

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

AustralianSuper

- AS84QW:** It has been brought to my attention that AustralianSuper is providing secretariat, or secretariat-like, services to assist other superannuation funds to respond and answer questions for the House of Representatives' Standing Committee on Economics Inquiry into the Big Four Banks and other financial institutions. Can you therefore advise:
- a. On what basis Australian Super is providing this assistance to other superannuation funds?
 - b. The number of staff allocated to provide this support?
 - c. The estimated cost allocated to provide this support?
 - d. How this is consistent with the sole purpose test for Australian Super members?

Answer: AustralianSuper is not providing secretariat, or secretariat-like, services to assist other superannuation funds.

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AustralianSuper

AS85QW: According to the Australian Financial Review AustralianSuper has experienced a downgrade because of a loss of in house asset managers ('AustralianSuper gets embarrassing downgrade on performance', Australian Financial Review, 13 May 2020). Therefore, has Australian Super completed an audit assessing the basis for staff departures, and what reasons were provided?

Answer: Departure trend analysis is conducted as part of usual business practice and reviewed monthly by the relevant Group Executive, the Group Executive, People and Culture and the Chief Executive.

AustralianSuper does not have any concerns regarding its ability to attract or retain talent.

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AustralianSuper

AS86QW: 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: With the exception of capital invested with IFM that is managed under cash mandates (which fluctuate daily as a result of the Fund's investment activity), the amount of new capital invested (\$m) is set out in the table below:

Asset class	FY15	FY16	FY17	FY18	FY19
Listed equities	41	382	2,000	4,304	5,030
Private equity	19.4	0.17	0	0.92	0.025
Credit	60.2	140	0	0	0
Infrastructure	0	0	0	0	500
Total	121	522	2,000	4,305	5,530

Details of all amounts invested with IFM, and the income earned on those investments, are set out in the 'Related parties' section of the notes to AustralianSuper's financial statements available online at <https://www.australiansuper.com/about-us>.

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AustralianSuper

- AS87QW:** 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: AustralianSuper has not invested any capital in investments managed by ME Bank in the last five years. Details of all amounts invested with ME Bank, and the income earned on those investments, are set out in the 'Related parties' section of the notes to AustralianSuper's financial statements available online at <https://www.australiansuper.com/about-us>.

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AustralianSuper

- AS88QW:** 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: ME Bank is valued by an independent third-party valuer engaged by ME Bank. AustralianSuper receives a copy of that valuer's final report and the valuation is processed in accordance with our Valuation Standard (provided in response to ASQ7W). AustralianSuper has never commissioned a report into the valuation of ME Bank, however LEK and KPMG have both reported separately on the strategic opportunities available to ME Bank. Such matters are part of AustralianSuper's monitoring of investments and are commercial-in-confidence.

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AustralianSuper

- AS89QW:** 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:**
- a. Illiquid assets are defined as assets that are not expected to be able to be sold at fair value within three months. Details of the types of assets categorised as illiquid and the proportion of the Fund invested in those assets are outlined at <https://www.australiansuper.com/investments/investment-articles/2020/04/understanding-liquidity-and-your-super>.
 - b. Liquid assets are defined as assets that are expected to be able to be sold at fair value or more within three months. Details of the types of assets categorised as illiquid and the proportion of the Fund invested in those assets are outlined at <https://www.australiansuper.com/investments/investment-articles/2020/04/understanding-liquidity-and-your-super>.
 - c. Since June 2018.
 - d. Minor amendments to terminology.
 - e. Illiquid assets: assets that are not expected to be able to be sold at net market value within three months.

Liquid assets: assets that are expected to be able to be sold at net market value within three months.

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AustralianSuper

AS90QW: 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. The Board maintains a fit and proper analysis which is updated when changes occur to the Board composition. The fitness analysis register is reviewed by the Board at least annually.

A high-level summary of the outcome of this assessment is available on the Fund's website at

<https://www.australiansuper.com/about-us>.

In addition, the Board conducts regular Board performance assessments both of individuals and of the Board as a whole.

- b. No, however the Investment Committee has as part of its Terms of Reference an Investment Committee Member Profile which is reviewed when vacancies occur and when the training program is being designed for that Committee.
- c. A new skills matrix for the Board and each Board Committee was approved by the Board in December 2019 and a skills assessment is currently underway against that matrix.
- d. Any gaps identified as a result of the skills assessment currently underway will be addressed through training at the Board or Committee level, individual training and/or through the Board renewal process which will target prospective candidates with the required skill set.

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AustralianSuper

- AS91QW:** 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: AustralianSuper selects investment professionals for their bespoke investment capabilities and experience, taking into account where their experience was gained as well as the success of those companies. During the recruitment process appropriate candidates undertake a modelling assessment, conduct a stock presentation and complete case studies which allows for the assessment of their investment decisions as well as approach and style. Additional assessments are conducted for senior hires, which covers verbal, numerical and deductive reasoning alongside leadership and behavioural preference assessments.

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AustralianSuper

AS92QW: Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread:

Answer: As at 30 April 2020, AustralianSuper's unlisted assets were located as follows:

Country/Region	Share of fund asset value	
	\$	%
North America (inc USA)	12,044,288,314	6.81%
- United States specifically	11,802,548,992	6.67%
South America	838,944,038	0.47%
Asia (inc China)	318,968,807	0.17%
- China specifically	16,753,510	0.01%
Africa	0	0.00%
Europe (not inc UK)	976,915,374	0.54%
Europe (inc UK)	4,833,420,228	2.71%
- United Kingdom specifically	3,856,504,854	2.17%
Australasia (inc Aus)	21,099,372,153	11.90%
- Australia specifically	20,884,303,741	11.78%

It is not possible to calculate the share of fund income for a particular asset or group of assets.

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AustralianSuper

AS93QW: Please provide a copy of your Constitution.

Answer: The Constitution of AustralianSuper Pty Ltd (the trustee of AustralianSuper) and the Trust Deed for AustralianSuper are both available under the “Corporate Governance” section in the “How we work” tab at <https://www.australiansuper.com/about-us>.

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AustralianSuper

AS94QW: 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: Nil.

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AustralianSuper

- AS95QW:** 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: AustralianSuper does not have an art collection.

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AustralianSuper

- AS96QW:** 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. AustralianSuper currently receives proxy advice from the Australian Council of Superannuation Investors (ACSI) and Glass Lewis.

- a. For both advisers it is a subscription service. AustralianSuper contracts for a period of time to receive proxy advice and is invoiced for this service.
- b. AustralianSuper retains the responsibility for the final voting decision and can directly enter the voting platform and lodge a vote.

ACSI is not empowered to act on behalf of AustralianSuper in relation to proxy voting. Glass Lewis may lodge votes on AustralianSuper's behalf into our proxy voting platform to assist the efficient lodgement of the large number of international votes. This relates only to our holdings in international companies.

- c. The Board receives an ESG and Stewardship report which, for important votes, provides the decision on AustralianSuper's vote, the rationale, and for Australian companies, the advice from the proxy adviser.
- d. The ESG and Stewardship report is provided to every Board meeting and every Investment Committee meeting.
- e. Not applicable given c. and d.

- f. AustralianSuper's votes are publicly available at the end of each quarter on the AustralianSuper website.
- g. The board assess these positions by reviewing the voting activity in the ESG and Stewardship report, which may include a discussion with a representative from the ESG and Stewardship Team presenting the report.

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AustralianSuper

- AS97QW:** 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: AustralianSuper's relationship with the Member Connect arm of the ACTU is set out in the response to AS15QON.