Environmental, social and governance report

In the face of global challenges such as climate change and social inequity, we acknowledge the role we must play in working towards sustainable outcomes in our business operations, and the products and services we offer.

Our ambition to secure financial wellbeing for every Australian extends to environmental responsibility, social equity and community wellbeing. We believe the good health of our planet and the wellbeing of our communities is part of true prosperity.

Embedding ESG factors into decision making across our business is critical for us to deliver sustainable long-term growth for the benefit of our clients and stakeholders.

At Insignia Financial, we are committed to helping secure a better future for our clients, people and planet.

Working towards a sustainable future

Insignia Financial is evolving our responsible investment approach in line with our commitment to ESG. We believe in climate science and support global efforts to achieve net zero greenhouse gas emissions by 2050.

Our memberships with the Investor Group on Climate Change (IGCC) and Responsible Investment Association of Australasia (RIAA) through our MLC Asset Management business helps inform our response to ESG-related risks within our investment business.

We support the United Nations Sustainable Development Goals as a shared blueprint for peace and prosperity for people and the planet. The goals most aligned to our ESG strategy have provided a framework to guide our ESG principles and initiatives.

In June 2022, we became a carbon-neutral organisation by measuring and offsetting our scope 1, 2 and 3 operational carbon emissions. In September 2022, we achieved certification with Climate Active, further validating this achievement. Our focus now is to use our emissions baselines and set science-based reduction targets.

Alongside these approaches, we have:

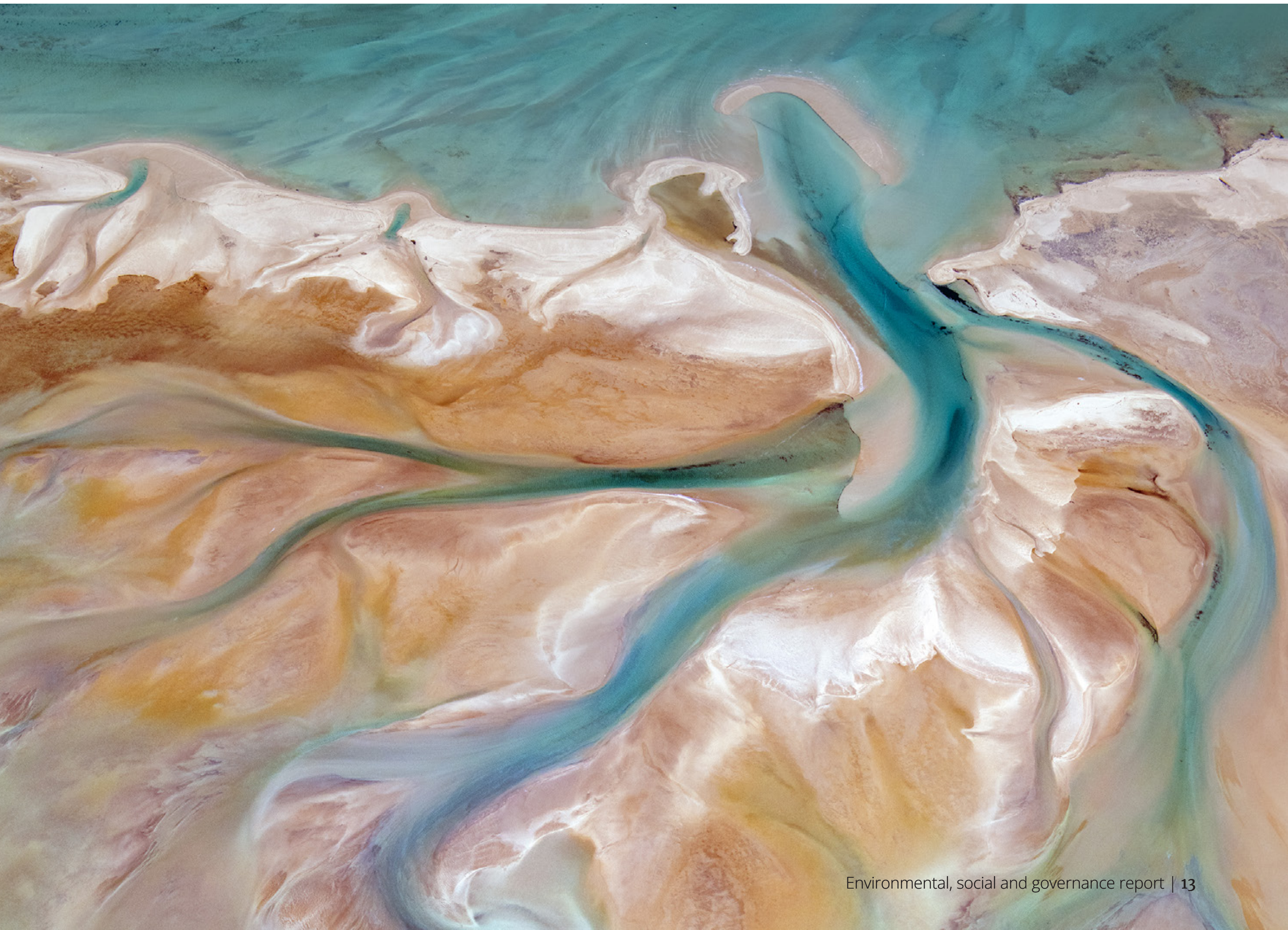
- gained approval from Reconciliation Australia for our new corporate Innovate Reconciliation Action Plan (RAP). This is designed to strengthen our relationship with First Nations people
- signalled the beginning of our alignment with the global Principles for Responsible Investment (PRI), by our boutique funds management business, Antares, becoming a signatory
- maintained overall gender equity in the business with 49.16% female workforce participation at 30 June 2023.

Materiality topics

This financial year, we revised our materiality topics by implementing globally recognised best practice. In collaboration with our advisory firm, we carried out a Global Reporting Initiative (GRI) compliant materiality and significance assessment.

The material topics were assessed on the significance of their economic, environmental and social impacts, in accordance with the GRI guidelines. Each topic was assessed against multiple criteria, including scale, scope and likelihood, giving it an overall significance score (as shown at right). All topics are important, but those assessed as having the 'Highest impact' are the ones with the most importance to our stakeholders. They are, therefore, a priority for our organisation.

Highest impact	• Governance, compliance, transparency and disclosure • Responsible investment, ESG integration and stewardship • Data and cybersecurity • Climate risk assessment
Most important	• Employee engagement, wellbeing and retention • Diversity, inclusion and equal opportunity • Product simplification and innovation • Engaging First Nations people • Technology and artificial intelligence (AI) • Procurement and modern slavery • Biodiversity and conservation • Financial wellbeing and advice accessibility
More important	• Community investment • Operational environmental impacts



Definitions

To understand our impacts, it is important to first understand the definitions of each of these topics and what they mean to us at Insignia Financial.

	Topics	Definitions
GOVERNANCE	**Governance, compliance, transparency and disclosure**	• Attaining best-practice corporate governance, compliance, transparency and disclosure – specifically regarding progress on ESG performance at corporate and investment levels • Governing these best ESG practices through clear structures and processes to minimise risk • Efficient resourcing to achieve and implement our ESG strategy • Communicating our progress to stakeholders in line with emerging industry standards
	Data and cybersecurity	• Implementing robust standards of data privacy and cybersecurity to limit the risk of cyber-attacks and to protect our clients' and employees' data
	Technology and AI	• Monitoring developments in emerging technology and AI so we can respond accordingly, maximise opportunities and mitigate risks
	Procurement and modern slavery	• Sourcing products from suppliers that meet social criteria, and identifying and managing any human rights issues in the business and supply chain
CLIENT	**Responsible investment, ESG integration and stewardship**	• Establishing measurable ESG integration and stewardship processes in line with leading practices and standards • Integrating ESG criteria into investment decisions and the financial products and services we offer, for the benefit of clients and members • Being active owners
	Financial wellbeing and advice accessibility	• Providing access to reasonably priced financial services for our clients • Finding more ways to assist vulnerable clients groups
	Product innovation and simplification	• Using innovation and digitalisation to benefit clients
SOCIAL	**Engaging First Nations people**	• Creating pathways for Indigenous employees and businesses to partner with Insignia Financial
	Community investment	• Giving back to the local communities of Australia through jobs, donations, volunteering and strategic partnerships
	Employee engagement, retention and wellbeing	• Attracting and retaining talent and providing employees with training and development opportunities • Protecting employees' health and wellbeing
	Diversity, inclusion and equal opportunity	• Ensuring individuals – whether clients, staff or business partners – are treated equally and without discrimination
ENVIRONMENTAL	**Operational environmental impacts**	• Reducing the environmental impacts in our operations, including minimising our emissions and waste, and educating staff on how to reduce their environmental impact
	Climate risk assessment	• Assessing the impact of climate risks on our strategy and business model
	Biodiversity and conversation	• Protecting and preserving the land, minimising any negative impact from our business activities or investment

Our ESG strategy and framework

We see sustainability as an ongoing journey, requiring regular ESG impact evaluations. This year we engaged an independent sustainability advisory firm to refine our ESG strategy, addressing emergent sustainability challenges and aligning with stakeholder expectations. We also submitted to a formal materiality assessment in line with the GRI requirements.

Our strategic framework has four primary focus areas, each with relevant material topics. We are working with our advisory firm to build targets and initiatives for these focus areas by the end of March 2024. At that point, our updated ESG strategy will be launched, providing a roadmap for our actions over the following two years and aligning with our broader business objectives.

In developing our strategy, we recognise upcoming mandatory climate-related reporting proposed for financial year 2025, and the adoption of global best practices such as the International Sustainability Standards Board's (ISSB) new sustainability standards, announced in June 2023. We also remain committed to understanding and addressing climate-related risk in our business through support of the Task Force on Climate-related Financial Disclosures (TCFD), which will be incorporated into the ISSB standards.

