



HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

AON Hewitt

AON86QW: 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:

Prior to the retirement of Aon Superannuation Pty Limited as Trustee of the Fund in November 2017, the following independent reports were commissioned:

1. Investment Governance Framework Review dated February 2017 by Marose Consulting covering all aspects of the IGF including performance and investment strategy.
2. Review of the Conflicts Management Policy – McGrathNicol – statement of work signed January 2017 with recommendations tabled at the 25 May 2017 Trustee Board meeting.

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AON87QW: 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	Shareholder
	%	\$		
i.e. Hostplus infrastructure options	i.e. 70%	i.e. \$10 billion	i.e. IFM Investors	i.e. Yes

Answer:

Fund (Super & Pension variants have been consolidated)	Allocation of fund capital		Managing Entity	Shareholder
	%	A\$m		
Alternatives - Diversified	47%	1.0	Barings	No
Australian Fixed Interest	87%	10.2	EQT	No
Australian Fixed Interest - Index	100%	14.2	Vanguard	No
Australian Shares - Core	71%	18.4	EQT	No
Australian Shares - Diversified	71%	29.0	EQT	No
Australian Shares - Index	100%	54.4	Vanguard	No
Australian Shares - Opportunities	71%	1.6	EQT	No
Balanced Growth - Active	33%	218.3	EQT	No
Balanced Growth - Active	53%	355.2	Russell	No
Balanced Growth - Index	95%	288.9	Vanguard	No
Cash	65%	94.7	EQT	No
Cash	35%	50.8	Russell	No
Defensive - Active	40%	16.7	EQT	No
Defensive - Active	42%	17.7	Russell	No
Defensive - Index	82%	24.4	Vanguard	No



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Fund (Super & Pension variants have been consolidated)	Allocation of fund capital		Managing Entity	Shareholder
	%	A\$m		
Fixed Interest - Diversified	43%	10.1	EQT	No
Fixed Interest - Diversified	57%	13.4	Russell	No
Growth - Active	30%	77.8	EQT	No
Growth - Active	54%	138.9	Russell	No
Growth - Index	100%	161.7	Vanguard	No
High Growth - Active	32%	91.9	EQT	No
High Growth - Active	55%	159.2	Russell	No
High Growth - Index	100%	137.5	Vanguard	No
International Fixed Interest	100%	10.4	Russell	No
International Fixed Interest - Index	100%	5.9	Vanguard	No
International Shares - Core	100%	8.7	Russell	No
International Shares - Core, \$A Hedged	100%	2.5	Russell	No
International Shares - Diversified	100%	24.8	Russell	No
International Shares - Emerging Markets	100%	4.5	Russell	No
International Shares - Index	100%	33.5	Vanguard	No
International Shares - Index, A\$ Hedged	100%	9.9	Vanguard	No
Moderate - Active	35%	62.9	EQT	No
Moderate - Active	48%	85.8	Russell	No
Moderate - Index	89%	93.1	Vanguard	No
MySuper Defensive Portfolio	100%	575.4	Vanguard	No
MySuper High Growth Portfolio	70%	1,161.5	Vanguard	No
Property - Australian Index	100%	8.1	Vanguard	No
Property - Diversified	51%	8.5	Russell	No
Property - Diversified	49%	8.1	Vanguard	No
Property - Global, \$A Hedged	100%	1.3	Russell	No



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AON88QW: 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:

Not applicable



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AON89QW: 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:

Not applicable to the fund as Aon is not the trustee rather sponsor and service provider. Globally, Aon reduced salaries by 20% for 70% of their staff in May and June which was removed and repaid from 1 July 2020. The listed company board directors and senior executives continue to have their remuneration reduced by 50% from 1 May.

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AON90QW: 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:

The fund has taken significant steps to reduce the climate-change risk for MySuper members:

- It has excluded shares of thermal coal companies, which derive significant income from thermal coal mining, or that make significant (>30%) use of coal in their power generation fuel mix, or own coal reserves
- A built-in- bias in the share screening process that favours companies with lower carbon footprints, that is, the proportion of a company's annual carbon dioxide emissions to its market capitalisation.

The thermal coal exclusion and positive bias towards lower carbon footprints has been implemented in the international shares portfolio of the MySuper Option since April 2020.