

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST01QW: Please provide the details of any fund member briefings where it was possible to ask fund managers, executives or directors questions over the past five years.**

**Answer:**

HESTA has held two member annual general meetings over the last five years in 2018 and 2019. The Chair, Chair of the Investment Committee, CEO, and CIO presented and members were able to ask questions of these and other senior leaders prior to and during the meeting. Fund managers are not involved in any member events.

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**HESTA**

**HEST02QW: Details of all ASIC fines and infringement notices incurred over the past five years.**

**Answer:**

There have been no ASIC fines or infringement notices incurred by HESTA over the past five years.

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**HESTA**

**HEST03QW: The name and company of your auditor for the past five years.**

**Answer:**

This information is detailed publicly in our Annual Report, it can be found at the following link:  
<https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Annual-Report-2018-2019.pdf>

HESTA's external auditor has been PwC for the past five years. From FY 14/15 the audit Partner was Britt Hawkins, then from FY 19/20 to present it has been Nicole Osborne.

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**HESTA**

**HEST04QW: For the past five years the total value in dollars and as a percentage of the total value of a fund:**

- a. Listed investments.**
- b. Unlisted investments.**
- c. Total investments.**

**Answer:**

**Note:** For the purpose of its responses to the questions and in the absence of an ordinary/standardised definition of 'unlisted assets', HESTA has defined 'unlisted assets' as private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets. All other assets (including Australian Equities, International Equities, Global Debt, Cash, Term Deposits, Foreign Currency contracts) constitute 'listed assets'. OTC derivatives held in cash, debt or listed equity mandates are classified as listed assets. HESTA's classification of what constitutes unlisted assets is generally based on liquidity, frequency of valuation and trading opportunities.

<b>Market Value (\$ Gross Asset Value) as at each date specified in the column heading</b>					
<b>Type</b>	<b>30/06/2015</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2018</b>	<b>30/06/2019</b>
Listed	22,626,970,874	23,271,389,961	27,792,837,930	32,919,159,090	35,928,282,237
Unlisted	10,414,521,586	12,321,135,836	13,495,046,608	14,726,290,999	17,184,279,143
<b>Total</b>	<b>33,041,492,461</b>	<b>35,592,525,797</b>	<b>41,287,884,539</b>	<b>47,645,450,089</b>	<b>53,112,561,380</b>

  

<b>Market Value (% Gross Asset Value) as at each date specified in the column heading</b>					
<b>Type</b>	<b>30/06/2015</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2018</b>	<b>30/06/2019</b>
Listed	68.48%	65.38%	67.31%	69.09%	67.65%
Unlisted	31.52%	34.62%	32.69%	30.91%	32.35%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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**HESTA**

**HEST05QW: For the past five years the total value in dollars and as a percentage of the total return for the fund:**

- a. Listed investments.**
- b. Unlisted investments.**
- c. Total investments.**

**Answer:**

**Note:** For the purpose of its responses to the questions and in the absence of an ordinary/standardised definition of 'unlisted assets', HESTA has defined 'unlisted assets' as private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets. All other assets (including Australian Equities, International Equities, Global Debt, Cash, Term Deposits, Foreign Currency contracts) constitute 'listed assets'. OTC derivatives held in cash, debt or listed equity mandates are classified as listed assets. HESTA's classification of what constitutes unlisted assets is generally based on liquidity, frequency of valuation and trading opportunities.

<b>Gross Return (\$)</b>					
<b>Type</b>	<b>30/06/2015</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2018</b>	<b>30/06/2019</b>
Listed	2,105,956,139	80,873,632	2,889,024,147	3,205,606,836	2,387,734,863
Unlisted	908,991,266	1,100,792,670	1,327,734,091	1,472,210,878	1,433,008,085
<b>Total</b>	<b>3,014,947,405</b>	<b>1,181,666,303</b>	<b>4,216,758,238</b>	<b>4,677,817,714</b>	<b>3,820,742,947</b>
<b>Return as % of Total Return</b>					
<b>Type</b>	<b>30/06/2015</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2018</b>	<b>30/06/2019</b>
Listed	69.85%	6.84%	68.51%	68.53%	62.49%
Unlisted	30.15%	93.16%	31.49%	31.47%	37.51%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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**HESTA**

**HEST06QW: A copy of your asset valuation policy (covering amongst other things independence of valuation, managing conflicts of interest, frequency of valuation, publication of latest valuation timings to members etc).**

**Answer:**

Please refer to attachment.

# valuation policy

Prepared by

Investment Team



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## 1. Purpose and Objectives of the Policy

This Valuation Policy (“**the Policy**”) sets out the principles, policies and guidelines for valuing the assets of the Health Employees Superannuation Trust Australia (“**the Fund**”). The Policy supports H.E.S.T. Australia Limited’s (“**the Trustee**”) Investment Policy Statement and is a component of the Fund’s Investment Governance Framework.

The Trustee acknowledges that accurate and timely asset valuations are acutely important in ensuring equity is maintained across new, continuing and exiting members. The principal objective of this Policy is to ensure that reliable and timely valuation information is available to the Fund so that members can be allocated an appropriate and equitable share of Fund assets, noting that for some asset classes there will be a balance to be struck between accuracy and the cost of conducting valuations. A secondary objective of the Policy is to ensure the Trustee can produce financial statements that represent a true and fair view of the Fund.

## 2. Governing Legislation and Regulatory Requirements

In constructing this Policy, the Trustee has considered the following legislative and regulatory requirements:

- Prudential Standard SPS 530 – Investment Governance; and
- SIS Act, and in particular, the investment covenants, including:
  - Section 52(2)(e & f) - to act fairly in dealing with classes of beneficiaries within the entity & to act fairly in dealing with beneficiaries within a class; and
  - Section 52(6)(a)(iv) - having regard to whether reliable valuation information is available in relation to the investments covered by the strategy.

The Trustee has also considered the following guidance materials and industry standards:

- Prudential Practice Guide SPG 530 – Investment Governance;
- Prudential Practice Guide SPG 531 – Valuations;
- The joint APRA and ASIC guide updated August 2008 “Unit Pricing - Guide to good practice”;
- CFA Institute Global Investment Performance Standards Handbook; and
- AASB 1056 – Superannuation Entities, AASB 13 – Fair Value Measurement and AASB139 Financial Instruments: Recognition and Measurement.

## 3. Roles and Responsibilities

The Trustee Board is responsible for the Fund’s investments, including establishing, reviewing and giving effect to an investment strategy for each investment option that has regard to, among other things, whether reliable valuation information is available in relation to the investments. At all times, the investment decision-making and valuation responsibilities will be undertaken in a manner which is adequately independent from one another.

- *Trustee Board* – The Board has the overall responsibility for setting the Fund’s Valuation Policy and has delegated responsibility for overseeing implementation and approval of the Policy to the Investment Committee.

- *Audit & Risk Committee* - The Audit & Risk Committee is generally responsible for overseeing the integrity of the Trustee's and Fund's financial reporting and monitoring the effectiveness and operation of the Risk Management Framework and Strategy.
- *Investment Committee* - The Investment Committee is responsible for overseeing the Trustee's investment strategy and frameworks, and ensuring proper governance of the Fund's investment practices. In doing so, the Committee oversees the implementation and monitoring of the Valuation Policy.
- *Trustee Office/Executive* – Responsibility for implementation of the Policy sits with the Head of Investment Execution, who is operationally separate from Investment teams responsible for investment decision-making. The Head of Investment Execution is accountable for:
  - day to day management of the investment valuation process, including valuer appointment, instruction and valuation acceptance;
  - ensuring appropriate valuation methodologies are applied by external fund managers;
  - monitoring the adequacy and application of custodian pricing policies; and
  - reporting the implementation of the Policy to the Investment Committee

The Investment team responsible for the initial investment decision is responsible for assessing the appropriateness of manager valuation policies during initial investment due diligence.

- *Trustee Office/Risk Team and Compliance Team* – The teams are responsible for maintaining the online Risk and Compliance tool (HESTAControl) which incorporates the requirements of this Policy to ensure that relevant controls and measures are monitored. The teams are also responsible for monitoring any reported incidents to ensure that appropriate action plans are established and responsibilities allocated to remediate any identified incidents.
- *Internal Audit* – This function is responsible for evaluating the adequacy and effectiveness of the financial and risk management framework of the Trustee. This includes review of the Trustee's Valuation Policy, including implementation.
- *External Audit* – Approved auditors are engaged each year to undertake an annual audit of the Fund's financial statements and the annual information required under reporting standards made by APRA. The audit and review must cover the Trustee's business operations, including Valuation Policy appropriateness and implementation at year-end.
- *Service Providers* – Fund managers of pooled investment vehicles and co-investment structures are responsible for ensuring implementation of their firms' stated valuation policies. On an annual basis, HESTA, supported by its asset consultant, reviews the valuation policies for each fund manager of unlisted investments. HESTA's Custodian is responsible for ensuring its valuation policy and procedures are correctly implemented.

## 4. Valuation Risk

Valuation risk is the risk that the values of Fund assets are misstated, giving rise to inequity across the membership and/or incorrect financial statements.

Member inequity consequences include:

- Cross-subsidisation between transacting and non-transacting members;

- Valuation arbitrage opportunities; and
- Miscalculated unit prices.

A material valuation risk is the volatility of the Australian dollar and its impact on the valuation of overseas assets. The Trustee ensures that currency exposures are revalued weekly prior to the weekly unit pricing process, as are the changes in the valuation of currency hedging contracts.

