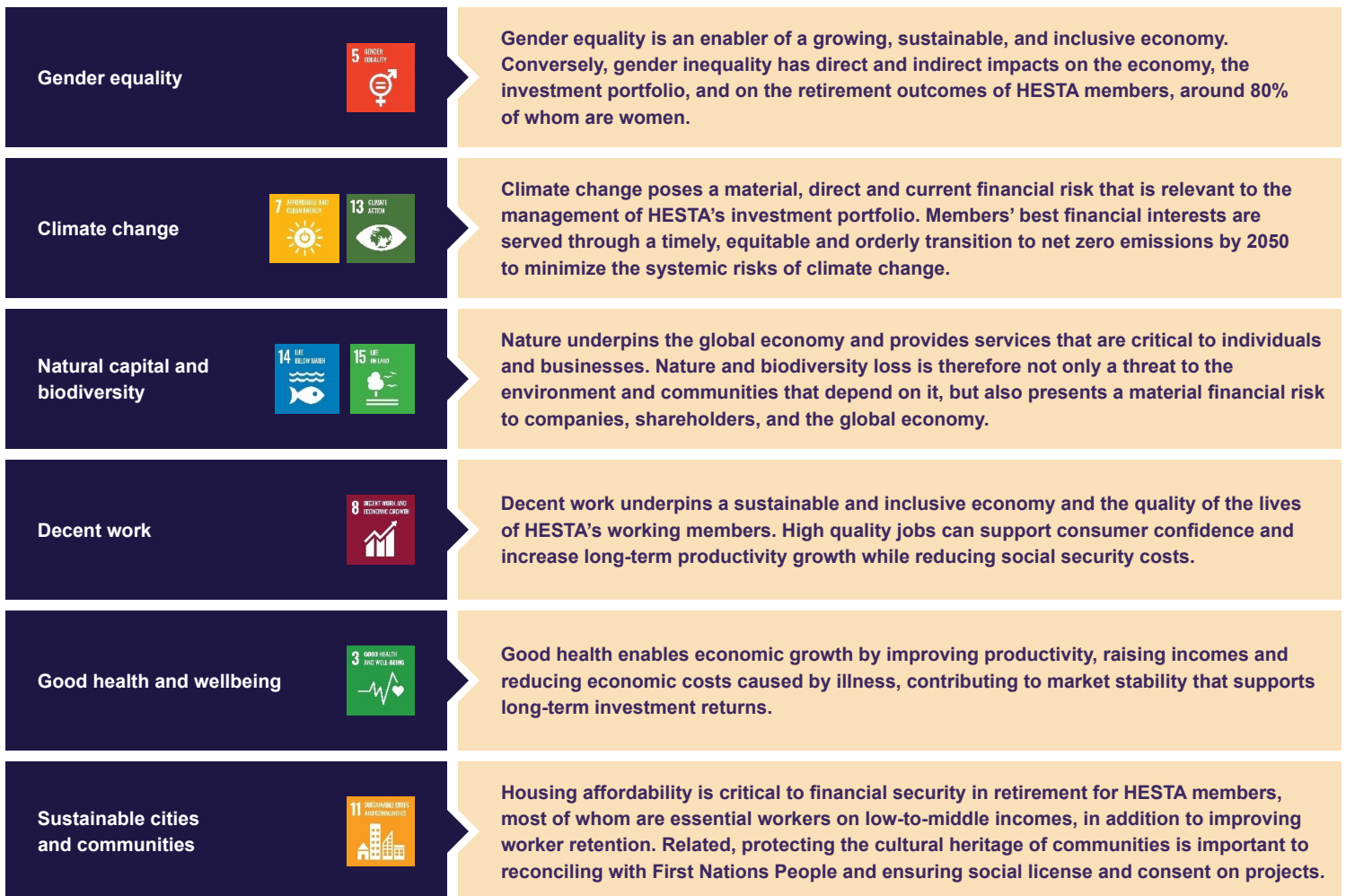
**Figure 1. HESTA’s Super with impact<sup>TM</sup> strategy**



Source: HESTA, “Super with impact<sup>TM</sup>”, 2026.