Governance

Governance and transparency are crucial to the overall sustainability, credibility and success of our organisation.

Client impact

We believe financial wellbeing is a right for every Australian. We seek to deliver more value to existing clients and make advice more accessible.

Social impact

Having an inclusive workplace that reflects the society we serve is important to us.

We recognise financial wellbeing is out of reach for many vulnerable communities and are working to close the gap.

Environmental impact

We understand the sustainability of our organisation is linked to being a good environmental steward.

MATERIAL TOPICS

Governance:

- Governance, compliance, transparency and disclosure
- Data and cybersecurity
- Technology and AI
- Procurement and modern slavery

Client impact:

- Responsible investment, ESG integration and stewardship
- Financial wellbeing and advice accessibility
- Product simplification and innovation

Social impact:

- Engaging First Nations people
- Community investment
- Employee engagement, wellbeing and retention
- Diversity, inclusion and equal opportunity

Environmental impact:

- Operational environmental impacts
- Climate risk assessment
- Biodiversity and conservation

KEY TARGETS AND INITIATIVES

Governance:

- Align sustainability reporting to ISSB standards by financial year 2025

Client impact:

- Align investment business to Principles for Responsible Investment (PRI)

Social impact:

- Complete Innovate RAP actions by March 2025
- Increase employee volunteering to 40% by 2025

Environmental impact:

- Set 2030 emissions-reduction target for operational emissions

United Nations Sustainable Development Goals

Since 2021, Insignia Financial has supported the United Nations Sustainable Development Goals (UN SDGs), using them as a framework to guide our ESG principles and initiatives. While we support all 17 UN SDGs, we have prioritised five goals, given their relevance to our business and our ability to drive change in these areas. Following the development of our new material ESG topics, we have looked to broadly align these to the SDG initiatives shown in the table below.

Sustainable Development Goal	**Ensure healthy lives and promote wellbeing for all at all ages**	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**
Aligned material topics	• Employee engagement, wellbeing and retention • Community investment	• Community investment • Financial wellbeing and advice accessibility
Initiatives	• Monitored health and wellbeing of staff through Our Voice survey • Implemented hybrid work practices • Delivered Development Matters career growth program • Grew employee giving and volunteering across the organisation	• Further partnered with The Smith Family on its Money Talks program • Expanded Member Engagement and Wellbeing Team
Outcomes	• The Our Voice staff survey highlighted: – 71% of our employees perceive wellbeing as a key priority within the organisation – 83% of our employees feel able to balance personal responsibilities while working in a hybrid way • More than 800 employees in total attended seven Development Matters workshops, designed to help employees take charge of their own skills development and career progression • Community giving and volunteering increased across the organisation with the launch of a new digital community giving platform	• Up to 500 disadvantaged students have the opportunity to learn skills for financial decision making due to our partnership with The Smith Family • Our Member Engagement and Wellbeing Team grew by 10 people, to provide more help, guidance, coaching and advice to clients and members • We experienced 280,000 client engagements across our teams and digital channels • We delivered 6,850 digital statements of advice to clients

SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY	10 REDUCED INEQUALITIES	13 CLIMATE ACTION
Ensure women's full participation at all levels of decision making in political, economic and public life	**Reduce inequality within and among countries, including human rights and Indigenous people's rights**	**Take urgent action to combat climate change and its impacts**
• **Diversity, inclusion and equal opportunity** • **Employee engagement, wellbeing and retention**	• **Diversity, inclusion and equal opportunity** • **Engaging First Nations people** • **Procurement and modern slavery**	• **Environmental operational risk** • **Climate risk assessment** • **Responsible investment, ESG integration and stewardship**
• Implemented Our Leading Women initiative and talent pipeline • Joined Champions of Change Coalition • Applied for Family Inclusive Workplace certification	• Monitored staff sentiment on diversity and inclusion through Our Voice survey • Submission for Australian Workplace Equality Index (AWEI) Bronze Tier status • Received Reconciliation Australia's endorsement for our Innovate RAP • Implemented digital procurement system, helping to better manage modern slavery risk	• Became recognised as a carbon-neutral organisation for operational emissions • Extended climate risk assessment across a broader range of investment portfolios • Commenced alignment to PRI
• Despite an increase in our gender pay gap, from 14.3% to 14.5% in financial year 2023, we remain below Financial Services and Australian norms. We continue to work towards reducing this gap. • Maintained overall gender equity with 49.16% female workforce participation at 30 June 2023	• 85% of Our Voice staff survey participants agreed Insignia Financial values diversity and inclusion, same as previous year • Completed the processes required to achieve AWEI Bronze Tier status, which formally recognises our commitment to Australian LGBTQIA+ inclusion, equality and equity • Delivered 23 of 90 action items for our Innovate RAP by the end of June 2023, ensuring we move quickly to meet our commitments • All employees completed training on compliance with the Modern Slavery Act 2018 (Cth) • The integrity and availability of data from our new digital platform enabled us to better monitor suppliers' modern slavery risks	• Achieved Climate Active certification as a carbon-neutral organisation in September 2022 • Assessed climate risk of in-house managed diversified investment portfolios in addition to MySuper portfolios • Our boutique investment business, Antares, became a PRI signatory in April 2023

Governance

Governance, compliance, transparency and disclosure

Governance, compliance, transparency and disclosure are crucial aspects of the overall sustainability, credibility and success of our organisation.

We maintain rigorous processes, policies and measures to uphold our standards in this respect. In doing this, we foster the trust of our employees, our clients, regulators, and the communities we serve, ensuring the enduring strength and resilience of our organisation.

Governance statement

Our approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and fair dealing, and seek to protect stakeholder interests. The Board and management of Insignia Financial recognise the importance of good corporate governance and are committed to maintaining the highest standards of corporate governance within the Group. Find out more about our approach to corporate governance here: https://www.insigniafinancial.com.au/corporate-governance

'Three lines of accountability' model

We adopt the 'three lines of accountability' model to govern risk management activities across the organisation. The model is represented as follows.

First line – business management

Business units are accountable for identifying, managing and owning the risks inherent in the products, services, activities, processes and systems they are responsible for.

Second line – Risk Management function

The independent Risk Management function, led by the Chief Risk Officer, is responsible for the design, maintenance and ongoing development of the Risk Management Framework.

Risk Management supports the first line in its risk management responsibilities by providing independent challenge and oversight, as well as specialist risk advice. This includes assessing the use and adequacy of frameworks, systems, processes and behaviours, to form a view of how well risk and compliance is managed across the Group.

Third line – independent assurance

Internal audit provide a third line of independence and oversight of the first and second-line activities. This oversight may include other independent reviews commissioned by the Board.

Internal audit

Our internal audit activities are undertaken by the Group Internal Audit function, which is governed by a Charter approved by the Group Audit Committee. The role of Group Internal Audit is to provide the Board and management with independent and objective assurance on the effectiveness of the Group's governance, risk management and internal control processes. To maintain independence, Group Internal Audit has no direct operational responsibility or authority over any of Insignia Financial's business or risk management activities.

Group Internal Audit has full and unrestricted access to all of Insignia Financial's information systems, records, physical properties and employees. The Group Audit Committee monitors Group Internal Audit's activities and performance, including its independence.

Anti-bribery and anti-corruption

The Anti-Bribery and Anti-Corruption Policy at Insignia Financial serves as a strict guideline, prohibiting employees from taking part in any activity that constitutes bribery or corruption. This policy establishes a systematic structure to effectively identify, mitigate and manage potential bribery and corruption risks across our operations.

Our policy aims to ensure equitable client outcomes, foster integrity in the financial markets, strengthen our credibility with stakeholders, including clients, it also reaffirms our commitment to corporate responsibility. This policy was evaluated and endorsed by the Board in April 2021 and is slated for its next review in April 2024. The intention of the policy is to build on the existing governance and risk management frameworks.

Whistleblower protection

Our Whistleblower Policy recognises the critical role whistleblowing can play in the early detection and rectification of misconduct. Insignia Financial is committed to providing support and protection to whistleblowers, so they feel free to report without fear of reprisal.

Under the Whistleblower Policy, our people, suppliers and contractors can report concerns through several channels, including a confidential Whistleblower Hotline operated by PwC. Matters raised under the Whistleblower Policy, including any material incidents, are reported to the Group Audit Committee or the Group Risk and Compliance Committee.

Board effectiveness

Insignia Financial's corporate governance initiatives aim to:

- consolidate and simplify the structure of the Insignia Financial Group
- improve the effectiveness of our business and people
- provide the foundation for future product and entity simplification, and
- deliver more effective and efficient governance, communication and coordination.

Our board governance programs have included:

- standardisation and enhancement of board and committee foundation documents, frameworks and processes across key entities, to improve business effectiveness
- initiatives to improve director effectiveness and enhance board decision making, and
- improvements to the capability and efficiency of board support functions.

The Member Office

The Member Office (MO) is an independent function within Insignia Financial. The purpose of the MO is to advocate for members and support the Insignia Financial registrable superannuation entity licensee (RSEL) boards to discharge their fiduciary responsibilities in the best financial interests of members. The MO is an extension of our RSEL boards and provides a day-to-day link that spans the trustee on one side, and management and service providers on the other.

The MO is independent of Insignia Financial Group's management and has the authority to obtain all information necessary to assist the RSEL boards in meeting fiduciary obligations.

The Office of the Responsible Entity

Similarly, the Office of the Responsible Entity (ORE) is an independent function within Insignia Financial. The purpose of the ORE is to assist the responsible entity (RE) boards to discharge their fiduciary and licensing responsibilities in the best interests of investors. The ORE oversees the performance of managed investment schemes and the provision of scheme services to the REs. The ORE is independent of management and has access to all the information and resources required to perform its duties.