The Trustee acknowledges that the risk of asset valuation mis-statement is generally higher for unlisted assets as they are not traded through exchanges or central clearing agents and do not have readily available prices. Unlisted asset valuation can be more complex due to holding structures and challenges in "looking through" to the underlying asset data. Frequent valuations of these assets can be costly and time consuming.

## 5. Valuation Principles

The Trustee's general approach to valuations includes valuing assets in accordance with accounting standards and best practice principles, which currently is to value assets at fair value. The Trustee is assisted by external advisers in monitoring changes to regulatory requirements, accounting standards and other industry standards.

Fair value is defined by accounting standard AASB 13 "Fair Value Measurement" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Trustee acknowledges that it is responsible for understanding the basis of the valuation of all assets held by the Fund and that valuation principles vary across different asset classes and investment structures.

When applying the Policy and principles the Trustee considers the materiality of the investment in terms of total Fund assets. The Fund's assets can be grouped into four broad categories (which are broadly comparable to the accounting standard's fair value hierarchy): financial assets and liabilities held for trading, financial instruments designated at fair-value through profit or loss upon initial valuation, loans and receivables, and other financial liabilities.

For the purposes of this Policy, "active market" prices are prices which are objective, observable and unadjusted. In accordance with SPG 531, the Trustee will emulate the following hierarchy of valuation sources where possible:

- Quoted market prices in active markets;
- Quoted market prices for similar investments in active markets;
- Quoted prices for similar or identical investments in non-active markets;
- Market based inputs (other than quoted prices) observable for investments;
- Subjective, unobservable inputs for investments if markets are not active.

The Trustee seeks updated valuations for all material unlisted assets, in advance of the 30 June unit price being struck. The Trustee acknowledges that updated valuations received from fund managers may not be final in that they may not have yet been subject to the full external audit procedures of the fund manager. The year-end unit prices are not used for processing member transactions (unless year end coincides with weekly unit pricing cycle). In addition, it is recognised that this process at year-end may cause re-valuations of a small number of private equity investments to be brought-forward by a quarter and cause a 4-5 month lag until the next fund manager provided re-pricing in our returns.

## 6. Equity across Members

To ensure equity among cohorts of members, the Trustee ensures that the valuations of the majority of the Fund's holdings are updated at least weekly, aligned with the frequency of the unit pricing process. Where assets are valued less frequently, the Trustee has differentiated expectations on the required frequency of valuations for different asset classes, based on the potential impact of the valuation on the investment options and the cost of the valuation process.

To minimise the risk of arbitrage the Trustee seeks to ensure frequent valuation of assets and also, where valuations are less frequent with unlisted assets, that the valuations are spread across the year so the impact on members' entitlements is staggered over time.

## 7. Asset Valuation Methodologies

As the Fund invests in different investment assets, it applies valuation methodologies that are appropriate for the specific attributes of each asset or asset category and considers:

- asset characteristics (eg type of asset, size, domicile);
- accessibility, reliability, frequency and timeliness of valuation information; and
- availability of comparative market data for similar assets.

Valuation frequency considers:

- weekly unit pricing updates;
- the type of asset and its investment horizon;
- access to and cost of obtaining valuation information; and
- market/economic environment.

### 7.1 Custodian Pricing

The Custodian Pricing Policy describes the custodian's valuation approach, including methodology, frequency and source by asset class. The policy is reviewed annually to ensure it meets Fund requirements and is consistent with regulatory requirements. The Fund has a comprehensive approach to monitor services provided by the custodian, including receiving appropriate externally audited assurances over the custodian's internal control environment.

## 7.2 Traded Assets (where independent valuation sources are available)

Traded assets are assets that are transacted via formal securities exchanges or central clearing agent platforms. Traded assets valuation is maintained by the custodian with the valuation approach documented in their Pricing Policy. Valuation data is provided by third party pricing vendors that source information directly from formal securities exchanges, central clearing agent or other referable market data.

The custodian uses standard hierarchies specific to asset type and where the asset is traded. A prior day price will be selected only if a current day price is not available. The custodian may select a price from a secondary source where they confirm that price to be the best available.

New securities/investment instruments are not traded until confirmation is received from the custodian that the instrument can be appropriately valued. Monitoring of stale pricing is performed with exceptions actioned promptly.

## 7.3 Non-Traded /Unlisted Assets

Non-traded or unlisted assets include investments in pooled vehicles (underlying assets are listed securities or unlisted private assets), including "fund of fund" arrangements, co-investments or other directly held assets, for example the Fund's investment in Strategic Investments.

The Fund reviews investment values periodically, and at least annually, to ensure that the current valuation remains appropriate. Where appropriate, this will include a roll-forward of valuation/interim valuation (i.e. update of valuation inputs for any material new information since the previous valuation). The Fund has controls in place to ensure it receives valuations from the investment manager and reviews the valuations received for reasonableness and consistency. Lag time between the valuation "as at" date and the receipt of the valuation is monitored to assess any impact on option unit pricing.

For assets where the Fund appoints the valuer, accountability for the process sits with the Head of Investment Execution and the following principles apply:

- Other than where the valuer is selected in conjunction other co-investment partners, the valuer appointed by the Fund will be selected following appropriate due diligence<sup>1</sup>.
- Assets will be valued at least annually.
- Valuers will be rotated periodically.
- Valuers are required to provide a value and may also provide a range of potential values (based on specified assumptions).
- Valuations reports are reviewed by the applicable General Manager (or delegate).

Where the Fund determines to use a valuation other than the value provided by the independent valuer, this decision is approved by the Board on the CEO's recommendation, supported by the Head of Investment Execution (in consultation with the CIO and CFO and the Chief Risk & Compliance Officer).

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<sup>1</sup> Due diligence will consider valuation methodology, resourcing, qualification, areas of specialisation and experience of the external valuer prior to their appointment.

The Fund may hold ownership of assets via co-investment vehicles in conjunction with other investors. In these circumstances and directly where the Fund appoints the valuer to value the asset, where appropriate and subject to appropriate due diligence, the valuer selected in conjunction with other co-investment partners may be used to value the asset.

The Fund's Strategic Investments are valued by an independent valuer.

## 7.4 Over-the-Counter Instruments

The Fund uses the custodian's independent valuation service to value Over-the-Counter instruments (OTCs).

## 8. Unlisted Asset "out-of-cycle" Revaluations and Triggers

### 8.1 Asset Specific Trigger Events

There may be circumstances where the Trustee determines that it is in the members' best interest to consider an "out-of-cycle" valuation for an unlisted asset. Asset specific triggers that can prompt consideration of an out-of-cycle valuations can include, but are not limited to:

- A revision of assumptions used to value the asset or where a material change in the value of similar assets becomes known;
- Material change in the asset's operating conditions;
- Significant change in the outlook for an asset (i.e. loss of material contract);
- Regulatory changes or other external event with a material impact; and
- Change in ownership of an asset.
- Other circumstances where the Trustee considers that the valuation provided by the valuer or fund manager for an asset is not representative and the asset value should be reassessed.

### 8.2 Exogenous Trigger Events

The Trustee acknowledges that where there are material movements in the observable prices of listed assets that can be expected to influence the valuations of unlisted assets, this may give rise to arbitrage opportunities between investment options. The Trustee has set the following "triggers" whereupon consideration will be given to seeking "out-of-cycle" valuations for unlisted assets:

1. The value of the MSCI World ex-Australia (AUD) Hedged Index falls or rises by greater than 20% over a rolling 90 day period, or
2. The yield of the Australian 10-year bond, or the yield of the US 10-year bond, falls or rises by more than 1% over a rolling 90 day period.

### 8.3 Out of Cycle Valuation Implementation

Where the Fund determines that one or more unlisted asset valuations should be reassessed, the Fund will initially review the valuation with the fund manager/valuers to obtain a more complete understanding of the valuation drivers. Where the Fund continues to hold concerns over the veracity of the asset's valuation, an out of cycle valuation may be sought. The valuation may be undertaken by the Trustee, an investment manager or an external valuer, depending on the circumstances.

Where the trigger impacts across the asset class and the decision is taken to seek out-of-cycle values, then in the first instance those new valuations will be sought from fund managers whose mandate(s) or pooled vehicle(s) represent a significant portion of the affected asset class.

The decision to request an out-of-cycle valuation and the valuation methodology to be applied is approved by the Head of Investment Execution, in consultation with the CIO and CFO and the Chief Risk & Compliance Officer, reported immediately to the CEO and reported to the Investment Committee and Audit and Risk Committee at their next meetings.

In arriving at a Trustee Valuation, consideration will be given to seeking input from third-parties with the ability to provide "market-relative" insights, such as the Fund's external auditors. Should those market-relative insights support the need to apply Trustee Valuations, then appropriate expert third-party advice will be sought to assist in the process.

Any decision to implement Trustee Valuations will also be accompanied with the triggers for the reversion back to fund manager valuations.

## **9. Role of the External and Internal Auditors**

The Fund's External Auditor provides an opinion on the fairness and reasonableness of the Fund's annual financial statements. In forming its opinion, the External Auditor will consider the Valuation Policy and processes to test and review the Fund's oversight of fund managers' valuation methodologies and processes.

The Fund's Internal Auditor has full access to the Fund's investment policies and processes and will, from time to time, test the application of processes aimed at ensuring fund manager valuation policies are reviewed.

If either the External or Internal Auditor identifies a material issue with the policies being applied, the Fund will work with the Auditor and the fund manager to understand the nature and materiality of the finding. The Trustee's response will depend on the issue and the outcome of the discussions but may be to request of the fund manager an updated valuation or seek a second valuation.