Given HESTA’s commitment to integrating Super with impact™ across the entire fund, its Board, Investment Committee, Chief Executive Officer, and Chief Investment Officer each play a role in the oversight of its responsible investment activities and associated policies (e.g., HESTA’s Responsible Investment Policy, which is detailed below). The HESTA Responsible Investment team – part of the Investment Management team and led by the General Manager for Responsible Investment – are responsible for identifying material responsible investment issues and implementing activities that help address them.<sup>8</sup>

Within the broad range of relevant issues, HESTA prioritizes those issues that “can have a material effect on the performance of [its] investment portfolio” while also seeking to support positive social and environmental outcomes. Such prioritization is guided by materiality assessments to determine what presents the most risk to the portfolios, as well the consideration of member research and surveys to understand the interests of its member-stakeholders. HESTA recognizes that system-level issues “cannot be mitigated through diversification or divestment” and therefore also aims to align its priority focus areas with a subset of the UN Sustainable Development Goals (SDGs).<sup>9</sup> This includes the eight SDGs referenced in Figure 2 below.<sup>10</sup>



For each of its thematic areas of focus, HESTA includes multi-level considerations for (a) individuals, (b) companies, and (c) the economy as a framework for grounding its active

ownership activities in broader industry and system-level challenges. For example, HESTA identifies the social, business, and economic benefits of gender equality:<sup>11</sup>



Or, in another example related to sustainable cities and communities, HESTA identifies the benefits of affordable housing for members who

work in the health and community services sectors, as well as for companies and the broader economy:<sup>12</sup>



To achieve progress toward addressing these challenges to the benefit of individuals, companies, and the economy, HESTA carries out active ownership activities at both the company level and the system level. Its company-level activities include the likes of directly engaging with companies, engaging through collaborations, or filing

shareholder resolutions, whereas its system-level activities include actions such as signing statements to policymakers, contributing to emerging standards, or commissioning research and data. Additional details on HESTA's active ownership activities can be found in the sections that follow and in its *FY25 Responsible Investment Report*.<sup>13</sup>

# Implementation

## 1. Extending conventional techniques

### A. Statement of Investment Beliefs

HESTA’s approach to responsible investment focuses on managing systemic risks, integrating responsible investment factors, and catalyzing innovative investments via the levers of capital allocation and active ownership (see Figure 3).

Stewardship Code). It applies to all HESTA funds under management.<sup>14</sup>

**Investment beliefs.** As part of the “investment with excellence” component of its Super with impact™ strategy, HESTA has defined a set of five investment beliefs that guide its approach to capital allocation in the best financial inter-

Figure 3. HESTA’s approach to responsible investment



Source: HESTA, Responsible Investment Report 2024-2025.

**Responsible Investment Policy.** HESTA’s Responsible Investment Policy outlines the principles and commitments to its responsible investment approach and guides the implementation of related activities, including capital allocation, active ownership, manager selection and due diligence, and peer collaborations (each of which is described in corresponding sections that follow). The policy seeks to align with relevant laws, guidelines, and industry codes and frameworks (e.g., the Superannuation Industry [Supervision] Act 1993 and the Australian Prudential Regulation Authority’s Prudential Practice Standards and Guides, the Principles for Responsible Investment, and the Asset Owner

ests of its members. Through this approach, it seeks to “deliver strong long-term returns while accelerating our contribution to a more sustainable world.” Its investment beliefs are as follows:<sup>15</sup>

1. **As long-term investors, our members’ best financial interests are served by a deep commitment to responsible investing.** By managing systemic risks (such as climate change), integrating responsible investment factors, catalysing innovative investments, and being a ‘gutsy advocate’ for a fair and healthy community, we can deliver strong, long-term returns for our members and

help accelerate our contribution to a more sustainable world.

