

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

First State Super	
FSS77QW:	Since 12 March 2020, has your fund provided any liquidity to: a. REST? b. Hostplus? c. any other superannuation fund? If so, for each fund, can you provide details of the amount, the date and the terms?
Answer:	No.

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First State Super	
FSS78QW:	Since 12 March 2020, has your fund loaned any cash to: a. REST? b. Hostplus? c. any other superannuation fund? If so, for each fund, can you provide details of the amount, the date and the terms?
Answer:	No.

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First State Super	
FSS79QW:	Regarding any investments you have with IFM Investors, please provide the following: <ul style="list-style-type: none">a. The capital invested each year for the past five years.b. The accumulated valuation of investments for the past five years.c. The dividends received from those investments for the past five years.
Answer:	Not applicable. First State Super does not have any investments with IFM Investors.

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First State Super	
FSS80QW:	Regarding any investments you have with ME Bank, please provide the following: <ul style="list-style-type: none">a. The capital invested each year for the past five years.b. The accumulated valuation of investments for the past five years.c. The dividends received from those investments for the past five years.
Answer:	Not applicable. First State Super does not have any investments with ME Bank.

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First State Super	
FSS81QW:	<p>If you are an investor in ME Bank, have you individually (or in collaboration with other funds), ever commissioned reports into its valuation in the past decade?</p> <ul style="list-style-type: none">a. And if so, how many reports and in what year?b. Were any commissioned to be completed by the UK-based group, LEK?c. And please provide copies.
Answer:	Not applicable. First State Super is not an investor in ME Bank.

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FSS82QW:	<p>According to reports in the <i>Australian Financial Review</i> superannuation fund, Hostplus, redefined the definition of 'illiquid assets' ('Hostplus warned of liquidity "perfect storm"', <i>Australian Financial Review</i>, 18 May 2020). Therefore, can you please advise:</p> <ol style="list-style-type: none">How you define 'illiquid assets' within your fund, including details of holdings and timeframes?How you define 'liquid assets' within your fund, including details of holdings and timeframes?How long each of these definitions have been used?What prompted any switch to these definitions?What the prior definitions were before any switch?
Answer:	<ol style="list-style-type: none">An "illiquid asset" is an investment that cannot be converted to cash within, or reasonably close to, 90 days or where conversion to cash over that period, by itself, would have a significant adverse impact on its realisable value. Examples of such investments include private equity, infrastructure and unlisted property investments.A "liquid asset" is one that can be readily converted into cash at market value within a short period of time (i.e. 90 days) with minimal impact on its realised value. Examples of such investments include money market securities, fixed income securities (with standard terms), listed equities and listed derivatives (e.g. futures).This definition of "illiquid" assets has been used since it was approved by the Investment Committee in August 2016.The change to the definition of an illiquid asset from 30 days to 90 days was made after input from the scheme's internal auditor and asset consultant, Willis Towers Watson, and after considering definitions used by peers and in the market. Illiquidity is clearly defined, and therefore compliance monitoring is straightforward and can be done with a high level of objectivity.The Trustee previously defined an illiquid asset as an asset that could not be sold in 30 days, such as unlisted property, private equity or infrastructure.

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FSS83QW:	Have you completed a skills audit in the past five years of the following: a. Your board of directors? b. Your investment committee? c. And if not, why not? d. And if so, presently what gaps are identified?
Answer:	a. Yes. We regular conduct skills assessments of the Board. b. Yes. See (a) above. The Investment Committee includes a subset of the Board members and an independent investment expert. c. Not applicable. d. Given the combination of skills and experience, no material gaps have been identified.

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FS84QW:	<p>Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?</p> <ol style="list-style-type: none">And if not, why not?And if not prior to appointment, have they following appointment?And if so, on what timeframe?
Answer:	<p>First State Super considers the Board of Directors to be fiduciaries.</p> <p>As the directors are generally not involved in making day-to-day investment risk decisions, and we look for a broad and complementary mix of skills and experience, we do not expect board members to have an investment performance track record. Those who serve on the Investment Committee have a mix of investment, financial, economics and professional experience.</p> <p>Employees within the investments division of First State Super are subject to appropriate assessment of capabilities, experience and, where relevant, past performance.</p>