It is worth noting that many of the firms that provide audit services also provide independent valuation services, which allows for the potential for conflicts of interests to arise. To help manage this risk, the Fund will seek to ensure that fund managers, where practical, exclude their external auditor providing valuation services.

## **10. Exceptions Process**

The Head of Investment Execution is responsible for ensuring that all deviations from compliance with this Policy are reported in a timely manner to the CEO and managed in accordance with the Fund's Compliance Framework.

Any identified actual or perceived conflict of interest or duty will be dealt with in accordance with HESTA's Conflicts Management Policy which is designed to ensure any conflicts that are identified are avoided or controlled and disclosed. Where a conflict of duty or interest is identified, priority must be given to the interests of beneficiaries of the Fund.

Any requests for an exemption from complying with this Policy must be supported in writing by both the CIO and the Head of Investment Execution. The ARC is also to be notified if the exception is deemed material.

## **11. Review**

This document is maintained by the Head of Investment Execution. It is formally reviewed periodically, including approval from the IC. Circumstances that may lead to reviewing the Policy more frequently include, but are not limited to:

- Regulatory changes or changes to relevant accounting standards;
- Investment in instruments for which the valuation methodology is not covered in this document;  
or
- Changes to the Fund's investment practices.



## Appendix 1 – Valuation Approach by Asset Type (where independent valuation sources are not available)

Asset Type	Valuation Methodology Overview	Frequency	Valuation Source	Review
Term Deposits	Priced at par	Daily	Valued based on third party banking institutions transaction information	In circumstances where the counterparty's credit rating declines materially, the investment's valuation may be reassessed. This decision and the valuation methodology to be applied is approved by the Head of Investment Execution, in consultation with the CIO, with oversight by the Chief Risk & Compliance Officer and reported to the Investment Committee at its next meeting.
Pooled Vehicle holding listed securities (where manager does not provide prices to AUSMAQ)	Vehicle unit prices are based on the valuations of the underlying securities, which the manager/responsible entity values in accordance with their valuation policies.	At least weekly	Unit prices are provided to the custodian by the vehicle's manager/responsible entity.	Valuation approach and frequency is specified as part of the investment approval.  Manager/responsible entity's valuation policy is reviewed for reasonableness and consistency as part of initial and ongoing due diligence.

Asset Type	Valuation Methodology Overview	Frequency	Valuation Source	Review
Pooled Vehicle holding unlisted assets	Vehicle unit prices are based on the valuations of the underlying assets, which the manager/responsible entity values in accordance with their valuation policies, which follow accepted accounting standards and/or industry guidelines. Asset valuations are assessed as part of the Fund annual external audit.	Various, monthly to annual	Valuation statements provided by Fund Manager or General Partner to the custodian.	Valuation approach and frequency is specified as part of the investment approval.  The fund manager's valuation policy is reviewed for reasonableness and consistency as part of initial and ongoing due diligence. The Fund's asset consultant reviews manager also reviews manager valuation policies on an annual basis.
Private Equity	Independent asset valuations are not typically conducted by the manager. Manager valuations are audited by the entity's external auditor annually.	Minimum annually	Valuation statements provided by Fund Manager or General Partner to the custodian.	Valuation approach and frequency is specified as part of the investment approval.  The fund manager's valuation policy is reviewed for reasonableness and consistency as part of initial and ongoing due diligence. The Fund's asset consultant reviews manager also reviews manager valuation policies on an annual basis.

Asset Type	Valuation Methodology Overview	Frequency	Valuation Source	Review
Co-investment or direct investment managed by external manager	<p>External manager appoints independent valuer to value underlying assets in accordance with accepted accounting standards and/or industry guidelines.</p> <p>External managers provide audited financial statements annually, where applicable</p>	<p>Unit values provided at least quarterly with underlying assets independently valued at least annually.</p> <p>Manager valuations may be provided in between independent valuations.</p>	Independent valuer appointed by manager.	<p>Valuation approach and frequency is specified as part of the investment approval.</p> <p>The fund manager's valuation policy is reviewed for reasonableness and consistency as part of initial and ongoing due diligence. The Fund's asset consultant reviews manager also reviews manager valuation policies on an annual basis.</p>
Co-investment where Trustee appoints valuer	Underlying assets valued in accordance with accepted accounting standards and/or industry guidelines.	Annual	Independent valuer appointment managed by Investment Execution, with valuation acceptance by Head of Investment Execution.	<p>Valuation approach and frequency is specified as part of the investment approval.</p> <p>Relevant investment team will review valuations for appropriateness of assumptions and reasonableness and consistency of valuation. The outcome of this review will be provided to by Head of Investment Execution.</p>
Strategic Investments	Valued by an independent valuer.	Annual	Valued by an independent valuer.	Head of Investment Execution will review valuations for appropriateness of assumptions and reasonableness and consistency of valuation.

## **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

#### **HESTA**

**HEST07QW: Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) wholly owned by the fund or funds under your control, including:**

- a. The asset name and location.**
- b. The frequency of the revaluation of the asset.**
- c. The most recent valuation.**
- d. A copy of that valuation.**
- e. The methodology used for its valuation.**
- f. Whether the valuation was completed internally or externally.**
- g. The details of any external party involved in the valuation.**

#### **Answer:**

In responding to question HEST07QW, HESTA notes the following:

- As noted in the response to question HEST04QW, the term 'unlisted assets' has been defined as private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets.
- With respect to investments in unlisted fund vehicles, the 'location' of such assets is the place of establishment of the applicable fund vehicle.
- All information has been provided as at 30 June 2019.
- References to 'wholly-owned assets' are interpreted as assets in which HESTA holds an interest of 100%.
- With respect to investments in unlisted fund vehicles, 'valuation frequency' has been interpreted as how often the fund manager determines the unit price for the fund vehicle.
- The most recent valuation and a copy of such valuation for each asset have not been disclosed, as such information is commercially sensitive and subject to confidentiality restrictions imposed by third parties.
- HESTA's unlisted assets are valued by third parties (neither HESTA nor valuers retained by HESTA) and such valuations are manager-driven (i.e. the valuations are provided by the relevant fund manager to HESTA and the valuations are undertaken in accordance with methodologies established by the relevant fund manager and/or its valuer).

<b>Asset Name</b>	<b>Valuation Frequency</b>	<b>Location</b>	<b>Valuation</b>	<b>Valuation Methodology</b>	<b>Ownership</b>
MRCF BTF (H) Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
MRCF3 (H) Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
MRCF3 (H) B Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
MRCF5 (H) Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Relative Value Debt Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
Eureka Property Fund 5	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Int. Opp. Property Investment Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Australian Private Equity Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Investment Partner Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Life Science Venture Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
Pacific Equity Partners Secure Assets Fund Co-investment Trust B	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA (Palisade) Infrastructure Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
Social Impact Investment Trust	Quarterly	Australia	External	Manager Driven	Wholly-owned
HESTA QP Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
HESTA Sustainable Capital Investment Trust	Monthly	Australia	External	Manager Driven	Wholly-owned
Westbourne Yield Fund No. 7	Monthly	Australia	External	Manager Driven	Wholly-owned

## **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

#### **HESTA**

**HEST08QW: Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) partly owned by the fund or funds under your control, including:**

- a. The asset name and location.**
- b. The frequency of the revaluation of the asset.**
- c. The most recent valuation.**
- d. A copy of that valuation.**
- e. The methodology used for its valuation.**
- f. Whether the valuation was completed internally or externally.**
- g. The details of any external party involved in the valuation.**

#### **Answer:**

In responding to question HEST08QW, HESTA notes the following:

- As noted in the response to question HEST04QW, the term 'unlisted assets' has been defined as private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets.
- With respect to investments in unlisted fund vehicles, the 'location' of such assets is the place of establishment of the applicable fund vehicle.
- All information has been provided as at 30 June 2019.
- References to 'partly-owned assets' are interpreted as assets in which HESTA holds an interest of less than 100%.
- With respect to investments in unlisted fund vehicles, 'valuation frequency' has been interpreted as how often the fund manager determines the unit price for the fund vehicle.
- The most recent valuation and a copy of such valuation for each asset have not been disclosed, as such information is commercially sensitive and subject to confidentiality restrictions imposed by third parties.
- HESTA's unlisted assets are valued by third parties (neither HESTA nor valuers retained by HESTA) and such valuations are manager-driven (i.e. the valuations are provided by the relevant fund manager to HESTA and the valuations are undertaken in accordance with methodologies established by the relevant fund manager and/or its valuer).