2. **A forward-focused total portfolio approach strengthens alignment with investment objectives.** A total portfolio approach actively balances forward returns and risks with an unwavering focus on investment and impact objectives. It facilitates the sharing of diverse ideas and market insights, encourages cross-team challenge and collaboration, and builds conviction to drive performance.
3. **Targeted active management, working alongside leading global partners, delivers outperformance.** Cost effective strategies, combined with targeted and dynamic active management, have the potential to enhance returns, protect capital, whilst providing unique market insights and opportunities. Our hybrid model, which combines internal capability working together with a global network of trusted expert partners, is expected to improve net returns to members.
4. **Proactive and strategic risk awareness creates portfolio resilience.** Risk awareness requires us to understand the world around us and how it is evolving, including the impact of valuations, business cycles, thematic, economic environments and responsible investment factors to build more resilient portfolios. Success requires proactive risk analytics, stress testing and scenario analysis, as well as disciplined mitigation activities and active ownership.
5. **Value can be enhanced by effective governance, harnessing technology and data, and disciplined implementation.** Good governance promotes effective decision-making and accountability. Harnessing fit-for-purpose technology and data to improve invest-

ment insights and reduce costs, improve net returns, and minimize execution risks.

These beliefs, driven by a total portfolio approach, demonstrate HESTA's understanding of systemic risks and conversely the impacts that companies, portfolios, and investors can have on system health and resilience. In the context of affordable housing, for example, HESTA's Head of Portfolio Management explains: "We start with a total portfolio approach, and inside HESTA that forces us to join the dots; we understand that if there's a housing crisis and vacancies are low and affordability is very poor, those problems are going to show up in inflation, and that's going to hurt our bond portfolio...What I mean by join the dots is when we're making investments in one particular asset class, we're also thinking about the consequences for all of the assets that HESTA owns, to drive that long-term performance."<sup>16</sup>

#### **B. Security selection and portfolio construction**

HESTA adopts a total portfolio approach to capital allocation, giving it a deep understanding of forward-looking opportunities and risks across asset classes. Using a total portfolio approach enables HESTA to harness insights across its teams and a broad global expert network to help to inform its responsible investment priorities as it seeks to protect and enhance shareholder value and support investment decisions that can improve retirement outcomes for members over the long term.<sup>17</sup>

While much of the implementation of HESTA's responsible investment work focuses on active ownership and collaborative advocacy, it also applies a series of exclusions and restrictions as part of its capital allocation activities. This may include restricting investment in activities, sectors, and companies that:<sup>18</sup>

- violate international treaties or conventions; or
  - cause indiscriminate harm to society or the environment; or
  - face significant risk of asset stranding; or
- investments across its SDG-aligned issue areas of focus. For example, innovative housing solutions have been an area of focus given the importance of housing affordability to financial security in retirement (see Box 1).

### Box 1. HESTA's focus on affordable housing

HESTA's members are essential workers who deliver critical, life-changing services, and whose work generally requires their physical presence. Unfortunately, they are increasingly struggling to afford housing near where they work, and housing costs are a key determinant of their financial security in retirement. While housing shortages reduce productivity across the economy, they also provide the opportunity for investment innovation to deliver members appropriate risk-adjusted investment returns by improving housing supply.

HESTA has invested in innovative housing solutions since 2019 to help address Australia's housing shortage. HESTA has partnered with Assemble, to further facilitate increased institutional investment in housing assets at scale. The latest Assemble development finished in November 2025, is Swift Walk in Kensington, Melbourne. It brings 362 new, professionally managed rental homes to market, including 272 affordable and social homes for Australians on lower and middle incomes.<sup>21</sup>

- are involved in severe or repeated controversies that erode their social license to operate; and
- have failed to address material risk exposures and engagement is either not possible or has proved ineffective.