Governance

Financial Accountability Regime

The Financial Accountability Regime (FAR) extends the current Banking Executive Accountability Regime to strengthen the responsibility and accountability of directors and the most senior and influential executives of financial institutions. The intention of the legislation is to build on existing governance and risk management frameworks, ensuring that accountable persons within organisations are taking reasonable steps in meeting their obligations.

Insignia Financial continues to progress work in readiness for the anticipated implementation date, which will be 18 months from the royal assent date. The project is on schedule to meet this timeframe. Work completed to date includes executive and director workshops, drafting of executive accountability statements, review of significant related entities within the group, and commencement of a reasonable steps assessment.

Executive remuneration

Executive remuneration comprises fixed and variable remuneration, with variable remuneration awarded under the Executive Equity Plan (EEP). The EEP, which is delivered wholly in equity vesting over a four-year performance period, is designed to encourage decision making that is focused on sustainable long-term results. It is assessed against a balanced set of financial and non-financial measures (including client, people and ESG), delivery of strategic priorities, and our ability to meet cultural, risk and conduct standards.

In H2 2023, a revised plan – the Executive Incentive Plan – will be introduced. It will align closely with the framework of the existing incentive plan but will see variable reward outcomes delivered via a balance of short-term and long-term incentives, deferred for up to six years. This rebalancing helps to reward and incentivise executives in the immediate term, while continuing to align to shareholder interests and creating long-term sustainable value in the organisation.

In the past year, we have undertaken a rigorous review of our remuneration framework and structures to ensure compliance with the Australian Prudential Regulatory Authority's CPS511 standards and that our practices meet the aims of our remuneration policy. CPS511 aims to ensure clearer connections between risk accountabilities, performance, and remuneration outcomes. We support this goal, and it reflects the path we have been on over the past few years to strengthen our remuneration governance. Notably, we have enhanced and restructured our consequence management framework for governing risk events.

Tax transparency

The Insignia Financial Group is committed to tax transparency and integrity, signing up to the Board of Taxation's Voluntary Tax Transparency Code, as an early adopter, in early 2017.

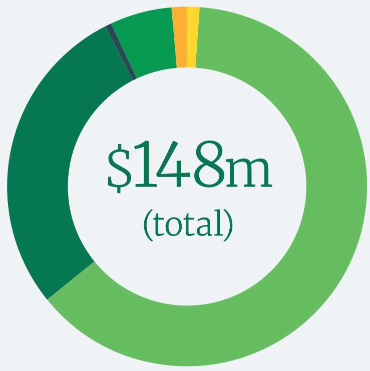
The code is a set of principles and minimum standards to guide disclosure of tax information by businesses and encourage them to avoid aggressive tax planning, and to help educate the public about their compliance with Australia's tax laws.

The Group provides a reconciliation of accounting profit to tax expense, and to income tax paid/payable, including identification of material temporary and non-temporary differences and accounting effective company tax rates for the Group's Australian and global operations.

Information about international related party dealings

The Group largely conducted its activities in Australia for the current financial year. There are minor operations in foreign jurisdictions, including in the USA and UK. Each of those entities is subject to the local tax regime. Related party dealings between the Group's Australian and foreign jurisdictions are supported by transfer pricing and country-by-country documentation.

2023 tax contribution by type



- Income tax $2m
- GST $93m
- Payroll tax $42m
- Fringe benefits tax $1m
- Rates and property taxes $8m
- Other $2m

Further taxes collected and paid to tax authorities by the Insignia Financial Group on behalf of clients and employees are not directly borne by the Group. These include income tax, GST, withholding taxes, PAYG withholding taxes, and local duties, which total a further $992 million for the year ended 30 June 2023.

The overall tax strategy drives our approach to tax risk management and aims to ensure corporate tax compliance and transparent tax reporting.

Approach to tax strategy and governance

Tax governance is part of our overall risk management framework, as well as being part of an overall tax strategy. The overall tax strategy drives our approach to tax risk management and aims to ensure corporate tax compliance and transparent tax reporting. It also helps us to meet and be prepared for regulatory changes. Tax governance is continuously monitored and is in line with the Group's tax strategy. We aim to maintain open, transparent and collaborative relationships with all tax regulators.

Tax contribution analysis

The Group paid a total of $148 million in taxes to the Australian Governments (state and federal) in the 2023 tax year ($143 million in 2022). The chart on the previous page shows the types of taxes paid by the Group during the financial year. Remediation payments of $125 million in the current year continue to be the main driver of low taxable income for the consolidated group for the year ended 30 June 2023. Corporate income tax for financial year 2023 remains low at $2 million.

Data and cybersecurity

Insignia Financial is committed to data and information governance. This aims to ensure we:

- safeguard the security, privacy and quality of our information as well as that of our clients and stakeholders
- keep precise records of our business activities
- facilitate well-informed and timely decisions through appropriate access to vital information
- provide regular and up-to-date training for employees on data security
- align with strategic goals, and
- comply with regulatory requirements.

Data management

Our adherence to APRA prudential guidelines, participation in industry and regulatory forums, and adoption of emerging industry standards reflect our commitment to protect and preserve privacy and ethically manage sensitive client and business information. These principles are reinforced by the Group Information Management Policy and accompanying policy standards.

Beginning in 2023, we implemented regular organisation-wide data awareness and literacy training. Additionally, we've initiated a program encompassing data and information classification, issues management, ownership and accountability, along with proper archiving or disposal of unnecessary data.

Privacy management

We believe good privacy governance is an organisational responsibility and we have created a strong culture of privacy compliance, where organisational risks are managed proactively. We have a privacy program, including controls that ensure compliance with privacy laws, regulations, industry standards and regulator expectations.

The personal information our clients have entrusted us with is handled in accordance with the Insignia Financial Group Privacy Policy. Annual online privacy awareness training is provided to all employees and targeted training is delivered as appropriate.

Governance

Furthermore, in May 2023, Insignia Financial participated in the Office of the Australian Information Commissioner's annual Privacy Awareness Week. This was our ninth successive year of participation.

With privacy reform on the near horizon, the Insignia Financial Group has established a dedicated Privacy Office within the Risk Management Team. The Privacy Office will continue to work closely with the Cybersecurity and Data teams to ensure organisational alignment in keeping our clients' data secure.

Analytics and member experience

Use of advanced analytics and data methodologies supports our purpose of understanding each member and client we serve. By analysing the data we manage, we aim to create personalised experiences and tailored member engagement, improving the services we provide.

Member-level data undergoes diverse aggregation and segmentation methods, enabling us to deliver customised messaging with good operational efficiency.

Strict controls and processes are in place to appropriately manage data.

Technology and AI

To make quality advice available to more people, we are leveraging technology and AI. This helps us broaden access to general advice, while also improving business efficiency and scalability.

Our proprietary client engagement solution, Wealth Central, employs a chatbot to deliver information, streamline digital fact finding and provide clients with accessible general advice. The same underlying technology is used by our advisers to bring to life goals-based financial modelling, which helps clients understand and visualise how they are tracking towards their goals. Clients are then enabled with their own client portal, empowering them to track their own progress. They can model their own 'what if' scenarios, and communicate securely with their adviser.

Furthermore, we emphasise technology integration using application programming interfaces (APIs) in Wealth Central. These integrations simplify client experiences, allowing us to leverage third-party capabilities while retaining control of our proprietary solution. This data integration also extends to advisers, aiding them in aspects of advice generation and compliance.

The Managed Portfolio Service offered through our Expand platform uses advanced investment technology to facilitate continuous portfolio monitoring. It means clients enjoy the benefits of a professional research team monitoring their portfolios, while their advisers focus on strategic oversight and personalised advice.

We've also improved the service experience for financial advisers. In our Shadforth advice business, we use bot technology to automate client forms and drive efficiency. This has yielded tangible results, cutting administration time from 25 minutes to a mere five minutes. Using automation to detect changes across our comprehensive Approved Products List, we have optimised an often-tedious process for advisers, automating the provision of up-to-date product disclosure statements for each financial product under their management.

While embracing opportunities to improve business efficiency using technology and AI, we maintain stringent risk controls and governance frameworks, especially when it comes to managing the intersection of client data capture and insight delivery. These controls aim to ensure that we don't inadvertently cross into personal advice without appropriate documentation.

Procurement and modern slavery

We are committed to combatting modern slavery within our supply chain. We recognise alignment with the Modern Slavery Act is critical to procurement – it helps us meet societal expectations, investor demands, regulatory requirements and our own promises on acting ethically.

We submitted our third annual Modern Slavery Statement in December 2022 to the Australian Border Force, which outlined how we assess and mitigate modern slavery risks within our corporate supply chain, as well as our asset management business. This statement included our five-year maturity plan to improve our identification of modern slavery issues and mitigation actions.

Procurement processes and policies

In October 2022, Insignia Financial implemented a new digital procurement system, enhancing our ability to manage corporate suppliers and improve the end-to-end procurement process. We also introduced a new procurement policy and updated outsourcing policies to upgrade supplier management and due diligence processes to enable more rigorous future evaluations of supplier performance. The Procurement Uplift Project, initiated in early 2023, focuses on enhancing efficiency, identifying cost savings, strengthening supplier relationships and addressing supply chain risks including disruptions and compliance issues. The project supports compliance with the Modern Slavery Act. Insignia Financial's Supplier Code of Conduct is scheduled to be finalised and published in the second half of calendar year 2023.

All employees have completed training on compliance with the Modern Slavery Act. We are focused on detecting and addressing modern slavery through continuous improvement in the quality, integrity and availability of data. This extends to collaboration with suppliers, ensuring improved awareness and supporting suppliers' implementation of sustainable practices.

In line with the actions in Insignia Financial's Innovate RAP, our Procurement Team is increasing the engagement of Indigenous suppliers.