Asset Name	Valuation Frequency	Location	Valuation	Valuation Methodology	Ownership
Advent Partners 2 Fund, LP	Monthly	Australia	External	Manager Driven	Partly
AEW Core Property Trust (U.S.), Inc	Quarterly	Maryland, USA	External	Manager Driven	Partly
AEW Value Investors U.S. L.P	Quarterly	Delaware, USA	External	Manager Driven	Partly
Allegro Fund II, LP	Quarterly	Australia	External	Manager Driven	Partly
AlphaCat Advantage Fund Ltd	Monthly	Bermuda	External	Manager Driven	Partly
Barings Global Loan Fund	Daily	Australia	External	Manager Driven	Partly
BlackRock Co-investment Fund III, L.P. - Non-US Series	Quarterly	Delaware, USA	External	Manager Driven	Partly
Co-investment Fund IV, L.P. - Non-US Series	Quarterly	Delaware, USA	External	Manager Driven	Partly
Q-BLK Co-investment Fund II, L.P. - Non-US Series	Quarterly	Delaware, USA	External	Manager Driven	Partly
Bridgewater Pure Alpha Fund (Australia)	Weekly	Australia	External	Manager Driven	Partly
Coller International Partners VII, L.P.	Quarterly	Guernsey, Channel Islands	External	Manager Driven	Partly
Coller International Partners V-A, L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Coller International Partners VI, L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Healthcare Royalty Partners II, L.P.	Monthly	Delaware, USA	External	Manager Driven	Partly
Healthcare Royalty Partners III, L.P.	Monthly	Delaware, USA	External	Manager Driven	Partly
Yield Plus Infrastructure Property Fund 1	Quarterly	Australia	External	Manager Driven	Partly
Yield Plus Infrastructure Property Fund 2	Monthly	Australia	External	Manager Driven	Partly
Five Elms IV Q	Quarterly	Delaware, USA	External	Manager Driven	Partly
Franklin International Real Estate Fund 2	Monthly	Australia	External	Manager Driven	Partly
Frontier Advisors Pty Ltd	Triennially	Australia	External	Manager Driven	Partly
FSN Capital IV L.P.	Quarterly	Jersey, Channel Islands	External	Manager Driven	Partly
FTV IV, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
FTV V, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Generation IM Climate Solutions Fund II (Cayman), L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Generation IM Sustainable Solutions Fund III (A), L.P.	Quarterly	Guernsey, Channel Islands	External	Manager Driven	Partly

Asset Name	Valuation Frequency	Location	Valuation	Valuation Methodology	Ownership
Generation IM Climate Solutions Fund (Cayman), L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Graham Global Investment Fund II SPC Ltd. - Quant Macro Enhanced Vol Segregated Portfolio	Daily	British Virgin Islands	External	Manager Driven	Partly
Grey Mountain Partners Fund III, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Heitman American Real Estate Trust, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
IFM Australian Private Equity Fund IV	Weekly	Australia	External	Manager Driven	Partly
IFM Australian Private Equity Fund III	Weekly	Australia	External	Manager Driven	Partly
HESTA AI (Port) Trust	Monthly	Australia	External	Manager Driven	Partly
IFM Australian Infrastructure Fund	Weekly	Australia	External	Manager Driven	Partly
IFM Australian Infrastructure Wholesale Fund A	Monthly	Australia	External	Manager Driven	Partly
IFM Australian Infrastructure Wholesale Fund B	Monthly	Australia	External	Manager Driven	Partly
NSW Ports Property Hold Trust	Monthly	Australia	External	Manager Driven	Partly
NSW Ports Pty Ltd	Monthly	Australia	External	Manager Driven	Partly
IFM Specialised Credit Floating Feeder Fund	Monthly	Australia	External	Manager Driven	Partly
IFM International Private Equity Fund III	Weekly	Australia	External	Manager Driven	Partly
IFM International Private Equity Fund II	Weekly	Australia	External	Manager Driven	Partly
IFM International Private Equity Fund I	Weekly	Australia	External	Manager Driven	Partly
IFM Global Infrastructure (Australia) Trust	Weekly	Australia	External	Manager Driven	Partly
IFM International Infrastructure Wholesale Fund	Monthly	Australia	External	Manager Driven	Partly
Investa Commercial Property Fund	Monthly	Australia	External	Manager Driven	Partly
Industry Super Holdings Pty Ltd	Yearly	Australia	External	Third Party	Partly
ISPT Core Fund	Monthly	Australia	External	Manager Driven	Partly
ISPT Retail Australia Property Trust	Monthly	Australia	External	Manager Driven	Partly
ISPT 50 Lonsdale Street Property Trust	Monthly	Australia	External	Manager Driven	Partly
ISPT International Property Trust	Quarterly	Australia	External	Manager Driven	Partly
ISPT Development and Opportunities Fund No. 1	Yearly	Australia	External	Manager Driven	Partly



Asset Name	Valuation Frequency	Location	Valuation	Valuation Methodology	Ownership
ISPT Development and Opportunities Fund No. 2	Yearly	Australia	External	Manager Driven	Partly
JMI Equity Fund VIII-A, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
KKR Helios Co-invest L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
KKR Global Infrastructure Investors II L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
KKR Global Infrastructure Investors III L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
KKR Ingrid Co-invest L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
KKR Streaming Aggregator L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
KKR Taurus Co-invest L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
LeapFrog Emerging Consumer Fund III, LP	Quarterly	Republic of Mauritius	External	Manager Driven	Partly
LeapFrog Financial Inclusion Fund II, LP	Quarterly	Republic of Mauritius	External	Manager Driven	Partly
Lexington Capital Partners VI	Quarterly	Delaware, USA	External	Manager Driven	Partly
LFIS Vision	Weekly	Australia	External	Manager Driven	Partly
Littlejohn Fund V, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Madison India Opportunities IV	Quarterly	Republic of Mauritius	External	Manager Driven	Partly
Members Equity Bank Limited	Yearly	Australia	External	Third Party	Partly
Super Business Loans Trusts	Monthly	Australia	External	Manager Driven	Partly
North Haven Real Estate Fund 5	Quarterly	Delaware, USA	External	Manager Driven	Partly
Utilities Trust of Australia	Monthly	Australia	External	Manager Driven	Partly
Juniper Catastrophe Fund J, Ltd.	Monthly	Bermuda	External	Manager Driven	Partly
Juniper Catastrophe Fund Q4 Development Fund F	Monthly	Bermuda	External	Manager Driven	Partly
Newbury Equity Partners II L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Newbury Equity Partners (Cayman) L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Oaktree European Dislocation Fund, L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Oaktree Mezzanine Fund III A, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Oaktree Mezzanine Fund III B, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Oaktree Principal Fund V, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Oaktree GC Super Fund, L.P.	Daily	Australia	External	Manager Driven	Partly

Asset Name	Valuation Frequency	Location	Valuation	Valuation Methodology	Ownership
PAG Asia II L.P	Quarterly	Cayman Islands	External	Manager Driven	Partly
PAG Asia III L.P	Quarterly	Cayman Islands	External	Manager Driven	Partly
Parrisen Development Fund No. 2	N/A <sup>1</sup>	Australia	N/A	N/A	Partly
Performance Venture Capital II, L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Providence Equity Partners VI L.P.	Quarterly	Delaware, USA/Cayman Islands	External	Manager Driven	Partly
QIC Shopping Centre Fund	Monthly	Australia	External	Manager Driven	Partly
Rio Energy Investment Holdings LLC	Quarterly	Delaware, USA	External	Manager Driven	Partly
Roark Capital Partners IV LP	Quarterly	Delaware, USA	External	Manager Driven	Partly
Roark Capital Partners V (T) LP	Quarterly	Cayman Islands	External	Manager Driven	Partly
Adveq Asia I C.V.	Quarterly	Curacao, Netherlands Antilles	External	Manager Driven	Partly
Adveq Technology V C.V.	Quarterly	Curacao, Netherlands Antilles	External	Manager Driven	Partly
Siguler Guff Distressed Opportunities Fund II, LP	Quarterly	Delaware, USA	External	Manager Driven	Partly
Stafford Private Equity 1 Fund	Monthly	Australia	External	Manager Driven	Partly
Stafford Private Equity 2 Fund	Monthly	Australia	External	Manager Driven	Partly
Stafford Private Equity 3 Fund	Monthly	Australia	External	Manager Driven	Partly
Stafford Private Equity 4 Fund	Monthly	Australia	External	Manager Driven	Partly
Stafford International Timberland III Fund	Quarterly	Australia	External	Manager Driven	Partly
Stafford International Timberland IV Fund	Quarterly	Australia	External	Manager Driven	Partly
Stafford Elm L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Stafford Shiloh L.P.	Quarterly	Delaware, USA	External	Manager Driven	Partly
Diversified NZ Property Fund Limited	Monthly	New Zealand	External	Manager Driven	Partly
TDR Capital Lincoln Co-investment L.P.	Quarterly	England	External	Manager Driven	Partly
TDR Capital III 'B' L.P.	Quarterly	England	External	Manager Driven	Partly
TDR Capital IV 'A' L.P.	Quarterly	England	External	Manager Driven	Partly
European Cities Partnership SCSp	Quarterly	Luxembourg	External	Manager Driven	Partly

<sup>1</sup> This vehicle is a dormant entity with no assets and, consequently, no unit price. As such, no valuations are conducted.

<b>Asset Name</b>	<b>Valuation Frequency</b>	<b>Location</b>	<b>Valuation</b>	<b>Valuation Methodology</b>	<b>Ownership</b>
Trident VI, L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
Trident VII Co-invest - A LP	Quarterly	Cayman Islands	External	Manager Driven	Partly
Trident VII, L.P.	Quarterly	Cayman Islands	External	Manager Driven	Partly
VenCap 11 Limited	Quarterly	Jersey, Channel Islands	External	Manager Driven	Partly
VenCap 12 Limited	Quarterly	Jersey, Channel Islands	External	Manager Driven	Partly
VenCap 6 Limited	Quarterly	Jersey, Channel Islands	External	Manager Driven	Partly
VenCap 6 Limited NIL	Quarterly	Jersey, Channel Islands	External	Manager Driven	Partly

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST09QW: Details of arrangements for the temporary or permanent use for corporate venue hire (including corporate boxes), including additional non-hire costs such as catering, at sporting venues over the past five years.**

**Answer:**

HESTA has not had any arrangements in place for the temporary or permanent use of corporate venue hire including corporate boxes at sporting events over the past five years. As such, HESTA has not incurred any related non-hire costs such as catering.