HESTA also excludes from investment those activities, sectors, and companies for which divestment is otherwise believed to be in the best financial interests of its members.<sup>19</sup> Specific portfolio-wide exclusions relate to thermal coal, unconventional oil and gas, tobacco, for-profit detention, controversial weapons; and nuclear weapons, subject to revenue thresholds.<sup>20</sup>

Beyond its responsible investment integration and stated exclusions, HESTA makes thematic

HESTA's investments in property, in some instances, contribute to its broader target to invest 10% of its portfolio in climate solutions (aligned with SDGs7, 11.6 and 13), such as renewable energy and sustainable property, by 2030.<sup>22</sup> As of June 2025, it had 6.4% or approximately AU\$6.4 billion of its portfolio invested in climate solutions, including battery and storage technology, wind and solar farms, electric vehicle charging stations, and sustainable property.<sup>23</sup>

To track the progress of its capital allocation in support of the SDGs more broadly, HESTA subscribes to the Sustainable Development Investments Asset Owner Platform (SDI AOP). The platform identifies the percentage of a company's revenue aligned to underlying SDG targets, according to an agreed taxonomy, and allows

HESTA to track the alignment of its investment portfolio to the SDGs. As of June 2025, 14.6% of HESTA's portfolio (approximately AU\$14.5 billion) was invested in alignment with the SDGs. Of those investments, the top three SDGs addressed were SDG 3: Good health and wellbeing, SDG 11: Sustainable cities and communities, and SDG 7: Affordable and clean energy.<sup>24</sup>

### C. Active ownership

HESTA's active ownership approach focuses on addressing systemic risks and considering whether companies are suitably managing risk and creating value in ways that promote broader economic resilience for its members. HESTA assesses the materiality of systemic risks on its investments as well as the broader community and uses a combination of active ownership levers that it believes will most effectively manage risk and deliver long term value for its shareholders.<sup>25</sup> Active ownership is a core part of HESTA's responsible investment approach (see Figure 2) and is comprised of several component action areas: engagement, voting, and advocacy (detailed below).

**Engagement.** HESTA encourages the Boards of its portfolio companies to put in place appropriate, credible plans to address systemic risks and create new opportunities that support a resilient and sustainable economy. HESTA undertakes engagement directly, through specialist service providers, and by using a range of tools including direct dialogue (e.g., company meetings, letters to management/boards), site visits, and engagement with key stakeholders and external investment managers.<sup>26</sup> In 2025, HESTA held 1,680 engagements with portfolio companies related to its priority responsible investment themes as outlined in Figure 2.<sup>27</sup> Engagement objectives are guided by HESTA's Active Ownership Priorities:<sup>28</sup>

- **Alignment with long-term objectives.**  
Companies create and enhance value for the long-term aligned with the best interests of shareholders and stakeholders.
- **Identification and management of material issues and systemic risks and opportunities.**  
Companies identify and manage material risks and opportunities in the present and over the long-term.
- **Contribution to sustainability outcomes.**  
Encourage companies to assess and measure their contribution to progress toward achieving the SDGs.
- **Strong governance and accountability.**  
Companies have processes to support accountability for strategy development and implementation, risk management, and company performance.
- **Preserving a social license to operate.**  
Companies engage with stakeholders to maintain their social license to operate.
- **Transparency and adequate disclosures.**  
Companies provide transparent and meaningful disclosure aligned to globally recognized frameworks.

One example of how HESTA approaches engagement with portfolio companies is in its activities related to climate change. Having conducted an analysis of carbon emissions across its Australian equities portfolio, HESTA determined that approximately 80% of its scope 1 and 2 emissions are concentrated to just 15 companies, and therefore prioritized its climate-related engagement on these select companies. Long term engagement has focused on encouraging focus companies to set interim targets (2030-2035) in support of commitments to net zero emissions by 2050, which by 2023, all focus companies had committed to. Moreover, 13 of 15 companies have published

disclosures aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).<sup>29</sup>

Other notable engagement activities include:

- Following its 2022 engagement series, continued engaging with 19 Australian mining companies on workplace culture to promote safe and respectful workplace environments. HESTA makes the connection that discrimination at the company/industry level is a key contributor to women's underrepresentation in the workforce and leadership as well as the gender pay gap at the system level. Therefore, it engages with companies with the objective to minimize gender discrimination, seeking to reduce/close the gender pay gap.<sup>30</sup>
- Continued a several-year engagement with utility company, AGL, to encourage greater ambition on climate change including closure of coal-fired power stations, increased capital allocation to renewables, and other climate solutions. Along with this, HESTA has requested disclosure of AGL's plans to support the workforce transition at coal-fired power stations. HESTA has sought to use its shareholder influence by encouraging AGL to strengthen its decarbonization plan in alignment towards Paris Agreement goals, which could significantly accelerate Australia's progress toward net zero and lower the overall systemic risk exposure of its members' investments.<sup>31</sup>

