

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### AustralianSuper

**AS98QW:** 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:

Categories	Title	FY2020	FY2019	FY2018	FY2017	FY2016
A. Performance	Portfolio Management System Audit		Y			
	Exposure Management Audit		Y			
	Valuation of Loans Audit		Y			
	Currency Management (October 2018- FY2018)			Y		
	2017 Data & Platforms Program Governance (October 2018- FY2018)			Y		
	Operational Data Store Project			Y		
	Data & Platforms Program Follow Up (IT Project)			Y		
	Delegations Framework Compliance (Investment Decisions)					Y
	Valuations Process Review					Y
	Monitoring of Investment Managers					Y
	Liquidity Risk Management					Y
	Derivative Risk Management including OTC reporting and clearing					Y
	Separate Legal Entities (SLE) management and reporting					Y
	Investment Option Management / Derivative Overlay Execution – Futures Overlays					Y
	Credit and Counterparty Risk management					Y
	Diversified Fixed Interest Option Review Stage 1	Y				
	Heatmap with results	Y				
	Cash MIC Option Review	Y				
	Performance Summary for June 2019		Y			
	Fixed Interest Competitor Insight			Y		
International Shares Option vs Peers				Y		
Peer Performance Analysis					Y	

B. Investment Strategies	Title	FY2020	FY2019	FY2018	FY2017	FY2016
	2017 Investment Department Operating Model and Operational Risk Profile				Y	
	2016 Internalisation of Loans and Credit Operating Model					Y
	2019.22c SPS 521 Conflicts of Interest Prudential Compliance Audit		Y			
	Direct Securities Lending Review	Y				
	FY 21 Strategic Asset Allocation Review – Balanced Option	Y				
	Asset Allocation Review	Y				
	Bond Mix Investment Review	Y				
	Asset Allocation Review (COVID-19)	Y				
	Asset Allocation	Y				
	Asset Allocation Review	Y				
	Asset Allocation		Y			
	Global Excellence in Fixed Interest		Y			
	Asset Allocation Review		Y			
	Equities Portfolio Construction and Best Practice		Y			
	Asset Allocation		Y			
	Asset Allocation Review		Y			
	SAA Review – FY2020 – Balanced Option		Y			
	SAA Review – FY2020 – Other Diversified Options		Y			
	Asset Allocation Review		Y			
	Unconstrained Portfolio		Y			
	Asset Allocation		Y			
	Asset Allocation Review		Y			
	Optimal Portfolio Analysis		Y			
	Investment Strategy Review		Y			
	Australian Small Caps Strategy Review		Y			
	Quant Capability Observations		Y			
	Global Internal Quant Value Review			Y		
	Asset Allocation			Y		
	Alternative sources of returns			Y		
	Asset Allocation Review			Y		
	Asset Allocation			Y		
	Asset Allocation Review			Y		
	Australian Microcap Strategy Review			Y		
	FY2019 SAA Review			Y		
	Asset Allocation Review			Y		
	Asset Allocation			Y		
	Asset Allocation Review			Y		

B. Investment Strategies (continued)	Title	FY2020	FY2019	FY2018	FY2017	FY2016
	Asset Allocation				Y	
	Asset Allocation Review				Y	
	Global Fixed Income - Internal Portfolio - Review				Y	
	Asset Allocation				Y	
	Global Internal Fundamental Review				Y	
	Asset Allocation Review				Y	
	Asset Allocation Review				Y	
	SAA Review - FY2018				Y	
	Mid Risk Implementation Options				Y	
	Asset Allocation Review				Y	
	Asset Allocation Review				Y	
	Asset Allocation Review				Y	
	Asset Allocation				Y	
	Asset Allocation Review					Y
	Asset Allocation					Y
	Asset Allocation					Y
	Asset Allocation Review					Y
	Global Internal Quant Review					Y
	SAA Review - FY2017					Y
	Asset Allocation Review					Y
	Asset Allocation Review					Y
	Socially Aware Internal Australian Equity Mandate					Y
	Asset Allocation Review					Y
	Internal Australian Equities Review					Y
	Asset Allocation					Y
C. Conflicts of Interest	2019.22c SPS 521 Conflicts of Interest Prudential Compliance Audit		Y			
	Independent Assessment of AustralianSuper's Ethical Framework			Y		

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**AS99QW:** For each fund where more than 30 per cent of capital is managed by another entity, please complete the below table including:

- a. The name of the fund.
- b. The allocation of capital as a percentage of the total capital held by the fund.
- c. The allocation of capital of the total capital held by the fund.
- d. The entity managing the capital.
- e. Whether you are a shareholder in that entity.

**Answer:**

#### Revised Option

<b>(1) Option</b>	<b>% of total fund assets, FUM (\$181.9b)</b>	<b>(2)</b>	<b>\$ of option (3)*</b>	<b>Manager (4)</b>	<b>Shareholder (5)</b>
Property Option (Accum)	0.07%		126,462,472	ISPT	Yes
Property Option (Pension)	0.02%		27,704,960	ISPT	Yes
Index Diversified (Accum)	0.43%		781,489,000	Vanguard	No
Index Diversified (Pension)	0.13%		235,038,259	Vanguard	No
Cash (Accum)	3.72%		6,766,639,151	IFM Investors	Yes
Cash (Pension)	1.17%		2,135,993,995	IFM Investors	Yes

\*Note: This is calculated at individual option level not at AustralianSuper fund level

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**AS100QW:** 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:**

When AustralianSuper contracts with a related party for the provision of services, it ensures that the requirements of our Conflicts Management Policy and Related Party Policy are met and that agreements are entered into on an arm's length basis, are in the best interests of members of the Fund, and in compliance with relevant laws.

All transactions with related parties are made on standard commercial terms, at market rates and in line with our Conflicts Management Policy and Related Party Policy.

Details of related party transactions are disclosed in the Fund's Audited Financial Statements, available on the Fund's website.

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#### AustralianSuper

**AS101QW:** 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:**

- a. Board members have had a 20% reduction in remuneration for 6 months, which will be reviewed in September 2020.
- b. The Chief Executive has had a 20% reduction in remuneration for 6 months, which will be reviewed in September 2020.
- c. The executive management team have had a 20% reduction in remuneration for 6 months, which will be reviewed in September 2020.

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**AS102QW:** 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:** AustralianSuper recognises that the global economy is transitioning to net zero emissions by 2050, which requires a shift away from fossil fuels. This approach provides the most effective way to manage climate-related financial risks and is in members' best interests.

On an ongoing basis, the Fund considers the actions we need to undertake to mitigate climate-related financial risks. This includes (i) where we allocate our capital, including the potential for divestment, and (ii) our stewardship actions to influence improved climate change management at the assets that we own.

Our ownership stake in fossil fuel producers is based on our assessment of the outlook for them, after having regard to the risks and opportunities they face from climate change and the transition to a low carbon economy.

The main fossil fuel types – coal, gas and oil – have different climate related financial risks related to their potential role in the low carbon transition, and the Fund therefore consider each separately rather than as a single category of 'pure play fossil fuel producers'.

Carbon emissions in AustralianSuper's portfolio will continue to fall as new technologies are developed and companies transition their businesses to a lower carbon economy.

More information on our investment approach to managing climate change, including AustralianSuper's TCFD aligned report can be found here:

<https://www.australiansuper.com/investments/how-we-invest/esg-management>