## **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

#### **HESTA**

#### **HEST10QW: Details of sponsorship or sponsorship-like arrangements, marketing or marketing-like or in-kind arrangements for the past five years.**

##### **Answer:**

HESTA has sponsorship arrangements in place with key organisations in the health and community services (HACS) sector. HESTA engages strategically with key partners for marketing and sponsorship activities to maintain a growing fund membership and employer base to provide benefits of scale to all members. Those benefits include (but are not limited to):

- Keeping HESTA's fund costs lower
- Expanding the range of appropriate products and services available to members
- Supporting HESTA's long-term, patient investor approach
- Higher customer satisfaction levels
- Delivering a superior net benefit to HESTA's members (against the industry average).

HESTA's sponsorship program aims to maintain HESTA as the primary fund of choice within the highly competitive HACS sector. All sponsorship arrangements are individually assessed to determine whether the arrangement addresses the Trustee's key criteria which are focused on ensuring there is benefit to HESTA members. The assessment criteria include:

- a) strategic or tactical objective;
- b) cost versus benefit;
- c) market size;
- d) strategic influence within HACS;
- e) access to influential stakeholders; and
- f) competitor risk.

Marketing activities conducted by HESTA include brand campaigns and other campaigns such as promoting HESTA's pension product, aimed at improving member outcomes. Further details are outlined in the responses to questions HEST11QW and HEST31QW. Review mechanisms are in place to ensure sponsorship arrangements and marketing activities remain appropriate and in the best interests of members.

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

**HESTA**

**HEST11QW Details of costs for advertising campaigns for the past five years, including:**

- a. The companies invited to tender for all or parts of any advertising campaign.**
- b. The companies awarded campaigns.**
- c. The total cost of each campaign.**
- d. The cost of the campaign's development.**
- e. Broadcasting (television, radio and internet) and publishing costs.**
- f. Assessment reports of the efficacy of campaigns in either retaining or gaining new members.**

**Answer:**

**a. The companies invited to tender for all or parts of any advertising campaign.**

HESTA has a Procurement Framework in place which sets out policies and procedures for the engagement, regular review and renewal of service providers – these of which apply to the engagement of companies that assist HESTA with advertising campaigns. HESTA considers 'advertising campaigns' in the last five years to include HESTA Brand campaign activity, and HESTA's direct member acquisition campaign activity. Accordingly, there have been no campaign-specific tenders for these campaign-related activities in the defined timeframe.

For both Brand and direct member acquisition campaigns, the creative content work has been executed by either HESTA's existing media partner or a related agency. The media buying, broadcast and publishing activities were all done by HESTA's media partner since 2014. HESTA's internal design team also contributed and as such, there has been no requirement to tender within this timeframe. HESTA did tender for a re-brand project, and the details are as follows:

<b>Campaign</b>	<b>Companies invited to tender</b>	<b>FY (Year / month)</b>
Rebrand project	Future Brand, Shannon Company, Elmwood, Hardwire, The Royals, Interbrand, ET	15/16 (Nov 15)

**b. The companies awarded campaigns.**

<b>Campaign</b>	<b>Companies awarded work / engaged as partners</b>	<b>Year / month</b>
Rebrand project	Future Brand, ET	15/16 (Dec 15)

**c. The total cost of each campaign.**

<b>Campaign</b>	<b>FY</b>	<b>Total cost</b>
Brand advertising	14/15	\$3,883,351
	15/16	\$4,414,092
	16/17	\$4,524,951
	17/18	\$4,838,076
	18/19	\$5,723,706

**d. The cost of the campaign's development.**

HESTA have considered 'development' to mean creative and asset development including print, video production, photography, design, asset build and editing. All relevant costs have been included in the next section.

<b>Campaign</b>	<b>FY</b>	<b>Total cost</b>
Brand advertising	14/15	\$213,390
	15/16	\$358,965
	16/17	\$207,558
	17/18	\$246,404
	18/19	\$481,274

**e. Broadcasting (television, radio and internet) and publishing costs.**

<b>Campaign</b>	<b>FY</b>	<b>Total cost</b>
Brand advertising	14/15	\$3,669,961
	15/16	\$4,055,127
	16/17	\$4,317,393
	17/18	\$4,591,672
	18/19	\$5,667,562

**f. Assessment reports of the efficacy of campaigns in either retaining or gaining new members**

Brand awareness is a core requirement for both engaging and retaining existing members as well as attracting and acquiring new members.

HESTA's marketing team regularly monitor and review the performance of the service providers and require its media buying agency to provide regular updates on the progress of HESTA's brand campaign. The effectiveness of the brand campaign is also assessed through HESTA's annual brand tracking survey which is conducted by a third-party research provider.

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

**HESTA**

**HEST12QW Over the last five financial years:**

- a. What is the total budget for all costs associated with the fund?**
- b. What were the total assets under management?**
- c. What are the total number of employees?**
- d. What are the total number of contractors?**
- e. What are the total number of externally hired contracts, and their value?**

**Answer:**

- a. What is the total budget for all costs associated with the fund?**

<b>FY</b>	<b>Total Budget</b>
14/15	\$97,871,347
15/16	\$110,335,000
16/17	\$121,840,000
17/18	\$141,041,000
18/19	\$159,770,000

- b. What were the total assets under management?**

<b>FY</b>	<b>Total Assets</b>
14/15	\$33,194,302,000
15/16	\$35,760,443,000
16/17	\$41,516,447,000
17/18	\$47,988,028,000
18/19	\$53,505,220,000

- c. What are the total number of employees?**

<b>FY</b>	<b>Total Number</b>
14/15	117
15/16	127
16/17	158
17/18	191
18/19	242

- d. What are the total number of contractors?**

<b>FY</b>	<b>Total Numbers</b>
14/15	1
15/16	1
16/17	3
17/18	6
18/19	3

- e. What are the total number of externally hired contracts, and their value?**

<b>FY</b>	<b>Total Numbers</b>	<b>Total Value</b>
14/15	3	\$49,317



15/16	3	\$203,559
16/17	7	\$385,598
17/18	3	\$219,209
18/19	15	\$886,383

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST13QW Over the last five financial years:**

- a. **What is the total number of member accounts?**
- b. **What is the total increase in the number of members as a result of the fund's default status?**
- c. **What is the total increase in the number of members through voluntary adoption or switching?**
- d. **What was the average member balance?**
- e. **What was the average dollar amount deducted in insurance fees per member, across all fund products in dollar terms and as a share of a member account?**
- f. **What was the total number of inactive accounts? (Please use the APRA definition: no contributions for two years)**

**Answer:**

- a. **What is the total number of member accounts?**

This data is available publicly on the following link Annual Fund Level [Statistics Back Series](#):

<https://www.apra.gov.au/sites/default/files/Annual%20Fund-level%20Superannuation%20Statistics%20Back%20Series%20June%202019.xlsx>

<b>FY</b>	<b>Total Numbers</b>
14/15	822,846
15/16	833,325
16/17	854,011
17/18	872,299
18/19	858,438

- b. **What is the total increase in the number of members as a result of the fund's default status?**

<b>FY</b>	<b>Total Numbers</b>
14/15	41,288
15/16	45,928
16/17	41,822
17/18	42,946
18/19	49,174

- c. **What is the total increase in the number of members through voluntary adoption or switching?**

<b>FY</b>	<b>Total Numbers</b>
14/15	19,395
15/16	20,048
16/17	23,423
17/18	24,446
18/19	23,736

- d. **What was the average member balance?**

<b>FY</b>	<b>Average</b>
14/15	\$40,501.05
15/16	\$42,936.37
16/17	\$48,860.97
17/18	\$55,022.29
18/19	\$60,767.52

- e. **What was the average dollar amount deducted in insurance fees per member, across all fund products in dollar terms and as a share of a member account?**

<b>FY</b>	<b>Average</b>	<b>Share</b>
14/15	\$238.97	0.64%
15/16	\$309.57	0.78%
16/17	\$319.50	0.71%
17/18	\$299.02	0.60%
18/19	\$279.91	0.49%

- f. **What was the total number of inactive accounts? (Please use the APRA definition: no contributions for two years)**

<b>FY</b>	<b>Total Number</b>
14/15	140,701
15/16	135,246
16/17	139,593
17/18	134,607
18/19	92,360

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST14QW** Please provide the one, five, and ten-year net return after fees, costs, and taxes for the primary default MySuper balanced product.

**Answer:**

As at 30 June 2019:

<b>Investment Options</b>	<b>1 Year (% p.a.)</b>	<b>5 Year (% p.a.)</b>	<b>10 Year (% p.a.)</b>
Accumulation Core Pool	7.25	8.32	9.06

This is publicly available via the following link:

<https://www.hesta.com.au/members/investments/super-performance.html>

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

**HESTA**

**HEST15QW Over the last five financial years:**

- a. **What was the average dollar amount deducted for administration and asset management fees per member, across all fund products? (please do not include insurance fees)**

**Answer:**

<b>FY</b>	<b>Average</b>
14/15	\$98.40
15/16	\$100.71
16/17	\$106.86
17/18	\$109.87
18/19	\$119.47

For comprehensive information regarding fees and costs charged to members, please refer to HESTA's website using this publicly available link: <https://www.hesta.com.au/members/your-superannuation/fees-and-costs.html>

- b. **What was the cost (%) of fund administration expenses as a proportion of funds under management?**

<b>FY</b>	<b>Percentage</b>
14/15	0.14%
15/16	0.12%
16/17	0.11%
17/18	0.09%
18/19	0.09%

- c. **What was the total cost of in-house administration expenses?**

HESTA outsource all member administration services to an external service provider, and therefore do not have any in-house administration expenses.