Client impact

Responsible investment, ESG integration and stewardship

Insignia Financial seeks to deliver the returns our clients need while understanding the importance of ESG factors. We are constantly exploring ways to align investment decisions with stakeholder interests and our vision for a more sustainable future.

Responsible investment and asset management

With the appointment of our new Head of Responsible Investment we remain focused on aligning responsible investment frameworks across our multiple investment teams and products. A review of all Responsible Investment Policy Statements was undertaken to further align our ESG approach across the investment business.

Work has also commenced on aligning our investment businesses to the PRI. Our boutique investment business, Antares, became a signatory in April 2023.

We've also begun climate risk assessments across our range of in-house multi-manager funds, including our MySuper funds. More information on this initiative is contained in the climate risk section of this report (p 34)

Advice research

The Advice Research Team conducts ESG research using various methods. In addition to considering market themes and emerging trends, the team analyses all types of investment options on our Approved Product List with respect to its ESG approach.

The team also produce analysis on ESG investing that helps advisers when discussing ESG considerations with their clients. Furthermore, we provide support to advisers in constructing ESG portfolios. Our team has developed an ESG investment philosophy along with a set of ESG portfolios, enabling advisers and clients to invest in an ESG-aware portfolio through managed accounts or model portfolios.

Financial wellbeing and advice accessibility

Financial wellbeing can significantly influence personal wellbeing and strengthen broader social cohesion. As the investment and super landscapes grow more complex, the benefits of accessible expert financial advice are increasingly apparent. By encouraging greater financial literacy and fostering more access to advice, we hope to meet the financial needs of a wider range of Australians.

Client and member engagement

To improve the financial wellbeing of every Australian, we seek to offer current and potential clients and members access to help, guidance, coaching and advice across a spectrum of needs. This includes:

- relevant factual financial information
- a wide range of financial insights, and
- general, scaled and comprehensive advice.

Following the acquisition of MLC, our Member Engagement and Wellbeing Team has the additional capacity and technology resources to better engage with our clients and members. In financial year 2023, we added 10 new client-focused roles to the team across client engagement, financial coaching, super advice and data analytics.

These additional team members, together with our Workplace Client Engagement Team closely working with our new and existing employer clients, delivered a material increase in client and member engagement both digitally and face to face. In total, we had more than 280,000 client engagements across these channels.

Advice accessibility

We believe quality financial advice can drive more informed investment decision making and deliver better financial and lifestyle outcomes. Our goal is to make quality advice more accessible. We've worked to achieve this in several ways over the year.

Enhanced Personal Super Calculator

The Direct Digital Team enhanced the Personal Super Calculator, extending its accessibility to an additional 90,000 plus members. Now, more than 577,000 MLC and Plum members can readily access online advice from their secure accounts at no additional cost. This development has seen our user activity double.

Updated the MLC and Plum Financial Advice web pages

We've updated the MLC and Plum Financial Advice web pages to better explain our range of advisory services. We added user-friendly features including innovative online forms that facilitate financial coaching and super adviser appointment bookings.

Supporting professional growth

With the escalating demand for expert advice, our Professional Year (PY) program helps us contribute to a solution by preparing the next wave of financial advisers. The program provides training for advisers, equipping them with the skills needed to provide exceptional service to clients. We have 20 graduates and 42 currently enrolled.

The program is also an opportunity for our employees to advance their careers, offering skill enhancement and broader expertise, while helping to retain talent and instil a culture of continuous improvement.

Financial coaches and our ClientFirst contact centre can now direct clients towards the necessary assistance and advice more easily.

Integrated Web Messenger and Apple Business Chat

We integrated Web Messenger and Apple Business Chat for financial coaches so our ClientFirst Team can swiftly transfer client chats where necessary. This means coaches can conduct client conversations in the client's channel of preference.

Client and member engagement snapshot

General advice and financial coaching sessions for clients and members

+18,400

Member education sessions

1,693

Number of attendees at member education sessions

18,290

Digital engagement interactions through podcasts, Education Hub, SuperSizer, Personal Super and Insurance Needs calculators

+180,000

Additional member interactions through tailored engagement programs

66,000

Digital statements of advice delivered

6,850

Client impact

The Financial Freedom Report

We partnered with social research agency McCrindle to explore the aspirations of Australians across age, gender and other characteristics. Specifically, we wanted to understand how Australians' aspirations have changed in a post-pandemic, high-inflation environment. This speaks to our ambition to help every Australian achieve financial wellbeing.

Using the insights generated by the research, we created a Financial Freedom Index to measure how Australians are positioned to live a life of financial independence.

The inaugural Financial Freedom Index score of 49 out of 100 suggests more needs to be done to help Australians achieve financial independence and achieve their dreams. It is anticipated the Financial Freedom Index will be conducted annually.

The Financial Freedom Report, launched in May 2023, revealed the following about Australians:

Majority now pursuing their dream lives, rather than a dream home

Financial independence is #1 aspiration

Women are more motivated than men to achieve their dreams

60% have a stronger desire to live their dream lifestyles.

40% have a stronger desire to have their dream home.

55% aspire to being financially independent.

55% of women are motivated to achieve their dreams.

44% of men are motivated to achieve their dreams.

3 in 10 **received no financial education in childhood.**

sparking a new wave of young people eager to improve their current financial situation, and older counterparts wanting to improve their financial knowledge.

Product simplification and innovation

We believe product simplification and innovation can make our solutions more accessible, easier to use and more client-focused.

By unifying three large businesses (MLC, IOOF and P&I) and streamlining multiple products, we're delivering efficiency at scale. Our product simplification roadmap focuses on the following aims.

1. **Cultivating growth.** By investing in areas of importance to our clients, we are creating opportunities for substantial growth.
2. **Managing risk.** Reducing complexity within our operations minimises and mitigates potential risks.
3. **Realising efficiencies.** Through intelligent expense management and scale efficiencies, we can deliver our services to clients at a reduced cost, without sacrificing quality or effectiveness.

Key simplification initiatives financial year 2023

Over the past year, we have delivered initiatives focused on simplification and better client outcomes, resulting in total fee reductions of more than $20 million to our clients. The larger-scale initiatives are outlined below.

Product	Summary of initiative	Completion date	Outcomes
Evolve23 Phase 1	Product enhancements and fee reduction to Expand products on Evolve to prepare for the future transfer of MLC Wrap products	November 2022	A range of improvements for our existing members on the Evolve platform, including: • a significant reduction in the percentage-based administration fees for Expand Essential (from 0.35% to 0.10%) and Expand Extra (from 0.70% to 0.45%), resulting in $5.3m in fee reductions per year • a new mobile app, a refreshed brand and website improvements, and • a range of product enhancements, including additional investment options and the addition of MLC Life as a retail insurance option.
MasterKey	Simplification of MasterKey's investment menu to create a more streamlined, contemporary offer	May 2023	Changes to the MasterKey super and pension investment menus include: • a reduction in the overall number of investment options, from 215 to 65 • the addition of five new investment options, including the MLC Socially Responsible Growth investment option • the closure of 16 investment options to new investors, and • the renaming of 17 investment options, along with other investment parameter changes.
OnePath Custodians (OPC) product transitions	OPC had a collection of legacy products that required members to be transitioned to more contemporary products following our financial year 2022 Legislated Outcomes Assessment	June 2023	• Around 45,000 members and $4.6 billion was transferred into contemporary, open products • Ten products and 67 investment options were terminated and five group insurance policies consolidated, resulting in member fee reductions totalling ~$16 million per year.

Social impact

Engaging First Nations people

By actively collaborating with Indigenous communities and our Indigenous partners, we are working towards delivering on our commitment to creating a balanced, sustainable future for all.

Innovate RAP

We are dedicated to promoting reconciliation and striving for a united and fair Australia, and are proud to announce that Reconciliation Australia endorsed our Innovate RAP in June 2023. This comprehensive plan encompasses 90 individual actions that we aim to complete by March 2025.

While progressing through the endorsement process, we worked quickly to deliver 23 of the 90 action items by the end of June 2023. We collaborated closely with our community partners and Employee Engagement Team on impactful activities for National Reconciliation Week and NAIDOC Week.

The development of our Innovate RAP reaffirms our commitment to the reconciliation process through respect of culture and heritage, maintaining positive community relationships and providing meaningful employment opportunities.

We support programs that enhance financial literacy, boost superannuation savings and improve retirement income for Aboriginal and Torres Strait Islander communities.

Indigenous community engagement

Participating in the ASIC Indigenous Super Summit 2023

In June, seven Insignia Financial delegates attended the ASIC Indigenous Super Summit 2023.

The summit brought together representatives from the superannuation industry, government and community to discuss how to address the complex challenges First Nations people experience around access to and engagement with superannuation.

Girls from Oz performing with the Australian Girls Choir on their annual tour.

Photo credit: Australian Girls Choir

Girls from Oz: Empowering young girls through artistic endeavours

Over the past five years, the IOOF Foundation has partnered with The Girls from Oz to support the growth and development of the Lockhart River program in Far North Queensland. Nearly 400 young girls have received high-quality performing arts education.

Our collaboration strives to enhance engagement in schooling, build self-confidence and self-esteem, and provide a secure environment that encourages positive risk-taking among young women.

In November 2022, we welcomed 34 girls (five from Lockhart River) to our Melbourne office as part of their week-long travel program with the Australian Girls Choir.

Our Digital Marketing Team using their volunteer leave to support OzHarvest.
Photo credit: Lisa Bremner

Community investment

We are dedicated to the financial wellbeing of all Australians, including those in more vulnerable or disadvantaged communities. We offer our support to these communities through our charitable foundation, employee giving, fundraising and volunteering, to help close social gaps.