**Voting.** Exercising its voting rights in listed and unlisted markets is a key element of HESTA's active ownership approach and an important link in the chain of accountability between a company and its shareholders.<sup>32</sup> HESTA seeks to use its shareholder rights – “our seat at the table” – with the aim of influencing companies

to improve their practices related to systemic issues. Voting decisions are made by HESTA based on what it believes is in the best financial interests of its members, with consideration given to the aforementioned priorities and often following dialogue with companies and consultation with investment managers, proxy advisors, engagement service providers, and other relevant stakeholders.<sup>33</sup>

Recent voting activities include:<sup>34</sup>

- HESTA has identified antimicrobial resistance (AMR) as “a systemic risk that has the potential to influence the market fundamentals that drive member investment returns, including economic growth.”<sup>35</sup> HESTA has co-filed resolutions on AMR for the past four years seeking disclosure on the overuse and misuse of antibiotics in food producing animals, and greater compliance with World Health Organization (WHO) guidelines on the use of medically important antimicrobials in food producing supply chains.<sup>36</sup>
- 18 of the ASX 300 companies have no women in executive leadership, despite extensive research showing how organizations benefit from gender diversity. Since 2017, HESTA's voting policy has sought to vote, in most instances, against select directors at ASX300 companies where the Board has no female representation. In 2023, HESTA strengthened its gender voting policy to vote against select director re-elections where the board has less than 30% female representation and against the chairs of companies employing single gender executive teams.

**Advocacy.** HESTA has over 1.05 million members, about 80% of whom are women. Female members earn around 6.5%<sup>37</sup> less than their male counterparts on average, and therefore,

**“HESTA believes in the power of collective action for tackling systemic issues as collaborating often enables us to amplify our voice and drive action, while using our resources efficiently. We seek to collaborate with like-minded investors and organizations to improve the sustainability of capital markets, send consistent messaging to companies and policymakers and deliver economies of scale.”**

*– HESTA Responsible Investment Policy*

are less likely to have savings outside their super and more likely to struggle with living expenses. Moreover, many of these members spend time in unpaid caregiving, often in addition to providing essential healthcare services at the expense of their own financial security. HESTA advocates to “improve the fairness of the systems” that can drive the financial security or disadvantage of its members – economy- and system-level drivers such as gender equality, workplace rights and conditions, environmental and health considerations, and superannuation and social security.<sup>38</sup>

Its efforts include advocating for changes to laws, regulations, policies, standards, or guidelines. More detail on these activities can be found in the “Interconnectedness,” “Polity,” and “Standards setting” sections that follow.

## 2. Leveraging advanced techniques

### A. Field building

**Self-organization:** HESTA has a demonstrated history of creating and actively participating in

established collaborative organizations to build capacity to address systemic issues. Notable organizations and initiatives include:<sup>39</sup>

- Investor Group on Climate Change (founding member and Board member);
- Climate Action 100+;
- Nature Action 100;
- FAIRR Initiative;
- Investors Against Slavery and Trafficking Asia Pacific;
- International Corporate Governance Network (Board member); and
- Australian Sustainable Finance Institute (founding member and Board member).

As part of its participation in Nature Action 100, for example, HESTA engages with Australian supermarkets seeking their assessment and disclosure of nature-related impacts and dependencies across their value chains, with a particular focus on land use change (habitat clearing and deforestation). Through its participation with FAIRR, HESTA indirectly engages with animal pharmaceuticals companies to restrict

marketing of antibiotics for growth promotion and ensure that antimicrobials do not enter the environment.

specific actions to address drivers of the gender pay gap including workplace discrimination, role segregation, and workforce participation.<sup>42</sup>

Of additional note is HESTA's founding of 40:40 Vision, described in Box 2 below.<sup>40</sup>

In other areas such as decent work, HESTA found that robust and accurate data was not available

