

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

HOSTPLUS

HP87QW: Regarding any investments you have with IFM Investors, please provide the following:

- 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: Hostplus has investments with IFM Investors across several asset classes: Australian & International Equities, Fixed Interest, Infrastructure, Private Equity and Cash.

Within the Australian and International Equities and Fixed Interest mandates, all dividends and interest are reinvested rather than being paid out as cash. Within the Cash mandate, no dividends are generated, only interest. Within Infrastructure, dividends are typically reinvested. Within Private Equity, all dividends and other distributions are received as cash and are not reinvested.

In relation to all investments with IFM Investors, the total capital invested (net of redemptions), valuation of investments and dividends received as cash are set out in the table below.

Year ending 31 March (\$M)	2016	2017	2018	2019	2020
Capital invested (net of redemptions)	137	369	629	2,511	1,991
Valuations	2,623	3,348	4,378	7,622	9,421
Dividends received as cash	187	8	4	1	1

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HP88QW: Regarding any investments you have with ME Bank, please provide the following:

- 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: Hostplus has Fixed Interest and Cash investments with ME Bank.

Within the Cash mandates, no dividends are paid, only interest. The Super Loans Trust product within Fixed Interest is a closed investment which is being wound up, with all capital being returned as distributions/dividends.

In relation to the Fixed Interest and Cash investments with ME Bank, the total capital invested, valuation of investments and dividends received are set out in the table below.

Year ending 31 March (\$M)	2016	2017	2018	2019	2020
Capital invested (net of redemptions)	8	12	31	32	74
Valuations	276	239	263	298	367
Dividends received as cash	22	52	15	4	10

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HP89QW: 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?

- 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: Hostplus is an investor in ME Bank, and has not commissioned reports into its valuation in the past decade.

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HP90QW: According to reports in the *Australian Financial Review* superannuation fund, Hostplus, redefined the definition of 'illiquid assets' ('Hostplus warned of liquidity "perfect storm"', *Australian Financial Review*, 18 May 2020). Therefore, can you please advise:

- a. How you define 'illiquid assets' within your fund, including details of holdings and timeframes?
- b. How you define 'liquid assets' within your fund, including details of holdings and timeframes?
- c. How long each of these definitions have been used?
- d. What prompted any switch to these definitions?
- e. What the prior definitions were before any switch?

Answer: Hostplus' Liquidity Management Policy defines liquid assets as follows:

"... a liquid investment can be converted to cash within 30 days without having a significant adverse impact on its realisable value."

All assets that do not meet this definition of liquidity are considered to be illiquid assets.

These definitions have been in place since 2015. Prior to that time, illiquid assets were defined as assets which are not able to be redeemed at a fair price within 90 days. The reduction from 90 to 30 days brought the definition closer to market standards.

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HP91QW: 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. Hostplus maintains a Board skills matrix which is updated annually. The matrix is designed to capture the knowledge, skills, and experience of the current directors and to outline the desired collective knowledge, skills and experience of the Hostplus Board.

b. Hostplus does not have a separate Investment Committee. Hostplus does have a separate Special Investment Group (**SIG**), the members of which all sit on the Hostplus Board. Therefore, the Board skills matrix also applies to the SIG.

c. N/A

d. Presently there are no gaps identified in the collective knowledge, skills, and experience of the Hostplus Board.

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HP92QW: Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?

- a. And if not, why not?
- b. And if not prior to appointment, have they following appointment?
- c. And if so, on what timeframe?

Answer: Hostplus undertakes appropriate due diligence prior to the appointment of all employees. Where investment performance is a key deliverable of a particular role, investment performance track record is taken into consideration.

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HP93QW: Can you please provide data to complete the table for your unlisted asset holdings based on their geographic spread.

Country/Region	Share of Fund Asset Value	
	\$	%
North America (inc USA)	6,909.27	13.3%
United States specifically	6,500.99	12.5%
South America	48.91	0.1%
Asia (inc China)	904.69	1.7%
China specifically	353.55	0.7%
Africa	0.15	0.0%
Europe (ex UK)	884.10	1.7%
Europe (inc UK)	1,876.04	3.6%
UK specifically	991.94	1.9%
Australasia (inc Aus)	9,171.54	17.6%
Australia specifically	9,109.61	17.5%

Hostplus does not record income data on a country basis.

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HP94QW: **Please provide a copy of your Constitution.**

Answer: Hostplus' constitution can be accessed at <https://hostplus.com.au/super/about-us/governance-and-disclosures>.

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HP95QW: 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: Hostplus has not purchased any tickets to a political event or a political fundraiser.

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- HP96QW:** 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: Hostplus does not currently have an art collection.

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HP97QW: Do you engage proxy advisers?

- a. What are the terms of engagement for proxy advisers?**
- b. To what extent are they empowered to act on behalf of the entity?**
- c. Does their advice get provided to the board?**
- d. How often is advice submitted to the board?**
- e. Is their advice formally adopted by the board?**
- f. Are their positions publicly stated?**
- g. How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?**

Answer: Yes.

For details about Hostplus' engagement of proxy advisers, please refer to Hostplus' Responsible Investment Policy which is available under "Responsible Investment" on the Investment Governance section of Hostplus' website at: <https://hostplus.com.au/super/about-us/investment-governance>.

It is Hostplus' policy to vote the proxy rights associated with all of its Australian and international equities holdings, and a full record of its voting decisions is provided bi-annually on its website. Please see the section entitled "Proxy Voting" on the Investment Governance section referred to above.

The Responsible Investment Policy is reviewed each year by the Board. The Board also receives and reviews a report on proxy voting activity each year.

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HP98QW: **Are you currently, or have you previously been, a member or subscriber of the ACTU Members Connect Program?**

- a. If so, what is the timeframe of your membership?**
- b. What has been the annual fee year-on-year?**
- c. How have you assessed its value to your members?**

Answer: Hostplus has previously held a partnership agreement with ACTU Member Connect from 2016 to 2018. The partnership agreement provided a number of benefits, including access to Superannuation Trustee forums and training, attendance at the ACTU Congress, attendance at the ACTU Organising Conference and brand exposure on the ACTU Member Connect website. The partnership fee was \$44,000 (inc GST) per annum.