

H.E.S.T. Australia Ltd., as trustee for HESTA, has been engaging with emissions intensive companies through both direct and collaborative programmes for a number of years. In 2021, HESTA introduced an engagement escalation framework (“the Framework”).

In July 2022, as part of implementing the Framework, HESTA conducted its annual assessment of the climate change transition progress of companies that are key contributors to portfolio emissions. The assessment identified that AGL, Origin, Santos and Woodside faced significant decarbonisation challenges, requiring a major shift in their strategies to offer low carbon energy products. These companies have now been moved to a “watchlist” position according to the Fund’s engagement escalation framework which means that they are subject to closer engagement and monitoring.

HESTA informed AGL, Origin, Santos and Woodside that they were placed on a watchlist under the Framework and sought a response from the companies on how their climate strategies align with a 1.5°C pathway. Origin, Santos and Woodside were also asked to outline how they will demonstrate that the Final Investment Decision (FID) on major projects is consistent with a carbon budget aligned with a 1.5°C pathway.

The Framework also considers the use of votes against “Say on Climate” resolutions, Directors’ elections, support or filing of shareholder resolutions and/or consideration of divestment, where HESTA considers there is inadequate evidence of progress to address risks and it is in members’ best financial interests.