<b>FY</b>	<b>Total Cost</b>
14/15	\$0.00
15/16	\$0.00
16/17	\$0.00
17/18	\$0.00
18/19	\$0.00

- d. **What was the cost of in-house administration expenses as a proportion of funds under management?**

HESTA outsource all member administration services to an external service provider, and therefore do not have any in-house administration expenses.

<b>FY</b>	<b>Percentage</b>
14/15	0.00%
15/16	0.00%
16/17	0.00%

17/18	0.00%
18/19	0.00%

**e. What was the total cost of any external administration expenses?**

The below figures are as per those disclosed in HESTA's annual reports. Available publicly at the following link <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Annual-Report-2018-2019.pdf>

<b>FY</b>	<b>Total Cost</b>
14/15	\$46,407,000
15/16	\$44,299,000
16/17	\$46,872,000
17/18	\$44,418,000
18/19	\$47,479,000

**f. What was the cost of any external administration expenses as a proportion of funds under management?**

<b>FY</b>	<b>Percentage</b>
14/15	0.14%
15/16	0.12%
16/17	0.11%
17/18	0.09%
18/19	0.09%

**g. What was the total cost of any external administration expenses to Related Parties?**

<b>FY</b>	<b>Total Cost</b>
14/15	\$0.00
15/16	\$0.00
16/17	\$0.00
17/18	\$0.00
18/19	\$0.00

**h. What was the cost of any external administration expenses to Related Parties as a proportion of funds under management?**

<b>FY</b>	<b>Percentage</b>
14/15	0.00%
15/16	0.00%
16/17	0.00%
17/18	0.00%
18/19	0.00%

**i. How many staff are employed in roles considered part of the administrative cost?**

<b>FY</b>	<b>Total Number</b>
14/15	0
15/16	0
16/17	0
17/18	0
18/19	0

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST16QW    What is the total number of statutory fines over the past five years?**

**Answer:** HESTA have not received any statutory fines in the past 5 years.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST17QW Over the last five financial years:**

- a. The number of rollover requests that the fund did not pay out to another fund for each year?**

**Answer:**

<b>FY</b>	<b>Total Number</b>
14/15	N/A
15/16	4,554
16/17	6,270
17/18	8,609
18/19	9,374

This information is not available for FY 14/15. HESTA complies with all eligible and complete rollover requests. However, there are circumstances where HESTA cannot complete a rollover often due to incorrect or insufficient information, or where there is not an open account at another fund.

- b. The average dollar value of a rollover for each year?**

<b>FY</b>	<b>Total Average</b>
14/15	\$28,165.53
15/16	\$26,898.73
16/17	\$31,372.79
17/18	\$27,225.54
18/19	\$24,834.86

- c. The value of any clawback accounts and/or funds held that is used to hold funds between financial years?**

<b>FY</b>	<b>Total Number</b>
14/15	\$10,179
15/16	\$12,224
16/17	\$3,346
17/18	\$3,788
18/19	\$6,405



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

**HESTA**

**HEST18QW**

- a. Does the fund maintain a reserve at least partially funded through insurance premiums, rebates from an insurance company (such as profit share arrangements) or tax benefits that have arisen from insurance?**

**Answer:** HESTA does not maintain an insurance reserve, nor reserve funded through insurance premiums, rebates from an insurance company or tax benefits that have arisen from insurance.

- b. The total value of that reserve?**

**Answer:** Not applicable.

- c. The total value of tax rebates received from the ATO on insurance premiums?**

**Answer:** No tax rebates on insurance premiums are received by HESTA.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST19QW** The number of trusts or investment vehicles the fund controls in each of the low tax regions, including but not limited to Andorra, the Bahamas, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, the Cook Islands, Hong Kong, the Isle of Man, Mauritius, Lichtenstein, Luxembourg, Monaco, Panama, St Kitts and Nevis? Or tax efficient arrangements such as a 'double Dutch sandwich'?

**Answer:**

HESTA does not control any trusts or investment vehicles in any low tax regions. All trusts and investment vehicles controlled by HESTA are located in Australia.

HESTA includes its income from all sources, whether inside or outside of Australia, in its Australian income tax returns.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST20QW**

- a. **The number of accounts that have been transferred to the ATO as a result of 'Protecting your Super' legislation?**

**Answer:** 7,866 as at 21 February 2020

- b. **The value of the money that will be paid to the ATO as a result of the 'Protecting your Super' legislation?**

**Answer:** \$14,717,822.30 as at 21 February 2020

- c. **The number of accounts that has been transferred into an eligible rollover fund in the 2019 financial year?**

**Answer:** 42,819

- d. **The value of the money that has been transferred into an eligible rollover fund in the 2019 financial year?**

**Answer:** \$98,613,051.30

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST21QW:** Have you ever made a donation and/or subscription fee to the ACTU Member Connect and/or ACTU Superannuation Partnerships program, and if so, to what value over the past five years?

**Answer:** No.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST22QW Does the fund pay any external consultants for any advocacy and communication services, and if so can you please name them and the costs incurred over the past five years?**

**Answer:** On occasion, HESTA engages external parties for the purposes of additional assistance with advocacy and communication services aimed at improving member outcomes. Over the past 5 years HESTA have engaged The Australia Institute (via The Centre For Future Work) on the HESTA Vital Signs report for research purposes; and the McKell Institute for research on broader super issues that impact on retirement outcomes.

The cost of these engagements is commercially sensitive and subject to confidentiality restrictions imposed by third parties.

## **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST23QW**

**a. How many staff are employed for the purpose of policy research or analysis?**

**Answer:** HESTA has a strong commitment to systemic change to improve the retirement outcomes for its members. Its Impact Team is dedicated to delivering this commitment through, among other things, supporting its innovative investment program that aims to earn appropriate returns and deliver positive social outcomes. One member of the Impact Team spending approximately 80% of their time on policy research or analysis.

**b. How much was spent on engaging external policy and data analysis consultants (we are interpreting 'policy and data analysis consultants' as together, rather than separate discrete concepts)**

**Answer:** None.

**c. How much was spent on membership of industry advocacy organisations that provide policy and data analysis service to member funds?**

**Answer:** HESTA maintains memberships to certain industry advocacy organisations that provide policy and data analysis services, aimed at improving member outcomes. These organisations include the Australian Council of Superannuation Investors, Industry Super Australia, the Australian Institute of Superannuation Trustees, and the Association of Superannuation Funds of Australia. The cost of these memberships is commercially sensitive and subject to confidentiality restrictions imposed by third parties.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

#### **HEST24QW In the context of building investments:**

- a. Have you completed assessments of the prevalence of flammable cladding across some properties?**
- b. Have you completed assessments of the prevalence of flammable cladding across all properties?**
- c. Have you taken any remediation to reduce your exposure to risk to identify flammable cladding, and if so, what?**
- d. Have you taken any remediation to reduce your exposure to risk to remove flammable cladding, and if so, what?**
- e. Do you hold any properties where insurance has been refused or are uninsured due to defective building construction such as cladding**

#### **Answer:**

HESTA outsources its property investment activities to external investment managers, and the outsourcing arrangements comply with relevant APRA Prudential standards on outsourcing. The HESTA Investment team is responsible for the ongoing monitoring of manager performance and other investment management activities and processes, including risk mitigation across the portfolio. In response to each of the questions raised:

- a.** Yes. Property investment managers have reported that they have completed assessments of the prevalence of flammable cladding across the vast majority of properties. Please note that this assessment is only required where aluminium composite panels are present on a building.
- b.** Yes. All managers have confirmed that they have completed assessments of the prevalence of flammable cladding across all properties where required by legislation and where aluminium composite panels are present.
- c.** Yes. In 2019, HESTA contacted each of its Australian property managers and requested that they report on their investigations into the use of aluminium composite panels on buildings and whether the panels in use are compliant with relevant legislation. HESTA has maintained a register of these responses. All Australian based property investment managers have, at a minimum, undertaken assessments in accordance with state legislation. Please note that the states have not acted in a coordinated manner, with some states more advanced in setting regulations or legislation than others. The managers have undertaken any required remediation in accordance with such legislation as it has evolved.

For any new acquisitions, managers have appropriate due diligence steps in place to identify any aluminium composite panels and their compliance with relevant legislation.

- d.** Yes. Where required and as relevant, managers have implemented rectification plans to investigate, test, mitigate and potentially replace panels. The majority of aluminium composite panels tested by independent experts were determined to be compliant. Independent fire engineers have been used by managers to both assess and develop mitigation plans (for example, fire engineered solutions) with these plans not necessarily requiring the replacement of panels. The cost of replacing panels has generally been incorporated into capital expenditure budgets at the asset level by managers. In limited cases, a small valuation impact has been observed as conclusive remediation programs have been costed.

- e.** All property managers have confirmed that they do not hold any properties where insurance has been refused or are uninsured due to defective building construction such as cladding.



## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

##### HEST25QW

**a. What external parties manage your investments, if any?**

**Answer:** HESTA retains in excess of 90 external fund managers to manage its investments according to specific objectives and strategies. A list of such managers (separated into various asset classes) is publicly available via the following link, which is updated from time to time: <https://www.hesta.com.au/members/investments/super-investment-options.html>

**b. What are the fee structures per member from external management?**

**Answer:** Fees paid to external fund managers are structured and negotiated separately with each manager (on a per engagement basis) and are not structured on a 'per member' basis. Fees are negotiated with each external fund manager and broadly include two potential components, being management fees (intended to compensate the manager for management services and broadly calculated by reference to the amount invested) and performance fees (payable upon outperformance by the manager and intended to incentivise the manager to achieve the best outcome for HESTA and its members).