Workplace giving and Foundation grants

Through our workplace giving program and IOOF Foundation grants we contributed over $1.2 million to our community partners in financial year 2023. Moreover, we have expanded our employee volunteering efforts.

$695,000
in IOOF Foundation grants

40% to support financial literacy ($280,000)

29% to support mental health prevention ($200,000)

16% to support Indigenous communities ($113,000)

Workplace giving and volunteering

+$500,000 of workplace giving

3,470 hours of community volunteering

18% of employees volunteered

Social impact

The IOOF Foundation

The IOOF Foundation was established as a public ancillary fund in 2002 and has distributed more than $17 million to Australian communities since inception. Our Foundation continues to invest in initiatives supporting Australian not-for-profit organisations working with disadvantaged families and children, youth, and those in aged care.

During financial year 2023, the Foundation granted just over $695,000 to our 12 community partners, with a significant focus on mental health, financial literacy and Indigenous communities.

Employee giving

In late 2022, we introduced a centralised digital giving platform, CommUnity, to make it easier for our employees to support the charities that matter to them. To amplify our impact, we match every dollar donated on the platform (up to $1,200 per employee annually). We are committed to a goal of 40% employee participation on our digital CommUnity giving platform by the end of financial year 2025.

Through the collaborative efforts of individual employee donations, matched giving and fundraising events such as The Biggest Morning Tea, STEPtember, and World Pride, we raised over $500,000 through workplace giving – a notable increase since the introduction of the CommUnity digital platform.

These results also encompass financial contributions to our Indigenous partners – Red Dust, Girls from Oz and the Aboriginal Literacy Foundation – and tie into our Innovate RAP, providing educational programs for First Nations people.

Volunteering

As employees return to the office and seek meaningful ways to unite as a team, we've seen an 8% increase in employee volunteering compared to the previous year – that's volunteering of 3,470 hours across the business. This year our employees joined forces with charities such as Eat Up, OzHarvest and The Salvation Army.

The Smith Family

Since 2008 Insignia Financial, along with the IOOF Foundation, has partnered with children's education charity, The Smith Family. This relationship has been maintained through our advice business, Bridges. Over the past seven years we have invested $1.2 million in vital financial literacy programs, supporting disadvantaged high school students.

Given our recent Financial Freedom Report highlighted the need for better financial education for Australia's youth, this year we deepened our partnership by supporting The Smith Family's online Money Talks program. This enables up to 500 students to learn skills essential for successful financial decision-making.

The Smith Family everyone's family

"We are committed to a goal of 40% employee participation on our digital CommUnity giving platform by the end financial year 2025.

Insignia Financial employees sorting and packing food items with Foodbank.

Photo credit: Natalie Stephens

Employee engagement, wellbeing and retention

We are constantly working on employee engagement and wellbeing as the foundation of a healthy workplace culture. They enhance efficiency, improve retention and underpin a happier, more productive workplace.

Career development tools and resources

Between March and May 2023, the People and Culture Team launched the Development Matters program. The program included seven workshops sharing knowledge and resources to help employees seize new career opportunities, better leverage existing skills and close development gaps.

The program also included keynotes delivered by external thought leaders and workshops that included our senior leaders, to share expert tips and knowledge relevant to our context.

The results were positive, with 8.7 out of 10 employees either strongly agreed or agreed the content was relevant to their needs. Encouragingly, 83% of attendees expressed confidence in their ability to apply the insights gained from these sessions in their daily work.

Hybrid working

As the world adjusts to living with COVID-19, the business has been encouraging our people to spend time face to face. While we support flexible work practices, we believe spending time together is important to our culture of belonging and improves collaboration.

In February 2023, we implemented hybrid working, requesting our people spend 40% of their time together in our office spaces. To make returning to the office more attractive, we refurbished several office hubs, including Wollongong and Mount Waverley.

Employee health and satisfaction

In the April 2023 edition of the Our Voice survey, we sought to learn about wellbeing in our workforce:

- **Wellbeing as a priority:** 71% of our employees perceive wellbeing as a key priority. This reflects our efforts to create a workplace culture that recognises the importance of mental and physical health and fosters a supportive environment where individuals can thrive.
- **Hybrid working flexibility:** 83% of our employees feel able to balance personal responsibilities while working in a hybrid way, and 80% of staff welcome flexible working arrangements. This validates our approach and means our employees can perform at their best without compromising their personal lives.

Employee wellbeing initiatives

We remain committed to promoting the wellbeing of every employee in our organisation. Your Mind Matters is our dedicated wellbeing program designed to foster the health and wellness of our people. In the past year:

- 2,488 employees, including people leaders, completed mental health awareness training
- over 1,200 individuals benefited from our flu vaccination initiative, and
- 4,923 team members accessed our informative wellbeing webinars.

We also commenced monthly massages in our major offices across the country in May 2023, with 360 employees enjoying the benefits and positive feedback received.

Diversity, inclusion and equal opportunity

As an organisation, we celebrate the individuality of our people and believe diversity and inclusion are vital to our culture.

Strategy and scorecard

Our Diversity and Inclusion Plan for 2022–2024 is a roadmap designed to make our workplace better for everyone. It outlines our strategy to amplify diversity awareness, celebrate uniqueness, build connections, and tackle systemic inequalities.

The strategy has six focus areas – Pride, Accessibility, Reconciliation, Life and Family, Gender, and Multicultural – each supported by an executive sponsor and led by a business leader. These individuals form our Diversity and Inclusion Advisory Committee, chaired by our CEO.

We track our progress through a diversity and inclusion scorecard, updating our CEO and executive sponsors every quarter and updating the Board annually. Performance against gender representation targets are included in these updates.

The 2023 Our Voice survey explored employees' perceptions of diversity, inclusion and equity, and analysed our workforce demographics. Our people feel genuinely positive about what we're doing – 85% say they

Social impact

value diversity at our organisation, and 77% feel we're good at building diverse teams. While we feel these results strongly correlate with a good employee experience, our aim is to help ensure that all employees feel included through the delivery of our 2024–2026 Diversity and Inclusion Plan.

In 2023, we joined the Champions of Change Coalition, reinforcing our commitment to gender equality, promoting female leadership and cultivating respectful, inclusive workplaces. We have completed the processes required to achieve AWEI Bronze Tier status, which formally recognises Insignia Financial's commitment to Australian LGBTQIA+ inclusion, equality and equity.

We have also applied for Family Inclusive Workplace certification.

Employee demographics

To enhance our understanding of our people, this year's Our Voice survey asked 18 questions about our employees' experiences of diversity, inclusion and equity. Additionally, 11 specific questions were employed to understand our workforce demographics. These insights are instrumental in shaping organisational policies and initiatives to support an inclusive and supportive environment.

Gender diversity and pay gap

We are working towards gender parity. While recent decreases in female representation within certain roles are acknowledged, our overall female presence is 49.16% (June 2023). Our pay gap is 14.5% (May 2023), remaining below the average in the financial services sector and Australian norms. However, the Performance and Rewards Team continue to review, monitor and report on the gender pay gap.

To gain a deeper understanding of the trends in female workforce participation within our business, we organised a series of gender-focused listening sessions. Our CEO met with 45 of our senior female professionals across the business to explore their experiences working at Insignia Financial. Additionally, we carried out one-on-one exit interviews to gather insights and feedback. We have built these insights into Our Leading Women initiatives to deepen connection and engagement.

Another key focus is on building our female executive talent pool. This effort is amplified via the Our Leading Women initiative and by a broader talent review process, fostering visibility, connectivity and growth for high-potential women.

Striving for a balanced business representative of the communities we serve is inherent to our diversity and inclusion mission.

A measurable goal we've set for Board composition is a minimum of 30% representation per gender, a target we're proud to currently meet.

Female representation data and gender targets – July 2023

Category	Female representation July 2022	Female representation July 2023	Female representation target outlined in the 2022 to 2024 diversity and inclusion strategy
Board (excluding CEO)	40.00%	40.00%	–
Executives (including CEO)	38.46%	25.00%	45%
Senior managers[12]	46.15%	42.68%	45%
Other managers[13]	41.75%	40.99%	45%
Technology	28.52%	30.31%	30%
Asset Management	34.74%	37.17%	35%
Total workforce	**50.17%**	**49.16%**	–

12 Senior Managers includes all roles reporting to an executive, excluding administrative support roles
13 Other Managers includes all other managers

Operational environmental impacts

We recognise the science of climate change and acknowledge businesses need to play a role in reducing emissions and waste, to help transition to a renewable economy. It is important for us to understand climate change and the risk impacts it can have on our supply chains, investment portfolios and the communities we serve, so we can develop strategies to manage and mitigate these risks appropriately.

Voluntary climate action

In July 2022, we became a carbon-neutral organisation through measuring and offsetting our operational carbon emissions. This achievement has been further recognised through our certification with Climate Active. However, we recognise our continued focus needs to be on identifying ways to reduce and where possible eliminate emissions.

As financial year 2022 was our first full year following the integration of the MLC business, we are using this as our baseline year to make a 2030 emissions-reduction commitment for our operational emissions this year.

Analysis has commenced on areas where we can effectively eliminate our operational emissions, which will inform our scope 1, 2 and 3 2030 reduction commitment.

Insignia Financial has offset 100% of financial year 2022 emissions through the purchase of 15,107 carbon credits. Our carbon credit portfolio includes programs supporting savanna burning in Australia and solar cookstoves in China (Henan province).

Greenhouse emissions

Insignia Financial's greenhouse gas emissions (GHG) for financial year 2022 were assessed by independent consultants. Based on the available data, the estimated carbon emissions totalled 15,106.9 tonnes of carbon dioxide equivalents (CO_2-e). This total reflects the increased size of the business due to the MLC acquisition and includes indirect contributions along the supply chain (Scope 3 operational emissions).