## Box 2. HESTA's 40:40 Vision

HESTA's membership has always been predominantly women, thus it has long focused on progressing gender equality. In 2020, HESTA founded 40:40 Vision, an investor-led initiative focused on achieving gender balance in executive leadership across Australia's listed companies by 2030. The initiative seeks to achieve gender balance of 40:40:20 – 40% identifying as women, 40% identifying as men, and 20% as any gender – in executive leadership by 2030. In line with this objective, 40:40 Vision calls on companies to:

- Pledge to achieve gender balance (40:40:20) in executive leadership by 2030
- Declare interim composition targets to drive gender diversity
- Publicly communicate their commitment and plan to employees, shareholders and other stakeholders
- Report annually on progress towards targets

In its 2025 progress report, 40:40 Vision reported that 87% of signatory companies had set interim gender balance targets (with 85% on track or already achieving the target), and most reported launching a variety of strategies to support progress toward their gender balance goals (including professional development programs, challenging bias in recruitment, and succession planning for key roles).

**Interconnectedness:** In addition to quantitative and qualitative data, such as that derived through member research, HESTA may use international frameworks including the Paris Agreement and United Nations Global Compact to assist in determining materiality.<sup>41</sup> Moreover, HESTA leverages broader indicator sets relevant to each of its thematic areas of focus. For example, in its work on gender equality, HESTA leverages data from Workplace Gender Equality Agency (WGEA). Based on newly released company-level pay disclosure data, HESTA identified

thus prompting it to partner with Bankwest Curtin Economics Centre (BCEC) and commission research. The resulting report defines several dimensions that comprise decent work – job security, work conditions, work stress, and flexibility – and, using data from the Household, Income and Labour Dynamics in Australia (HILDA) survey, tracks trends across the country and between industries and demographics.<sup>43</sup>

Related to both gender equality and decent work, after completing an engagement series

with Australian mining companies about workplace culture – specifically workplace harassment – HESTA published its findings to continue the conversation on these issues and promote best practices across the sector. Workplace sexual harassment has significant health, employment, and financial impacts on individuals and their families as well as impacts on workplace productivity and culture. Unaddressed workplace harassment can create legal and financial risks, and significantly damage a company’s social license to operate, which can impact shareholder value and, therefore, the returns that can be delivered to members. The report, entitled *Workplace sexual harassment in the Australian mining sector*, details six key insights that HESTA developed through its engagement series, in hopes that it would encourage improvements in company practices as well as continued discussion and action on the issue more broadly.<sup>44</sup>

**Polity:** Public policy is a core part of HESTA’s advocacy work, and its size provides an opportunity to influence meaningful change regarding systemic issues and policy settings.<sup>45</sup> Issues for which HESTA has recently advocated for on policy change include:<sup>46</sup>

- Gender equality. Over 80% of HESTA’s members are women, making HESTA acutely attuned to gender-related factors like inequitable pay and time spent out of the workforce caring for others, resulting in less savings at retirement. It has also advocated for super payments to be paid during parental leave periods, helping members to add dollars to their retirement accounts. As of 2024, super on the Commonwealth Paid Parental Leave scheme was signed into legislation, in part contributed to by HESTA’s 13 years of continuous advocacy on the issue.<sup>47</sup>
- Tax settings for low-income workers. HESTA has been an advocate for modifying tax payable on super contributions for low-income earners to better support their ability to save and invest for their future. It has submitted recommendations to extend eligibility for Low-Income Super Tax Offset (LISTO) – a federal government tax rebate for low-income workers earning less than \$37,000 so that they do not pay more tax on their super contributions than on their take-home pay – to those earning up to \$45,000.<sup>48</sup>
- First Nations and cultural heritage. When Rio Tinto, a global mining group, destroyed 46,000-year-old caves of cultural significance to Australia’s First Nations People, HESTA began advocating for stronger national laws focused on protecting indigenous rights and culture. It was one of the first large superannuation funds to publicly support the Aboriginal and Torres Strait Islander Voice Referendum and commit to exploring ways to make systemic improvements that support employment opportunities and outcomes for First Nations communities.<sup>49</sup>
- Climate policy. HESTA is an investor lead in the PRI Sovereign Engagement Pilot on Climate Change, which supports Australian state governments in climate policy development towards alignment with the Paris agreement. Its role as co-lead has included engagement with the Western Australian, Queensland, Victorian, and New South Wales state governments to share investor insights.<sup>50</sup> In 2024, it also participated in a series of consultations with the Australian Treasury to design a mandatory, internationally-aligned framework for disclosure of climate-related financial information.<sup>51</sup>
- Biodiversity. HESTA made a submission to the Environmental Protection and Biodi-