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FSS85QW:	Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread:																																						
Answer:	<p>First State Super does not calculate the share of fund income based on geographic spread.</p> <p>The table below shows unlisted, illiquid assets and excludes cash.</p> <table border="1"> <thead> <tr> <th rowspan="2">Country/Region</th> <th colspan="2">Share of fund asset value</th> </tr> <tr> <th>\$</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>North America (inc USA)</td> <td>8,344,571,238</td> <td>8.7%</td> </tr> <tr> <td>- US specifically</td> <td>8,178,754,893</td> <td>8.6%</td> </tr> <tr> <td>South America</td> <td>258,572,576</td> <td>0.3%</td> </tr> <tr> <td>Asia (inc China)</td> <td>531,714,553</td> <td>0.6%</td> </tr> <tr> <td>- China specifically</td> <td>327,753,757</td> <td>0.3%</td> </tr> <tr> <td>Africa</td> <td>-</td> <td>0.0%</td> </tr> <tr> <td>Europe (not inc UK)</td> <td>1,267,190,773</td> <td>1.3%</td> </tr> <tr> <td>Europe (inc UK)</td> <td>2,857,071,997</td> <td>3.0%</td> </tr> <tr> <td>- UK specifically</td> <td>1,589,881,224</td> <td>1.7%</td> </tr> <tr> <td>Australasia (inc Aus)</td> <td>10,799,031,170</td> <td>11.3%</td> </tr> <tr> <td>- Australia specifically</td> <td>10,726,500,371</td> <td>11.2%</td> </tr> </tbody> </table>	Country/Region	Share of fund asset value		\$	%	North America (inc USA)	8,344,571,238	8.7%	- US specifically	8,178,754,893	8.6%	South America	258,572,576	0.3%	Asia (inc China)	531,714,553	0.6%	- China specifically	327,753,757	0.3%	Africa	-	0.0%	Europe (not inc UK)	1,267,190,773	1.3%	Europe (inc UK)	2,857,071,997	3.0%	- UK specifically	1,589,881,224	1.7%	Australasia (inc Aus)	10,799,031,170	11.3%	- Australia specifically	10,726,500,371	11.2%
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First State Super	
FSS86QW:	Please provide a copy of your Constitution.
Answer:	Please see FSS86.1QW.

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First State Super	
FSS87QW:	Please provide details, including the event name, organising entity, ticket price and attendee(s) for the past decade of the tickets purchased for events and/or fundraisers for political parties or related entities, individual MPs and individual candidates for political office or the associated fundraising entities of political parties, individual MPs and individual candidates for political office.
Answer:	Please see table below, which we have compiled using best endeavours.

Date	Event name	Organising entity	Ticket price (as available)	Attendees
18 Apr 2016	Bradfield Dinner with Paul Fletcher MP, Kelly O'Dwyer MP; and Christian Porter MP	Liberal Party	\$3,000 pp	Graeme Arnott
3 May 2016	Bradfield Budget Dinner with the Hon Paul Fletcher MP	Liberal Party	\$750 pp	Michael Dwyer Graeme Arnott
5 May 2016	Budget Reply Dinner	ALP	\$550 pp	Mary Murphy
8 Sep 2016	ALP Dinner	ALP	\$550 pp	Mary Murphy
21 Oct 2016	Lunch with Premier, Treasurer and Ministers	Liberal Party	\$375 pp	Guy McAliece
13 Dec 2016	Cook 200 Club Christmas Cocktail Reception with Treasurer Scott Morrison and Deputy PM Barnaby Joyce MP	Liberal Party	\$100 pp	Damian Graham
23 Feb 2017	ALP Shadow Ministry Dinner, guest speaker Bill Shorten MP	ALP	\$800 pp	Damian Graham Mary Murphy
9 May 2017	Bradfield Budget Dinner with the Hon Paul Fletcher MP	Liberal Party	\$800 pp	Damian Graham Michael Baldwin
11 May 2017	Budget Reply Dinner	ALP	\$750 pp	Mary Murphy
26 Jul 2017	Bradfield Annual Dinner with guest Senator Simon Birmingham	Liberal Party	\$150 pp	Peter Weldon Diane Collins
1 Dec 2017	Bradfield Anniversary with guest Hon Julie Bishop MP	Liberal Party	\$150 pp	Peter Weldon
8 May 2018	Bradfield Budget Dinner with the Hon Paul Fletcher MP	Liberal Party	\$800 pp	Damian Graham Michael Baldwin
10 May 2018	Federal Labor Business Forum Budget Reply Dinner	ALP	\$800 pp	Mary Murphy Michael Baldwin
5 Jul 2018	Bradfield Annual Dinner with guest Dan Tehan MP	Liberal Party	\$75 pp	Peter Weldon
19 Oct 2018	Bradfield Business Breakfast with guest Kelly O'Dwyer MP	Liberal Party	\$150 pp	Michael Baldwin
2 Apr 2019	Bradfield Budget Dinner with the Hon Paul Fletcher MP	Liberal Party	\$800 pp	Damian Graham Diane Collins
4 April 2019	Federal Labor Business Forum Budget Reply Dinner and Drinks	ALP	\$1,000 pp	Peter Weldon Diana Lloyd
5 April 2019	Federal Budget Lunch 2019	Liberal Party	\$375 pp	Peter Weldon
30 Apr 2019	Liberal Party Drinks with the NSW Premier, Gladys Berejiklian, Treasurer and Ministers	Liberal Party	\$195 pp	Peter Weldon

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FSS88QW:	Do you currently have an art collection? a. If so, can you advise its current valuation? b. If so, can you advise where it is stored and/or exhibited?
Answer:	No.