For comprehensive information regarding fees and costs charged to members (including for external management), please refer to HESTA's website using this publicly available link: <https://www.hesta.com.au/members/your-superannuation/fees-and-costs.html>

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

##### **HEST26QW Governance:**

**a. How many trustee board members did the fund have?**

**Answer:** This is publicly available on the following . The HESTA board is currently comprised of 14 trustee board members.

**b. What was the total salary of all trustee board members?**

**Answer:** This is publicly available on the following link: <https://www.hesta.com.au/content/dam/hesta/Documents/H.E.S.T.Australia-Ltd-financial-statements-as-at-30-June-2019.pdf>. For FY18/19, the total salary of all trustee board members was \$1,010,563. This amount includes superannuation payments.

**c. What was the average salary of all trustee board members?**

**Answer:** This is publicly available on the following link: <https://www.hesta.com.au/content/dam/hesta/Documents/H.E.S.T.Australia-Ltd-financial-statements-as-at-30-June-2019.pdf>. For FY18/19, the average salary for independent directors was \$171,813.71 inclusive superannuation payments and for representative directors, \$49,648.21 (inclusive of committee chair and membership fees and superannuation payments).

**d. Are there any performance-based assessments that determine trustee board remuneration, and if so what are they?**

**Answer:** No, HESTA does not have performance-based assessments that determine trustee board remuneration.

**e. What was the salary of the trustee board chair?**

**Answer:** This is publicly available on the following link: <https://www.hesta.com.au/content/dam/hesta/Documents/H.E.S.T.Australia-Ltd-financial-statements-as-at-30-June-2019.pdf>. The salary for the trustee board chair for the FY18/19 year was \$189,073.65 (inclusive of superannuation).

**f. What was the average length of service of all trustee board members?**

**Answer:** The average length of service of all trustee board members is approximately 3.6 years.

**g. What is the length of service of the longest serving trustee board member?**

**Answer:** The longest service of a HESTA trustee board member is 8 years, as at 1 January 2020.

**h. Are trustee board members asked whether they have conflicts of interest at each meeting, and if not, why not?**

**Answer:** As a standing procedure, all trustee board members are asked to declare whether they have any conflicts of interest at the start of each meeting.

**i. What is the conflict of interest policy for trustee board members?**

**Answer:** Attached is a copy of the conflicts management framework and policy summary which outlines how the Board identifies and manages any conflicts that may arise, the application which extends to Directors.

**j. Does your fund have a policy on gender diversity and/or balance for listed companies?**

**Answer:** Yes. HESTA has a longstanding commitment to diversity and inclusion.

HESTA is a Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality (EOCGE). HESTA's Chief Executive Officer is a Pay Equity Ambassador having signed the Pay Equity Pledge. HESTA is an EOCGE citation holder. The EOCGE citation is strategically aligned with the Workplace Gender Equality Act 2012 to promote and improve gender equality for both women and men, while recognising the historically disadvantaged position of women in the workplace.

Under the EOCGE, HESTA has set its gender diversity target at 50% and has consistently achieved this target every year.

**k. Does your board have gender balance?**

**Answer:** Yes. The HESTA Board is currently comprised of nine female board members and five male board members. This data is publicly available on the following link: <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

**HEST27QW** In the context of the ACCC's legal action and question for competition in monopoly infrastructure entities:

- a. **What are the implications for infrastructure investment returns if the ACCC is successful in its legal action?**
- b. **Have you analysed your infrastructure investment portfolio to examine the risk of ACCC action to reduce anti-competitive monopoly of oligopoly pricing?**
- c. **If so, can you provide details of the likely impact, and what is the project impact on revenue and income?**

**Answer:** As the ACCC legal action is continuing, we are unable to speculate on the outcome. HESTA and its external investment managers are conscious of the broader regulatory and social landscape in which its infrastructure assets operate. This forms part of HESTA's due diligence before an investment is made and is monitored on an ongoing basis. Diversification of HESTA's infrastructure portfolio is also used to manage its exposure to regulatory risk in any one jurisdiction.

The risk of the ACCC action has been considered as part of this ongoing monitoring and oversight by HESTA's internal team and relevant investment managers.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST28QW:** In dollar terms, for each of your superannuation products, can you please provide annual data for the past five financial years on average, for a member with a balance of \$6,000, \$50,000 and \$150,000?

- a. **Investment fees**
- b. **Administration fees**
- c. **Indirect costs**
- d. **Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.**
- e. **An aggregate total of all fees mentioned above.**

**Answer:**

**Employer-Sponsored (MySuper) & Personal (MySuper)**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$65.00	\$65.00	\$65.00	
Indirect Costs	\$49.20	\$410.00	\$1,230.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$114.20</b>	<b>\$475.00</b>	<b>\$1,295.00</b>	

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$65.00	\$65.00	\$65.00	
Indirect Costs	\$49.80	\$415.00	\$1,245.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$114.80</b>	<b>\$480.00</b>	<b>\$1,310.00</b>	

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$69.80	\$105.00	\$185.00	
Indirect Costs	\$45.00	\$375.00	\$1,125.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$114.80</b>	<b>\$480.00</b>	<b>\$1,310.00</b>	

<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$48.60	\$405.00	\$1,215.00	
Administration Fees	\$69.80	\$105.00	\$185.00	
Indirect Costs	\$14.40	\$120.00	\$360.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$132.80</b>	<b>\$630.00</b>	<b>\$1,760.00</b>	

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$41.40	\$345.00	\$1,035.00	
Administration Fees	\$69.80	\$105.00	\$185.00	
Indirect Costs	\$7.80	\$65.00	\$195.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$119.00</b>	<b>\$515.00</b>	<b>\$1,415.00</b>	

**TTR Balanced**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$24.60	\$205.00	\$615.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$132.40</b>	<b>\$436.00</b>	<b>\$1,126.00</b>	

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$22.80	\$190.00	\$570.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$130.60</b>	<b>\$421.00</b>	<b>\$1,081.00</b>	

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$24.60	\$205.00	\$615.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$132.40</b>	<b>\$436.00</b>	<b>\$1,126.00</b>	

<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$23.40	\$195.00	\$585.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$15.00	\$125.00	\$375.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$146.20</b>	<b>\$551.00</b>	<b>\$1,471.00</b>	

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$30.00	\$250.00	\$750.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$4.20	\$35.00	\$105.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$142.00</b>	<b>\$516.00</b>	<b>\$1,366.00</b>	

**Retirement Income Stream (Includes Term Allocated Pension)**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$24.60	\$205.00	\$615.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$132.40</b>	<b>\$436.00</b>	<b>\$1,126.00</b>	

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$22.80	\$190.00	\$570.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$130.60</b>	<b>\$421.00</b>	<b>\$1,081.00</b>	

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$0.00	\$0.00	\$0.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$24.60	\$205.00	\$615.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$132.40</b>	<b>\$436.00</b>	<b>\$1,126.00</b>	

<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$23.40	\$195.00	\$585.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$15.00	\$125.00	\$375.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$146.20</b>	<b>\$551.00</b>	<b>\$1,471.00</b>	

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	\$29.40	\$245.00	\$735.00	
Administration Fees	\$107.80	\$231.00	\$511.00	
Indirect Costs	\$4.20	\$35.00	\$105.00	
Other Costs	\$0.00	\$0.00	\$0.00	
<b>Total Fees</b>	<b>\$141.40</b>	<b>\$511.00</b>	<b>\$1,351.00</b>	

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST29QW:** As a percentage of the value of the member account, for each of your superannuation products, can you please provide annual data for the past five financial years on average, for a member with a balance of \$6,000, \$50,000 and \$150,000?

- a. **Investment fees**
- b. **Administration fees**
- c. **Indirect costs**
- d. **Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.**
- e. **An aggregate total of all fees mentioned above.**

**Answer:**

**Employer-Sponsored (MySuper) & Personal (MySuper)**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.00%	
Administration Fees	1.08%	0.13%	0.04%	
Indirect Costs	0.82%	0.82%	0.82%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>1.9%</b>	<b>0.95%</b>	<b>0.86%</b>	

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.00%	
Administration Fees	1.08%	0.13%	0.04%	
Indirect Costs	0.83%	0.83%	0.83%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>1.91%</b>	<b>0.96%</b>	<b>0.87%</b>	

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.75%	
Administration Fees	1.16%	0.21%	0.12%	
Indirect Costs	0.75%	0.75%	0.00%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>1.91%</b>	<b>0.96%</b>	<b>0.87%</b>	



<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.81%	0.81%	0.81%	
Administration Fees	1.16%	0.21%	0.12%	
Indirect Costs	0.24%	0.24%	0.24%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>2.21%</b>	<b>1.26%</b>	<b>1.17%</b>	

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.69%	0.69%	0.69%	
Administration Fees	1.16%	0.21%	0.12%	
Indirect Costs	0.13%	0.13%	0.13%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>1.98%</b>	<b>1.03%</b>	<b>0.94%</b>	

**TTR Balanced**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.00%	
Administration Fees	1.80%	0.46%	0.34%	
Indirect Costs	0.41%	0.41%	0.41%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>2.21%</b>	<b>0.87%</b>	<b>0.75%</b>	

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.00%	
Administration Fees	1.80%	0.46%	0.34%	
Indirect Costs	0.38%	0.38%	0.38%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>2.18%</b>	<b>0.84%</b>	<b>0.72%</b>	

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.00%	0.00%	0.00%	
Administration Fees	1.80%	0.46%	0.34%	
Indirect Costs	0.41%	0.41%	0.41%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>2.21%</b>	<b>0.87%</b>	<b>0.75%</b>	