versity Conservation (EPBC) Act reform consultation, which sought views to inform the establishment of Australia's environmental laws that seek to protect and halt nature loss.<sup>52</sup>

- Antimicrobial resistance. Through its participation with FAIRR, HESTA signed the Investor Action on Anti-Microbial Resistance statement to policymakers to support the call for development of a global science-based approach to reducing antibiotic usage to safe levels.<sup>53</sup>

## B. Investment enhancement

**Standards setting:** While much of HESTA's engagement priorities focus on improving risk management practices within individual companies, it also seeks to influence standards at the economy level, or the system level. HESTA has supported opportunities that encourage the development of standards and best practice approaches, examples of which include:<sup>54</sup>

- As a founding member of the Australian Sustainable Finance Initiative (ASFI), HESTA has contributed, and gained insights from peer members to the scoping, design and usability of the Australian Sustainable Finance Taxonomy (ASFT). The ASFT is a credible, shared framework that provides a common language across the investment chain. HESTA is participating in a pilot designed to identify suitable use cases and increase uptake of the taxonomy. HESTA is also represented on the ASFI Board and as an active member of the ASFI Taxonomy Technical Expert Group.<sup>55</sup>
- HESTA is a founding supporter of the Dhawura Ngilan Business and Investor Initiative (DNBII) and key contributor to the DNBII Business and Investor Guides.

Launched in March 2024, these are the only First Nations-led guides on the protection of First Nations cultural heritage in the region. The guides provide comprehensive guidelines and resources for businesses and investors to align their operations and strategy with the Dhawura Ngilan Principles and promote respectful partnerships with First Nations Peoples. The guidance helps investors to integrate cultural heritage considerations into areas including due diligence, disclosures, corporate engagement, and stewardship.<sup>56</sup> HESTA is piloting the Business and Investor Initiative and Guide across multiple responsible investment functions including due diligence and stewardship.

- HESTA partnered with Bankwest Curtin Economics Centre (BCEC) to conduct research regarding the status of decent work and job quality in Australia. Research covered key dimensions of decent work and how decent work varies by demographics and industry. The framework that was developed is publicly available and can be applied across most sectors.

## C. Opportunity generation

**Evaluations:** Given the scope and scale of HESTA's assets under management, HESTA prioritizes responsible investment issues based on materiality and where HESTA believes it is best positioned to influence change.<sup>57</sup> For each of its thematic areas of focus, HESTA conducts research into economy wide costs as part of establishing a more holistic, real-world understanding of how its investments will potentially be affected. In doing so, it is able to understand materiality in a more nuanced way and consider ways to take action at specific leverage points. For example, HESTA understands that the gender pay gap is an economy- and system-level

issue, which it can seek to address by influencing changes in workplace culture to reduce gender discrimination and sexual harassment, or policies for super payments to be paid during parental leave periods, among others.

Moreover, HESTA understands that systemic risks do not occur in isolation and in the assessment of materiality, it considers the intersection with other systemic issues. For example, the healthcare sector, where many of its members are employed, is likely to be heavily impacted by climate change. In 2021, for example, the Victorian Council of Social Service (VCOSS) reported that air pollution, like transport emissions or particulates from coal-fired power stations, kills