Total Group operational CHG emissions

15,106.9

tonnes of CO_2-e

Scope 1

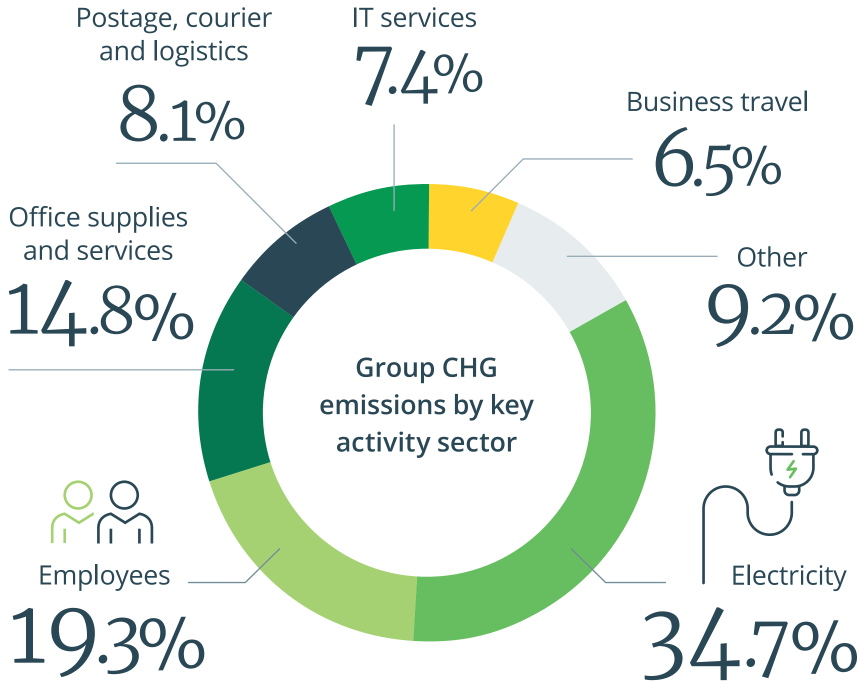
Direct emissions such as those resulting from fuel use or refrigerant leakage.
0 tonnes CO_2-e (0.0%)

Scope 2

Indirect energy import such as purchased electricity.
1,342.2 tonnes CO_2-e (8.9%)

Scope 3

All other indirect upstream emissions resulting from activities along the value chain.
13,764.7 tonnes CO_2-e (91.1%)



Environmental impact

Climate risk assessment

We believe the sustainability of our business is intrinsically linked to the sustainability of the environment we operate in. We recognise climate change has far-reaching impacts on economies and societies.

Addressing climate risk

Our efforts to address climate risk are aimed at ensuring we remain resilient in the face of climate-related challenges. In financial year 2023, we focused on activities such as aligning responsible investment frameworks, delivering climate-risk education to various entity boards, and measuring climate risk across a broader suite of investment portfolios including our MySuper portfolios.

Our RIAA and IGCC memberships are informing the development of our investment approach.

Sustainability disclosure

Insignia Financial supports the Australian Government's efforts to improve sustainability disclosure by companies, including the proposed climate-related financial disclosure requirements. We understand through our consultation process these new disclosure requirements align with the global TCFD framework, which will now be monitored by the International Financial Reporting Standards Foundation under the new ISSB standards being applied globally.

We acknowledge that under these new standards, we will be required to measure and report on our financed emissions.

Proactively, Insignia Financial is shaping a reporting roadmap to meet these requirements by the financial year 2025 reporting cycle.

Climate commitment

Over the past two financial years, we have measured our scope 1, 2 and 3 corporate operational emissions, with a view to understanding where our emissions are generated and to inform our emissions-reduction goals. Insignia Financial supports the Australian Government's commitment to align to a net zero carbon emissions goal by 2050.

We're evaluating our financial year 2022 data with a view to creating a plan that will inform our 2030 emissions-reduction commitment. We continually review and improve our processes, frameworks and disclosures in relation to managing climate change risks and opportunities.

Financial year 2023 highlights

Achieved Climate Active certification, confirming carbon-neutral status for our business operational emissions

Climate Active Carbon Neutral ORGANISATION

Supported
net zero 2050
commitment for our operations, in line with Paris Agreement

Climate and nature risk education
delivered to Responsible Entity boards (REs), superannuation trustees (RSEs), and the Insignia Financial Board

Insignia Financial's key climate-related activities

TCFD recommendation	Progress	
Governance • Board oversight • Management responsibility	• Governance structures of boards and investment committees are in place to help ensure climate risks are adequately assessed • Climate risk issues are reported to Insignia Financial Board's Group Risk and Compliance Committee	• The Head of ESG is responsible for providing regular climate risk reporting to Insignia Financial's Board • Climate risk education is conducted with fiduciary REs and RSEs by Head of Responsible Investment and Head of ESG
Strategy • Climate-related risks and opportunities • Impacts on business, strategy and financial planning • Climate scenario analysis	• The Insignia Financial Board supports a net zero 2050 commitment for corporate emissions • Climate Active certification was achieved in September 2022, recognising operational emissions carbon-neutrality • A Head of Responsible Investment was appointed to help enhance climate risk frameworks within the Asset Management business	• Climate-related risks and opportunities are included in updated responsible investment statements for RSEs • We introduced climate risk scenario analysis at an asset allocation level for our in-house managed diversified funds
Risk management • Processes for identifying and assessing risks • Processes for managing climate-related risks • Integrating with overall risk management	• ESG risks to Insignia Financial are reported to boards and the Executive Team • Insignia Financial has achieved carbon-neutral status, offsetting our operational emissions generated in financial year 2022 • ESG factors are considered a key enduring principle for our Group and Entity Risk Appetite Statements within our corporate risk management framework • The Climate Change Strategic Asset Allocation Framework (CCSF) has been implemented to assess climate risk in investment portfolios	• We extended the CCSF analysis across in-house managed diversified investment funds • Responsible investment statements outline how our external investment managers are expected to implement climate risk considerations in investment portfolios • ESG risks are captured as part of asset management risk profiles, to provide visibility and awareness of climate-related risks
Metrics and targets • Metrics to assess climate-related risks and opportunities • Targets to manage climate-related risks and opportunities and performance • Disclose scope 1, 2 and, if appropriate, 3 GHG emissions and related risks	• We measured Insignia Financial scope 1, 2 and 3 corporate emissions for financial year 2022 – see Operational environmental impacts section (p 33) • We maintained Climate Active accreditation, recognising the carbon-neutral status of operational emissions • Insignia Financial supports net zero 2050 for its corporate emissions generated through its business operations, with a high-level emissions-reduction plan submitted as part of Climate Active public disclosure	• Insignia Financial will set a 2030 GHG reduction target for operational emissions within financial year 2024, using financial year 2022 data as a baseline • We're developing a detailed emissions-reduction plan as part of our 2030 reduction commitment, demonstrating our emissions reduction pathway • We will develop and deliver a climate risk disclosure reporting roadmap to meet new proposed climate-related financial disclosures proposed by the government, by financial year 2025

Environmental impact

Climate risk governance

Boards

Both the corporate Board and the fiduciary boards of Insignia Financial consider climate risks. The Group Risk and Compliance Committee (GRCC) of the Insignia Financial Group Board oversees ESG risks, including climate risks. Identification of corporate risks to the Board are informed by the Risk Management (RM) function. The Head of ESG works with RM to inform ESG risks.

Investment committees

The investment committees of Insignia Financial's fiduciary boards have approved and adopted responsible investing policies. These policies recognise the direct and indirect financial implications of climate change for investee companies and therefore longer-term investor returns. These risks can be managed from asset allocation and manager allocation perspectives, which are handled by the investment committees.

Investment teams

The investment teams implement responsible investing policies and reporting on progress and activities relating to responsible investing. The Chief Investment Officer (CIO) and the Head of Responsible Investing have key roles in this responsibility. The CIO is ultimately responsible for the overall investment program, including management of climate-related risks in the portfolios. The Head of Responsible Investment reports to the CIO and assists with the integration of ESG frameworks within the investment process.

Climate risk strategy

Insignia Financial recognises the science of climate change and understands that corporates need to play a leading role in decarbonising the economy. It is important for us to understand climate risk as an organisation and the impacts it can have on our supply chains, investment portfolios and the community we serve. This will enable us to develop strategies to manage these risks appropriately.

We commenced our journey to understand our business operational emissions in 2021 and have now calculated our scope 1, 2 and 3 corporate emissions for financial years 2021 and 2022.

In achieving carbon-neutral status as an organisation, we believe we can influence other businesses within our supply chain to better manage their corporate emissions.

While we have achieved carbon-neutrality for our business emissions, we recognise the need to meaningfully reduce emissions generated through our operations where possible.

In financial year 2023, we extended the assessment of climate risk across our range of in-house managed, diversified investment portfolios. This includes the assessment of our MySuper portfolios for the second year. Through the assessment of transition and physical risks in our portfolios, we can better manage climate risks to these portfolios.

1. Transition risks

These are risks and opportunities created as the world transitions to a low-carbon economy

2. Physical risks

These are the physical risks to businesses and assets due to changing weather patterns, such as severe weather events, longer-term shifts in climate and rising sea levels.

Implementing the TCFD climate risk framework for our investment portfolios

Insignia Financial has developed a framework to assess the financial impact of climate change on expected returns for its range of diversified investment portfolios. This framework is a scenario-based approach calibrated to each diversified portfolio's strategic asset allocation (SAA). Called the Climate Change SAA Framework (CCSF), it is aligned to the Financial Stability Board's TCFD framework and APRA's CPG 229 Climate Change Financial Risks guidelines.

The CCSF was initially applied to Insignia Financial's MySuper diversified portfolios in 2022 and now includes diversified choice portfolios. The framework provides a representation of the impact of climate risks on Insignia Financial's aggregated investment product range.

