AS18QON: **Dr LEIGH:** There have been concerns in the United States over significant investors investing in firms which compete with one another. The fear is that common ownership can dampen competitive pressures because common owners have an interest in the oligopoly doing well, rather than in the individual firm doing well. How do you avoid that risk in how AustralianSuper casts votes on boards? How do you ensure you're not a force against competition in the market, rather than a force for it?

Mr Silk: I'm sorry, I'm not sure I understand that question.

Dr LEIGH: Well, imagine an environment in which you've got two supermarkets that have a common owner. That common owner, if they owned only one of the supermarkets, would want to see that supermarket do well and the other supermarket fail. But if they have a significant share in both supermarkets then, effectively, they have a stake in the duopoly. They have a stake in seeing less competition in the market than would be the case if all of the shareholders in the two supermarkets were distinct. How do you avoid that problem in how you vote on boards?

Answer: AustralianSuper makes its engagement practices and voting decisions based on what will deliver the best investment outcomes for our members. We believe that non-competitive industries will fail to deliver optimal long term value and would therefore not vote for the purpose of promoting a less competitive industry.

In the example presented of a supermarket duopoly where AustralianSuper was a common owner of both supermarkets, a poorly competitive industry faces the risk of disruption which creates risks to the long term value of our investments in that industry. In addition, there are risks of lack of innovation and lower growth meaning the companies would not be delivering the optimal long term returns on their asset base and the funds we have invested.

We therefore assess each company on its merits and engage with companies and vote in a way to promote optimal board composition at each company. We do this by informing our vote via ongoing governance engagement with the particular company and from the investment view of our internal equities team. We are then in a position to understand the requirements that will maximise the board effectiveness at the company and vote accordingly.