4,880 Australians each year. VCOSS also found that smoke from the devastating 2019-2020 Black Summer bushfires was responsible for 120 deaths and around 1,300 hospital admissions for cardiovascular illness, respiratory disease, and asthma.<sup>58</sup> Moreover, such economy-wide climate risks are now so broad that they intersect with systemic social issues. It has been evidenced that increasing climate change impacts have flow-on effects into industries that are known to have high rates of forced labor, such as agriculture or extractives, increasing vulnerability to slavery. HESTA therefore considers action to reduce climate change impacts as inherently linked to its actions to support human rights and mitigate the risk of modern slavery.<sup>59</sup>

# Conclusion

## Assessing Progress

HESTA assesses and reports on its responsible investment program of work through independent benchmarking including the PRI survey and the Responsible Investment Association of Australia bi-annual super study – the results of which are publicly available.<sup>60</sup> In addition to its Annual Report, HESTA also discloses information about its responsible investment activities and related outcomes via a series of reports:

- **Responsible Investment Report.** HESTA's responsible investment report provides an update on activities related to its responsible investment program through case studies, engagement and voting metrics, and capital allocation aligned to the SDGs using the SDI AOP Taxonomy. The second responsible investment report was published in November 2025, which includes an overview of HESTA's approach to risk management (including systemic risks), responsible investing, and long-term value generation as an active owner.

The report shows that in 2025, HESTA held 1,680 company meetings (directly and indirectly through engagement service providers), 39% of which were focused on environmental matters, 28% on social matters, 25% on governance, and 8% related to strategy. Further, initiatives such as 40:40 Vision have begun to show broader industry influence.

- **Annual climate change disclosure.** HESTA's climate change disclosures share progress in implementing its Climate Change Transition Plan, including progress toward portfolio decarbonization targets and examples of its climate-related active ownership activities. HESTA published its first climate change report in 2021, which outlined its general approach to managing climate-related risks and opportunities and uses

subsequent reports to disclose its ongoing management of both considerations. The reports cite examples of how HESTA engages with high emitting companies to reduce emissions and mitigate climate risk, often in collaboration with other investors. From FY25 this report has been incorporated into the Responsible Investment Report. As of June 2024, HESTA's measured normalized portfolio emissions had decreased 10% from the previous year to 31.3 tCO<sub>2</sub>e per \$AUD million invested and by 41% from the 2020 baseline.<sup>61</sup>

## Challenges and Looking Ahead

HESTA recognizes that companies and investors must work together to achieve the shared goal of building long-term value and addressing economy- and system-level challenges. It continues to encourage businesses to intensify their efforts across areas of gender equality, climate change, nature and biodiversity loss, good health and wellbeing, and decent work to help build the retirement savings of its members.

HESTA believes that it must invest in solutions that drive positive, lasting change. However, the challenge remains that many newer opportunities that align with sustainability objectives are not yet at scale or well represented in performance benchmarks. Thus, HESTA cautiously seeks to find the balance between meeting its risk/return objective while investing in future facing opportunities. For this reason, HESTA has been very supportive of the development of an Australian Sustainable Finance Taxonomy as a core building block for the broader sustainable finance industry. The taxonomy can be used by capital providers, corporates and policymakers to identify economic activities that support climate change mitigation.<sup>62</sup>

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# About TIIP

The Investment Integration Project (TIIP) is a boutique consulting firm that helps institutional investors: (1) understand how portfolio performance is intertwined with the health of environmental, social, and financial systems; (2) shape the structures and norms influencing those systems; and (3) embed systems-aware decision-making across all strategies and operations.

Established in 2015 by Steve Lydenberg and William Burckart—who coined the term system-level investing and co-authored the first book on the topic, *21st Century Investing: Redirecting Financial Strategies to Drive Systems Change* (Berrett-Koehler Publishers: April 2021)—TIIP’s pioneering thought leadership has enabled the alignment of investment practices with the long-term health of the systems underpinning value creation.

At the center of TIIP’s work is SAIL (Systems Aware Investing Launchpad), an enterprise management and data platform that enables investors to integrate system-level investing across strategy, implementation, and reporting. TIIP also offers customized services—Total Portfolio Activation, Total Portfolio Implementation, and Total Portfolio Review—to help clients benchmark progress, enhance portfolio design and stewardship, and apply system-level thinking in practice.

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