The CCSF quantifies the impact of climate change on expected returns and the probability of diversified portfolios meeting their investment objectives. It also includes other relevant metrics. The achievement of this first step establishes a benchmark facilitating governance oversight. The next step involves risk management in practice and measurement of its results against the CCSF benchmark metrics.

CCSF incorporates publicly available research from central banks participating in the Network for Greening the Financial System (NGFS), asset consultants, scientific journals, and investment firms.

The CCSF comprises different analytical methods used to analyse climate change risks (Chart 1) and forms part of Insignia Financial's existing strategic asset allocation framework. This framework is flexible enough to allow incorporation of new climate change research as it becomes available.

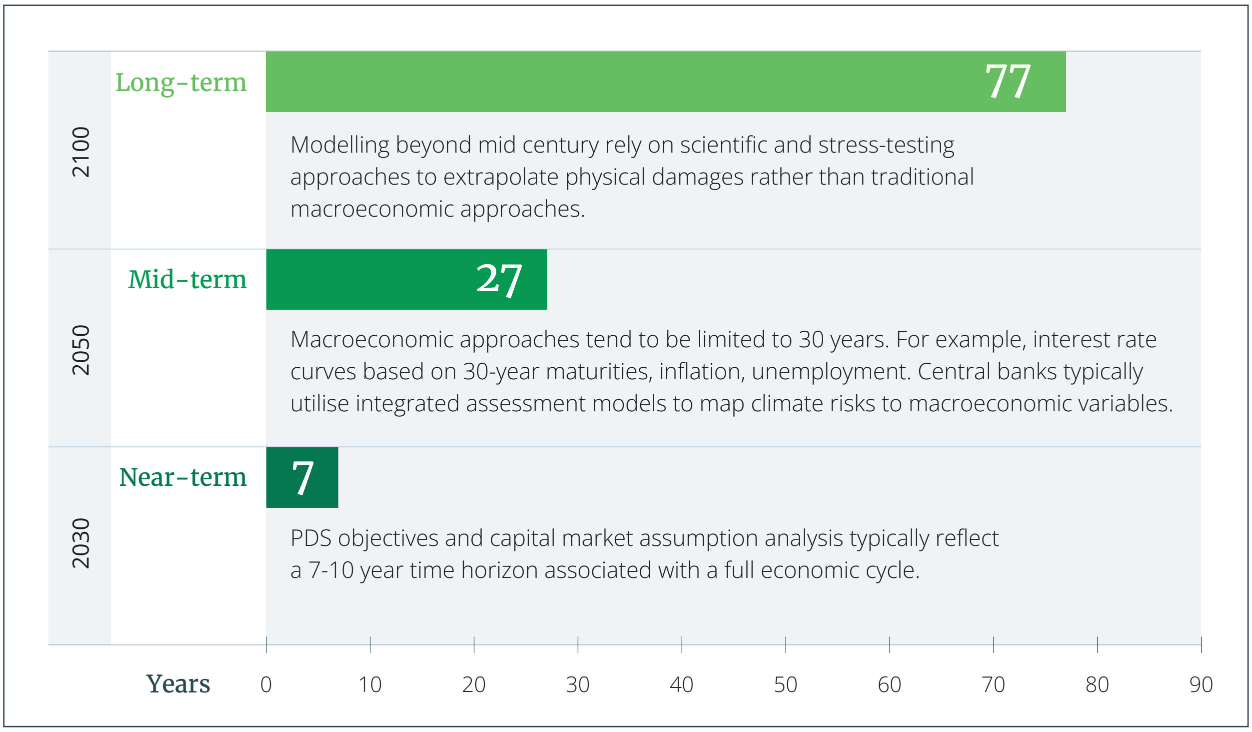
> In achieving carbon-neutral status as an organisation, we believe we can influence other businesses within our supply chain to better manage their corporate emissions.

Capital market assumptions – the CCSF uses capital market assumptions (CMAs) to generate assumptions about expected portfolio outcomes. These CMAs are forecasts of the returns and risks associated with the asset classes used in the strategic asset allocation of Insignia Financial's diversified portfolios.

The climate change adjustments to the CMAs are derived internally and include four parameters that link transition and physical risk impacts to financial market variables across different time horizons and temperature scenarios.

The four parameters are the impact of changes to global GDP on asset prices (Chart 2), the inflation impact on asset prices, carbon footprint relativities across asset classes, and the impact of volatility changes to investment returns. The methodologies employed to determine the adjustments are based on fundamental principles obtained from publicly available macroeconomic, scientific and investment research.

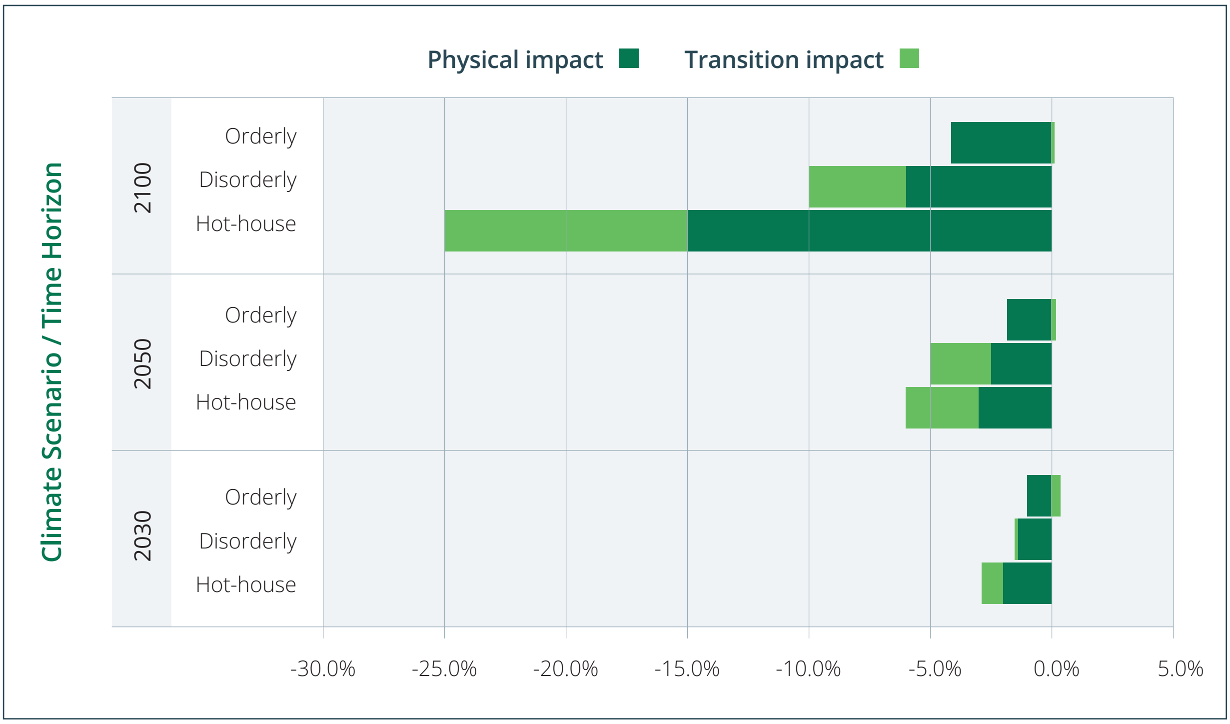
Chart 1: Modelling approaches across time horizon



Source: Insignia Financial Asset Management

Environmental impact

Chart 2: Decomposition of physical and transition risks



Source: Network for Greening the Financial System, and Insignia Financial Asset Management

Multi-risk perspectives – the CCSF examines nine risk scenarios that are based on targets set in the Paris Agreement. This comprises three temperature scenarios across three different time horizons. The methodology is flexible enough to allow adjustments to be made in response to the changing nature of climate risk and its impact on financial markets and diversified portfolios.

Temperature objectives – an Orderly scenario (2 degrees Celsius) that assumes early and coordinated policy action, a Disorderly scenario (3 degrees Celsius) for late policy action, and a Hot-house scenario (4 degrees Celsius) assuming no policy reaction to climate change.

Time horizons – three time-horizons, covering 2030, 2050 and 2100.

Investment governance framework – under Insignia Financial's strategic asset allocation framework, we measure how changing market conditions impact the ability of each diversified portfolio to meet its objectives and satisfy investor best financial interests.

The guidelines laid down by the Financial Stability Board's TCFD framework and APRA's CPG 229 Climate Change Financial Risks establish the assessment parameters for the CCSF, and this supplements existing governance metrics used to assess Insignia Financial's diversified portfolios.

Typically, many return and risk parameters are examined to help ensure individual diversified portfolios continue to meet their objectives and satisfy investors' best financial interests. If any metric fails to meet a required governance hurdle the Investment Team will make a recommendation to the relevant investment committee or board to rectify the issue.

An example of some of the climate change hurdle metrics examined can be observed in Chart 3. This summarises the asset-weighted reduction in probability, due to climate change, of Insignia Financial's diversified funds meeting their investment objectives under various time horizons and climate scenarios. It also includes the asset-weighted reduction in the expected return and associated dollar impact for these diversified portfolios.

Probability of meeting investment objectives – the hurdle for a diversified portfolio meeting its CPI+X% investment objective is set at two-thirds probability. However, as market conditions change, the actual probability is permitted to decline to 50% (the level established for APRA Dashboard reporting for MySuper funds) before any urgent action is required. Before any action is taken, a variety of quantitative metrics and qualitative considerations are examined.

In general, any probability reduction of up to 5% is unlikely to require urgent remedial action unless existing probabilities are already borderline such that a 2% drop, as expected under the near-term time horizon, causes probabilities to fall below 50% and breach internal governance limits. The impact to each diversified portfolio is individually assessed during internal governance reviews.

