

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HOSTPLUS**

**HP99QW:** Please provide the titles of all externally commissioned reports over the past five years that have reviewed any of the following:

- a. Performance of funds.**
- b. Investment strategies for funds.**
- c. Conflicts of interest for funds.**

**Answer:** Citibank Australia is Hostplus' independent, external custodian and provides monthly performance reporting for all of Hostplus' investments. JANA is Hostplus' independent investment adviser and also provides quarterly performance reporting for all of Hostplus' investments.

As Hostplus' independent investment adviser, JANA also prepares all externally commissioned reports into investments. Over the past five years, JANA has prepared hundreds of these reports for Hostplus.

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- HP100QW: For each fund where more than 30 per cent of capital is managed by another entity, please complete the below table including:
- The name of the fund.
  - The allocation of capital as a percentage of the total capital held by the fund.
  - The allocation of capital of the total capital held by the fund.
  - The entity managing the capital.
  - Whether you are a shareholder in that entity.

Fund	Allocation of fund capital		Managing entity	Share holder
	%	\$		
i.e. Hostplus infrastructure options	i.e. 70%	i.e. \$10 billion	i.e. IFM Investors	i.e. Yes

**Answer:** For the purpose of responding to this question and consistent with the example in the question, Hostplus has interpreted “funds” as meaning its member investment choice options. As at 31 May 2020, the figures are as follows:

Option	Allocation of capital in each Option that is managed by the Managing Entity		Managing Entity	Shareholder
	%	\$ million		
Indexed Balanced	75%	5,273	IFM Investors	No*
Balanced - SRI	100%	86	AMP Capital Investors	No*
Property	36%	53	ISPT	Yes
Infrastructure	69%	17	IFM Investors	No*
DFI	80%	245	BlackRock	No*
Cash	100%	1,743	IFM Investors	No*
Paradice - Australian Shares	100%	51	Paradice Investment Management	No
BEM - Australian Shares	100%	42	Balanced Equity Management	No*
Neuberger Berman - Emerging Markets	100%	21	Neuberger Berman	No

Macquarie - Australian Fixed Interest	100%	51	Macquarie Investment Management	No*
BlackRock - International Fixed Interest	100%	21	BlackRock	No*
Lend Lease APPF - Property	100%	25	Lend Lease Investment Management	No*
ISPT - Property	100%	55	ISPT	Yes
IFM - Australian Shares	100%	215	IFM Investors	No*
IFM - Australian Infrastructure	100%	104	IFM Investors	No*
International Shares - Indexed (Hedged)	100%	54	IFM Investors	No*
International Shares - Indexed	100%	303	IFM Investors	No*

\* Hostplus holds shares in entities within the same corporate group as the managing entity.

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**HP101QW:** **If you do have capital managed by another entity that you are also a shareholder in, please identify how you manage conflicts of interest.**

**Answer:** JANA is Hostplus' independent investment adviser and provides recommendations to the Board on all investment management decisions, including decisions relating to investments which are managed by entities in whom Hostplus holds shares.

Hostplus maintains a Conflicts Management Policy, details of which are available at: <https://hostplus.com.au/super/about-us/governance-and-disclosures> under "Conflicts Management".

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**HP102QW:** Please provide details of the following reduction to remuneration packages since 11 March 2020:

- a. Board members.**
- b. The chief executive.**
- c. Executive management.**

**Answer:** Remuneration across all levels is reviewed regularly. Board members' and executives' remuneration is disclosed in Hostplus' end of year financial reports and made available on the Hostplus website.

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**HP103QW:** Is the fund considering divestment from pure play fossil fuel producers in order to mitigate climate-related financial risks and to increase the cost of capital for those producers?

**If not, how has the fund arrived at the conclusion that this approach would not be in members' best interests?**

**Answer:** Hostplus' primary duty is to deliver the best retirement outcomes for its members. This duty guides every decision Hostplus makes.

Hostplus is a signatory to the United Nations-supported [Principles for Responsible Investment](#). Responsible investment, which involves incorporating environmental, social and governance factors into investment decisions and active ownership, helps Hostplus manage risk and optimise retirement outcomes for its members. Hostplus' Responsible Investment Policy outlines the principles that direct Hostplus' approach to responsible investment.

Hostplus recognises climate change as a financial risk to its investments and believes that there is a need to manage this risk. Hostplus recognises that this risk includes changes to asset values as a result of changed asset revenue or costs associated with physical damage to assets, regulatory change arising from a transition to a lower-carbon economy and litigation risk.

In order to manage the financial risks of climate change, Hostplus incorporates climate change into all aspects of the investment process, including its investment philosophy, strategic asset allocation process, stress testing, investment manager selection and review, asset-specific due diligence and engagement with investee companies and assets. As with all financial risks, Hostplus considers climate change risks to the extent that they are relevant to its overall investment strategy and investment portfolio.

Hostplus' members are best served by an orderly transition to a low carbon economy. Rather than divesting or selling its holdings in pure play fossil fuel producers (which represent a very small proportion of the Hostplus investment portfolio), Hostplus uses its influence as a shareholder to create change within these companies by encouraging and supporting an orderly transition to a low carbon economy.

Hostplus pursues an active ownership program and engages with companies both directly and through a specialist service provider, the Australian Council of Superannuation Investors (**ACSI**). Hostplus' climate change engagement focuses on understanding and analysing how companies are strategically responding to climate change and their capacity to transition to a low carbon environment. By taking a collective engagement approach, Hostplus can exert greater influence beyond its own shareholding in an investee company and manage resources more effectively.

Hostplus has found this engagement to be highly effective. ACSI has, on Hostplus' behalf, been advocating the adoption of the Task Force on Climate-related Financial Disclosures framework. Pleasingly, 15 out of 20 target companies have made improvements with respect to their transparency on climate change risk.

In addition to incorporating climate change risk into its investment decisions and engaging with companies to encourage them to take action, Hostplus also invests in a range of climate solutions, including:

- **Powering Australian Renewable Fund:** Designed to unlock investment in large-scale renewable energy and currently invested in a range of Australian wind and solar energy projects. Once fully invested, it will own approximately 1,000 MW (or 10%) of Australia's renewable energy capacity.
- **Clean Energy Seed Fund:** Invested in the next generation of Australian clean energy companies that will help build more sustainable cities for the future, investments are focussed on energy storage, biofuels, alternative energy generation (solar, wave, geothermal, wind), metering and control, 'green' building and biomaterials, transport technologies, water and waste.
- **Ubiquitous Energy** – a company developing a transparent solar cell process that can coat any glass surface to convert ambient light into electricity. It has the potential to be incorporated into products including power-producing coatings for windows, as well as displays for mobile phones, tablets, laptops and watches.
- **Commonwealth Fusion System** – a company developing a new generation of superconducting magnets, to be used in smaller, more economical fusion reactors. Fusion energy, unlike fission energy used in conventional nuclear reactors, has the potential to produce clean, carbon emission free baseload power, without the by-product of long-lived highly radioactive isotopes.

Hostplus also offers members a Socially Responsible Investment (**SRI**) option. This option gives members dedicated access to responsible investing opportunities across a wide range of asset classes. The SRI Option does not invest in companies that make a material amount of money (currently more than 10% of revenue) from the most carbon intensive fossil fuels.

Further information about Hostplus' SRI option can be accessed via the following link: <https://hostplus.com.au/super/about-us/investment-governance#socially-responsible-investment-option>