

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

CARE

CARE77QW: Since 12 March 2020, has your fund provided any liquidity to:

- a. REST?
- b. Hostplus?
- c. any other superannuation fund?

If so, for each fund, can you provide details of the amount, the date and the terms?

Answer: No.

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CARE

CARE78QW: Since 12 March 2020, has your fund loaned any cash to:

- a. REST?
- b. Hostplus?
- c. any other superannuation fund?

If so, for each fund, can you provide details of the amount, the date and the terms?

Answer: No.

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CARE

CARE79QW: 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:

a. The capital invested each year for the past five years.

Details of CareSuper's investments with IFM Investors, including the capital invested, are disclosed publicly in the Fund's Annual Report. CareSuper's Annual Reports for the past five years are available at the following URL:

<https://www.caresuper.com.au/tools-resources/forms-publications>

b. The accumulated valuation of investments for the past five years.

The total accumulated valuation of CareSuper's investments with IFM Investors, is disclosed publicly in the Fund's Annual Report. CareSuper's Annual Reports for the past five years are available at the following URL:

<https://www.caresuper.com.au/tools-resources/forms-publications>

c. The dividends received from those investments for the past five years.

As disclosed in CareSuper's Annual Reports, the Fund invests with IFM Investors across a number of asset classes. The nature of dividends and distributions for these investments are described by asset class.

Australian equity – exposure to ASX listed equity which delivers a dividend yield consistent with the broader market.

Infrastructure – exposure to a pooled investment vehicle which distributes income derived from underlying investment assets to investors on a periodic basis in the form of dividends.

Fixed Interest – exposure to a pooled investment vehicle which distributes coupons on fixed interest securities and other income to investors on a periodic basis in the form of dividends.

Credit – exposure to credit securities which pay periodic interest coupons.

Private Equity – exposure closed-end private equity vehicles which make periodic distributions of income, as well as periodically returning invested capital.

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CARE

- CARE80QW:** 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:

- a. Over the past 5 years, CareSuper has had investments with ME Bank in the form of Negotiable Certificates of Deposit (NCDs) and various at-call, notice and term deposit accounts.
- b. The amount of investment with ME Bank varies significantly from month to month but over the past 5 years has been immaterial. The Fund's total exposure to 'term deposits' is disclosed publicly in the Fund's Annual Report. CareSuper's Annual Reports for the past five years are available at the following URL:

<https://www.caresuper.com.au/tools-resources/forms-publications>
- c. CareSuper's cash investments with ME Bank pay an interest yield which is consistent with the market rate of interest at the time each deposit is negotiated. This varies in line with changes to market interest rates.

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CARE81QW: 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?

And please provide copies.

Answer: No.

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CARE

CARE82QW: 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. CareSuper defines an illiquid investment as an investment that cannot be converted to cash within 30 days, or where converting to cash within that period would be likely to have a significant adverse impact on its realisable value.

In applying the above definition CareSuper takes a conservative interpretation. For example, the Fund classifies Term Deposit investments with Australian Banks, with a maturity greater than 30 days, as being illiquid.

Holdings that would be classified as illiquid include a range of holdings that meet the above definition, such as investments in Private Equity, Infrastructure and Property.

- b. A liquid investment is one that can be converted to cash within 30 days without significant adverse impact on realisable value.

Holdings that would be classified as liquid include a range of holdings that meet the above definition, such as Bank Bills, Negotiable Certificates of Deposit (NCD's), large cap listed Shares and Government Bonds.

- c. The definition has been used for over 10 years.
- d. There has not been a switch in the last 10 years.
- e. Not applicable.

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CARE83QW: 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: Yes. Please see the Governance section (Board Skills and Performance) of CareSuper's website.

<https://www.caresuper.com.au/why-caresuper/about-us/governance>

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CARE

CARE84QW: 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: All employees are subject to appropriate due diligence prior to appointment in accordance with internal policies.

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CARE85QW: Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread: [Table below]

Answer:

Unlisted asset holdings include investments in Property, Infrastructure and Private Equity.

Country/Region	Share of fund asset value		Share of fund income*	
	\$(million)	%	\$(million)	%
North America (inc USA)	475	2.9	-	-
- United States specifically	474	2.9	-	-
South America	19	0.1	-	-
Asia (inc China)	40	0.2	-	-
- China specifically	10	0.1	-	-
Africa	0	0	-	-
Europe (not inc UK)	251	1.5	-	-
Europe (inc UK)	377	2.3	-	-
- United Kingdom specifically	126	0.8	-	-
Australasia (inc Aus)	2,993	18.2	-	-
- Australia specifically	2,605	15.8	-	-
Total	3,903	23.7		

*Information on distribution of income by geographic exposure not available.

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CARE86QW: Please provide a copy of your Constitution.

Answer: A copy of the Constitution is publicly available on the CareSuper website under the Governance (Policy Documents) section.

<https://www.caresuper.com.au/why-caresuper/about-us/governance>

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CARE

CARE87QW: 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: CareSuper does not make political donations of any kind nor has it paid for attendance at events run by political parties or for individual MPs or candidates in the last decade.

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- CARE88QW:** 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: No.

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CARE

- CARE89QW:** 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.

- a. CareSuper contracts a proxy adviser to provide research and voting recommendations on listed companies. CareSuper has put in place an annual research agreement with a proxy adviser who delivers reports to the Fund.
- b. CareSuper's proxy adviser is not empowered to act on behalf the Fund. CareSuper's Proxy Voting Policy is available at https://www.caresuper.com.au/sites/default/files/2020-03/Proxy_Voting_Policy_Version5_February_2020_20200310.pdf).
- c. CareSuper's Trustee Board approves the Fund's Proxy Voting policy. Voting advice is not submitted to the Board.
- d. Not applicable.
- e. Not applicable.
- f. CareSuper's Proxy Voting Policy is available at: https://www.caresuper.com.au/sites/default/files/2020-03/Proxy_Voting_Policy_Version5_February_2020_20200310.pdf and voting records are also disclosed on our website (<https://www.caresuper.com.au/we-vote-protect-your-interests>)
- g. As stated in CareSuper's Proxy Voting Policy, the exercise of voting rights is considered important by the Fund and the Board. Voting allows shareholders to express their views on important governance matters. Governance matters are critical to long-term performance of investments and this is a common view among investors across the globe. The exercise of ownership rights can protect and enhance long term investment value and accordingly is entirely consistent with the sole purpose test.

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CARE

CARE90QW: 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: Yes. The terms of the arrangements between CareSuper and ACTU Member Connect are struck on commercial terms and are the subject of commercial in confidence arrangements.