By contrast, any climate change probability reduction greater than 5% is more likely to result in the need for 'close monitoring', or at worse trigger the need for remedial action. This will generally occur under the more severe temperature scenarios expected over the long-term time horizon to 2100. The gradual realisation of this risk scenario will require a proactive approach, especially for superannuation funds with their long-term accumulation objectives, but fortunately there is time to develop an appropriate risk mitigation plan for individual diversified portfolios during internal governance reviews.

Return impact – mitigation of climate risks based on strategic asset allocation which tilts away from negatively impacted asset classes may not be an optimal outcome for investors. This may occur if the return for these asset classes, net of the climate risk impact, is still expected to deliver a large contribution to portfolio return. In such cases, any reduction of the asset allocation weight sacrifices total return for the sake of improvement in the climate score.

To solve this dilemma, we are working towards a climate risk reduction approach targeting the total portfolio. This is preferred because poor climate risk scores on some asset classes can be offset by higher climate risk reduction scores elsewhere, achieving a net reduction in the climate impact at the total portfolio level.

In Chart 3, the CCSF reports on the asset-weighted return reduction in the strategic benchmark for the diversified portfolios across the different time-horizon and temperature scenarios. This metric will allow measurement of the degree to which these risks could be reduced when implementing the actual investment allocations.

Chart 3: Insignia Financial key climate-related activities

Time horizon	Climate change temperature scenarios	Probability impact (asset-weighted)*	Return impact (asset-weighted)	Dollar impact (asset-weighted)
2030	Orderly scenario (2 degrees)	-1.8%	-0.5%	-$4,889
	Disorderly scenario (3 degrees)	-1.6%	-0.4%	-$4,446
	Hot-house scenario (4 degrees)	-2.0%	-0.5%	-$5,745
2050	Orderly scenario (2 degrees)	-2.0%	-0.5%	-$22,441
	Disorderly scenario (3 degrees)	-2.5%	-0.7%	-$32,103
	Hot-house scenario (4 degrees)	-4.1%	-1.1%	-$60,216
2100	Orderly scenario (2 degrees)	-2.3%	-0.6%	-$41,706
	Disorderly scenario (3 degrees)	-5.0%	-1.4%	-$138,015
	Hot-house scenario (4 degrees)	-12.2%	-3.5%	-$1,028,332

*Estimated reduction in the probability of meeting investment objectives
Source: Insignia Financial Asset Management

Environmental impact

Across the near and mid-term time horizons, the magnitude of this return reduction impact is relatively mild to moderate, and returns can be improved within the scope of normal portfolio construction activities. Improving the climate risk scores of individual portfolios will represent the next phase in our process of assessing climate risks in our investment decision making. However, across the mid- to long-term horizon, in particular the Hot-house scenarios, there will be a pressing need to mitigate the impact of climate change as the magnitude of these impacts are more serious.

Dollar impact – the CCSF also calculates the expected dollar shortfall from the impact of climate change. Although these calculations require some simplifying assumptions – for example, a constant return shortfall over the calculated investment horizon – and ignores additional contributions into the investment, this metric provides another lens through which to judge the materiality of the climate change impact to diversified portfolios.

Applying future value concepts, this metric calculates the compounded shortfall assuming a starting investment of $100,000 experiences a return reduction under each of the temperature scenarios across each of the time horizons. The time horizons are seven years to 2030, and 27 years to 2050. Although the long-term time-horizon to 2100 covers 77 years, the metric only measures 40 years, because this time horizon is relevant for a superannuation investor aged in their early 20s investing until retirement in their 60s.

Chart 3 summarises the asset-weighted dollar impact of the diversified portfolios across the different time-horizon and temperature scenarios. The materiality of these estimates could be judged against APRA's 2023 update to its retirement income standards. This measure indicates that couples aged around 65 now need $69,691 per year to achieve a comfortable retirement, while singles require an income of $49,462 per annum.

These results illustrate the very real risk facing investors in Insignia Financial's diversified portfolios, that the dollar impact of climate change at best represents a significant proportion of a retiree's annual income, and at worst can be many multiples in excess thereof. The silver lining is that the dollar impacts over the near time horizon to 2030 are relatively small – and this provides some time to establish appropriate investment policies to guide portfolio managers in reducing the climate risk impact to Insignia Financial's diversified portfolios.

Climate risk management

Our corporate approach to risk management

ESG factors, including climate risk, are considered a key enduring principle for our Group and entity risk appetite statements within our corporate risk management framework. The Insignia Financial risk management framework establishes clear principles to help ensure material risks are effectively, efficiently and consistently identified, assessed and managed. Our risk management processes are illustrated below.

They include the application of logical and systematic methods for:

- communicating and consulting throughout the risk management process
- establishing the context for identifying, analysing, evaluating and treating risk associated with any activity, process, function, product or service
- monitoring, challenging and reviewing risks as required, and
- recording and reporting the results appropriately.

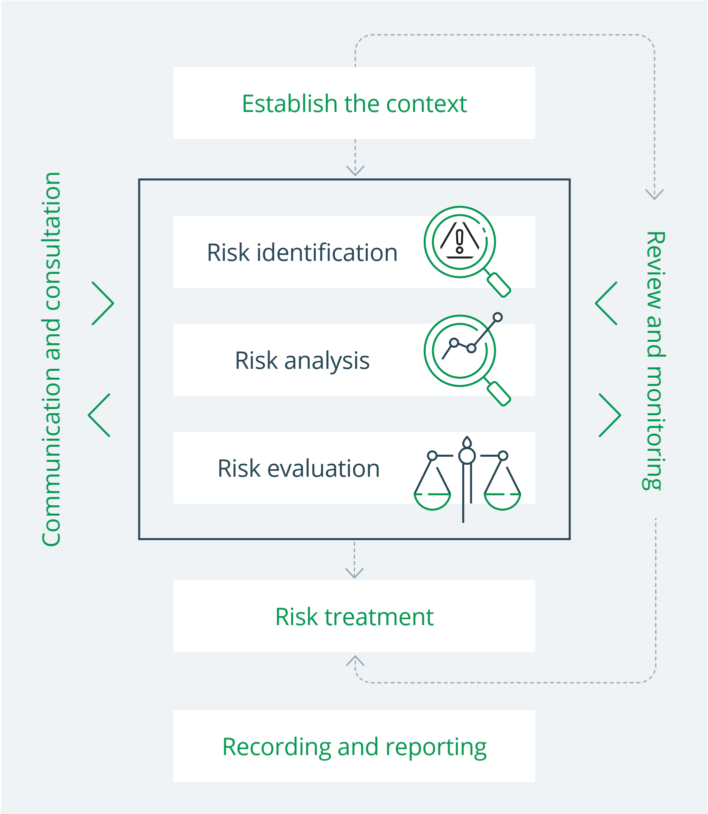
Context and criteria

Where applicable, our entity risk appetite statements have specific ESG and/or climate risk qualitative statements that define the risk appetite and acceptable risk tolerance thresholds. The development of risk metrics is in a formative stage, as we build an understanding of climate risk levers in the investment portfolios.

Risk assessment and monitoring

The Insignia Financial Group and its business divisions assess and monitor ESG risks through risk profiles. ESG risks are identified, analysed and evaluated through considerations such as the likelihood and consequence of the risk occurring, the control factors that mitigate the risk, and the risk relative to the risk appetite. The design and operating effectiveness of ESG controls are periodically assessed to help ensure integrity and currency.

Insignia Financial's risk management framework



Risk reporting

ESG risk ratings against risk appetite and risk profiles and controls are reported to boards and management groups to provide a view of the effectiveness of risk management.

This includes performance against risk appetite, management monitoring control testing and significant events.

Risk management for our investment portfolios

As a significant asset manager and superannuation provider for Australians, Insignia Financial believes the consideration and management of ESG factors, including climate risk, is important in meeting our long-term performance objectives for clients.

Our Responsible Investment Position statements outline how we consider and manage ESG, including climate-related risks, within our internally managed investment portfolios. These statements can be found here: www.insigniafinancial.com.au/responsible-investment

Environmental impact

Climate risk metrics and targets

As outlined in the introduction, this year's focus will continue to be aligning our responsible investment approach across the investment businesses and multiple responsible entities.

In relation to our business operations, we will develop and deliver an emissions-reduction plan, with a view to making a 2030 emissions-reduction commitment.

In regard to current metrics and targets to assess and manage climate impacts, Insignia Financial has:

- measured its scope 1, 2 and 3 operational emissions for the second year – see Operational environmental impacts section (p 33)
- achieved Climate Active certification in September 2022, in recognition of our organisation's carbon-neutral status
- delivered our first climate risk report, using the TCFD framework, and
- extended the CCSF climate risk assessment framework to include all in-house managed diversified investment funds, in addition to MySuper investment portfolios.

In financial year 2024, Insignia Financial will:

- finalise emissions analysis for baseline year 2022, to develop an emissions-reduction plan for corporate emissions
- make a public 2030 corporate emissions-reduction commitment once the emissions-reduction plan has been finalised
- maintain its Climate Active accreditation through the offsetting of scope 1, 2 and 3 corporate operational emissions
- continue to expand the adoption of the PRI commitment across investment teams, and
- develop a new climate risk reporting roadmap to meet new mandatory climate-related financial disclosure requirements by financial year 2025.

Biodiversity and conservation

Biodiversity plays a crucial role in maintaining ecological balance and reducing biodiversity loss and is essential to achieving global climate change goals. We are at the beginning of our journey to understand how Insignia Financial currently impacts biodiversity. We are engaging with external consultants to understand how we can better manage our conservation efforts.

Nature-related sustainability disclosure

Biodiversity and nature risk will be included in the Australian Government's proposed sustainability disclosures, and we will be working towards meeting these requirements as this framework is confirmed.