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FSS89QW:	<p>Do you engage proxy advisers?</p> <ol style="list-style-type: none"> What are the terms of engagement for proxy advisers? To what extent are they empowered to act on behalf of the entity? Does their advice get provided to the board? How often is advice submitted to the board? Is their advice formally adopted by the board? Are their positions publicly stated? How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?
Answer:	<ol style="list-style-type: none"> Yes. We have appointed two proxy advice firms – CGI Glass Lewis for international proxy advice recommendations and ACSI for domestic proxy advice recommendations. Proxy advisors are contracted to provide research and voting recommendations on listed companies. This is done via an annual research subscription which requires the proxy advisor to deliver a report to us for a specified universe of companies. The proxy advisors are not empowered to act on behalf of First State Super. First State Super retains oversight and the ability to override any voting recommendation made by our external proxy advisor. As per the delegations in our Responsible Investment: Environmental, Social & Corporate Governance Policy (“the Policy”) previously provided as FSS26.2QW, we report our proxy voting activities to the fund’s Investment Committee. The report includes an overview of our proxy voting activities, where we have not voted in line with the proxy advisor’s recommendation and the rationale. Our proxy advisors’ recommendations are available to board members on request. In line with the Policy, we report on our proxy voting activities and outcomes to the Investment Committee twice a year, generally in February and August. The Investment Committee approves the Policy which includes the appointment of our proxy advisers and the adoption of the policies of those advisers. Our policy also includes the ability to override any recommendation from our proxy advisers taking into account the views of internal investment staff and external investment managers. Yes, the positions of our external proxy advisors are publicly available on their websites. We also disclose our policy and voting outcomes on our website: https://firststatesuper.com.au/about/governance-and-

[policies/proxy-voting](#)

- g. Voting allows shareholders to express their views on important governance matters including company takeovers, share buybacks, capital raisings, director elections, remuneration reports and the appointment of auditors among other issues. We see these governance matters as critical to the long-term performance of our investments and we vote accordingly. This is a common belief among superannuation funds and asset managers in Australia and across the globe. Our Board views proxy voting as consistent with the sole purpose test as the exercise of ownership rights can protect and enhance long term investment value. Independent, well informed recommendations based on accurate information assist in the exercise of ownership rights to protect and enhance long term investment value for members, and is therefore wholly consistent with the duties of trustees.

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FSS90QW:	<p>Are you currently, or have you previously been, a member or subscriber of the ACTU Members Connect Program?</p> <p>a. If so, what is the timeframe of your membership?</p> <p>b. What has been the annual fee year-on-year?</p> <p>c. How have you assessed its value to your members?</p>																												
Answer:	<p>a. First State Super has been a member of the ACTU Members Connect Program (and its predecessor Superannuation Partnerships Program) since 2007.</p> <p>b.</p> <table border="1" data-bbox="639 992 1161 1467"> <thead> <tr> <th>Year ended 30 June</th> <th>Amount</th> </tr> </thead> <tbody> <tr><td>2008</td><td>\$20,000</td></tr> <tr><td>2009</td><td>\$25,000</td></tr> <tr><td>2010</td><td>\$30,000</td></tr> <tr><td>2011</td><td>\$25,000</td></tr> <tr><td>2012</td><td>\$30,000</td></tr> <tr><td>2013</td><td>\$25,000</td></tr> <tr><td>2014</td><td>\$50,000</td></tr> <tr><td>2015</td><td>\$55,000</td></tr> <tr><td>2016</td><td>\$60,000</td></tr> <tr><td>2017</td><td>\$60,000</td></tr> <tr><td>2018</td><td>\$60,000</td></tr> <tr><td>2019</td><td>\$62,500</td></tr> <tr><td>2020</td><td>\$65,000</td></tr> </tbody> </table> <p>The increased payment from 2013 to 2014 reflects the merger of First State Super and Health Super.</p> <p>c. See response to FSS21QW.</p>	Year ended 30 June	Amount	2008	\$20,000	2009	\$25,000	2010	\$30,000	2011	\$25,000	2012	\$30,000	2013	\$25,000	2014	\$50,000	2015	\$55,000	2016	\$60,000	2017	\$60,000	2018	\$60,000	2019	\$62,500	2020	\$65,000
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