<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>	<b>-</b>
Investment Fees	0.39%	0.39%	0.39%	
Administration Fees	1.80%	0.46%	0.34%	
Indirect Costs	0.25%	0.25%	0.25%	
Other Costs	0.00%	0.00%	0.00%	
<b>Total Fees</b>	<b>2.44%</b>	<b>1.10%</b>	<b>0.98%</b>	

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.50%	0.50%	0.50%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.07%	0.07%	0.07%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.37%</b>	<b>1.03%</b>	<b>0.91%</b>

**Retirement Income Stream (including Term Allocated Pension)**

<b>Financial Year 2014/2015</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.00%	0.00%	0.00%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.41%	0.41%	0.41%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.21%</b>	<b>0.87%</b>	<b>0.75%</b>

<b>Financial Year 2015/2016</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.00%	0.00%	0.00%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.38%	0.38%	0.38%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.18%</b>	<b>0.84%</b>	<b>0.72%</b>

<b>Financial Year 2016/2017</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.00%	0.00%	0.00%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.41%	0.41%	0.41%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.21%</b>	<b>0.87%</b>	<b>0.75%</b>

<b>Financial Year 2017/2018</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.39%	0.39%	0.39%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.25%	0.25%	0.25%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.44%</b>	<b>1.10%</b>	<b>0.98%</b>

<b>Financial Year 2018/2019</b>	<b>Balance - \$6,000</b>	<b>Balance - \$50,000</b>	<b>Balance - \$150,000</b>
Investment Fees	0.49%	0.49%	0.49%
Administration Fees	1.80%	0.46%	0.34%
Indirect Costs	0.07%	0.07%	0.07%
Other Costs	0.00%	0.00%	0.00%
<b>Total Fees</b>	<b>2.36%</b>	<b>1.02%</b>	<b>0.90%</b>

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

**HEST30QW** To the extent that any of the fees and costs listed in the previous two questions are paid to a related entity or associate of the trustee, or any of their respective related entities or associates, please set out the function performed or service provided by that person, and the amount (total quantum) paid to that entity or person at a whole-of-fund level.

**Answer:** Certain of the fees and costs listed in the previous two questions are paid to Industry Super Holdings Pty Ltd (**ISH**) and certain subsidiaries (including IFM Investors Pty Ltd (**IFM**)), ME Bank, ISPT Pty Ltd (**ISPT**) and Frontier Advisors Pty Ltd (**Frontier**). The fees paid to Frontier are disclosed in HESTA's Annual Reports, and are also set out in the table below. Fees and costs paid to ISH and certain subsidiaries (including IFM), ME Bank and ISPT are commercially sensitive and subject to confidentiality restrictions imposed by those parties.

	FY2015	FY2016	FY2017	FY2018	FY2019
Frontier	2,737,150.00	2,971,777.00	3,012,407.00	3,721,731.00	3,449,267.00

HESTA's relationship to each of the abovementioned entities is detailed in its Annual Report. <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Annual-Report-2018-2019.pdf>

As at 30 June 2019, the services provided to HESTA from the abovementioned entities are as follows:

- Frontier: investment consulting services;
- IFM: investment management services;
- ME Bank: execution of forward currency transactions. HESTA has also invested in cash and term deposits with ME Bank at 30 June 2019;
- ISPT: trustee and investment management services (as further specified in HESTA's Annual Reports); and
- ISH: in addition to IFM, ISH has subsidiaries with which HESTA transacts. Industry Fund Services Pty Ltd provides financial planning and debt collection services to HESTA. IFS Insurance Solutions Pty Ltd provides insurance services to HESTA. Industry Super Australia Pty Ltd provides marketing, advocacy, policy development and research services to HESTA.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST31QW For the past five years:**

**a. What was the total cost of all advertising and/or marketing?**

**Answer:**

<b>FY</b>	<b>Total cost</b>
14/15	\$5,212,962
15/16	\$5,964,278
16/17	\$6,480,835
17/18	\$7,981,125
18/19	\$7,956,952

**b. What was the total cost of all advertising and/or marketing per member?**

<b>FY</b>	<b>Total members</b>	<b>Total cost of advertising and/or marketing</b>	<b>Total cost per member</b>
14/15	800,460	\$5,212,962	\$6.51
15/16	821,439	\$5,964,278	\$7.26
16/17	839,629	\$6,480,835	\$7.72
17/18	855,773	\$7,981,125	\$9.33
18/19	843,534	\$7,956,952	\$9.43

**c. What was the total cost of all advertising per new (FY19) member?**

HESTA have a number of strategies to maximise brand acquisition through advertising and marketing activity which we revise and monitor over the course of HESTA's strategic and business plans. These costs vary as HESTA continuously consider new effective ways to engage its members to achieve positive and meaningful retirement outcomes.

The total cost is as above in HESTA's response in a.

**d. What was the total cost of all television advertising and/or marketing?**

HESTA have a number of strategies to maximise brand acquisition through advertising and marketing activity which we revise and monitor over the course of HESTA's strategic and business plans. These costs vary as HESTA continuously consider new effective ways to engage its members to achieve positive and meaningful retirement outcomes.

The total cost is as above in HESTA's response in a.

**e. What was the total cost of all radio advertising and/or marketing?**

HESTA have a number of strategies to maximise brand acquisition through advertising and marketing activity which we revise and monitor over the course of HESTA's strategic and business plans. These costs vary as HESTA continuously consider new effective ways to engage its members to achieve positive and meaningful retirement outcomes.

The total cost is as above in HESTA's response in a.

**f. What was the total cost of all print advertising and/or marketing?**

HESTA have a number of strategies to maximise brand acquisition through advertising and marketing activity which we revise and monitor over the course of HESTA's strategic and business plans. These costs vary as HESTA continuously consider new effective ways to engage its members to achieve positive and meaningful retirement outcomes.

The total cost is as above in HESTA's response in a.

**g. What was the total cost of all online advertising and/or marketing?**

HESTA have a number of strategies to maximise brand acquisition through advertising and marketing activity which we revise and monitor over the course of HESTA's strategic and business plans. These costs vary as HESTA continuously consider new effective ways to engage its members to achieve positive and meaningful retirement outcomes.

The total cost is as above in HESTA's response in a.

**h. How many in-house staff are employed in advertising and marketing roles?**

<b>FY</b>	<b>No of Staff</b>
14/15	18
15/16	25
16/17	23
17/18	22
18/19	20

**i. How much was spent on engaging external advertising and marketing consultants?**

Aimed at improving member outcomes, HESTA maintains several partners on retainer arrangements which gives HESTA access to strategy, planning and execution resources as required. These costs are below:

<b>FY</b>	<b>Consulting costs (various vendors)</b>
14/15	\$128,277
15/16	\$304,694
16/17	\$766,587
17/18	\$1,687,601
18/19	\$1,228,208

**j. Do you advertise and/or directly financial contribute to the New Daily?**

HESTA has not in the past five years advertised with or provided financial contributions to The New Daily.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HST32QW** How much money have you spent on advertising on the following platforms in the past decade:

- a. Google?**
- b. Facebook?**
- c. Twitter?**
- d. Instagram?**
- e. A non-Google search engine?**
- f. Any social media platform that is not mentioned in (b) – (d)?**

**Answer:** HESTA have utilised the following platforms, to some degree, to advertise in the past decade:

- Google
- Facebook
- Instagram
- Bing
- LinkedIn

The cost of these platforms is commercially sensitive and subject to confidentiality restrictions imposed by third parties.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

- HEST33QW Can you provide details if you have purchased the following over the past decade:**
- a. Google advertisements**
  - b. Google search terms.**

**Answer:**

- a. Can you provide details if you have purchased the following over the past decade: Google advertisements**

In response to changing member, employer and potential new member behaviour and expectations, HESTA has used Google Search and Google Display to reach an audience when and where they are engaging with super or retirement related matters. Specifically, Google Advertising (Display) has been purchased for acquisition and retention campaigns. All of HESTA's advertising strategies aim to improve member outcomes.

- b. Can you provide details if you have purchased the following over the past decade: Google search terms**

Further to the above, Google search terms are purchased primarily for brand related terms to ensure members and non-members can find the information they need to make choices and take action for a better financial future.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST34QW**

- a. Do you use Google Ad Words, or any Google provided or supported service to advertise any of your funds or your brand in any way whatsoever?**
- b. Please list what terms you have used in Google Ad Words in the last five years to generate an impression on particular search queries.**

**Answer:**

- a. Do you use Google Ad Words, or any Google provided or supported service to advertise any of your funds or your brand in any way whatsoever?**

Yes. HESTA uses Googles advertising services to help members, employers, and prospective members to find HESTA content when searching for company and category terms.

- b. Please list what terms you have used in Google Ad Words in the last five years to generate an impression on particular search queries.**

HESTA use a range of search terms for Google advertising that cover areas relevant to HESTA, retirement, investments and other terms related to superannuation.



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

**HESTA**

**HEST35QW    What percentage of the return on investment from your unlisted assets can be attributed to revaluations due to falling interest rates, and capital asset pricing model market yields used as the discount rate in discounted cash flow based valuations?**

**Answer:**

It is not possible to provide a single figure in answer to this question for a number of reasons, including:

- not all unlisted assets investments are valued using the discounted cash flow ("DCF") methodology;
- HESTA's investment managers are responsible for valuing unlisted assets and reporting these valuations to HESTA; and
- the HESTA unlisted assets portfolio is well-diversified, and it is not possible to identify or attribute changes in value and investment returns to a single underlying factor.

It is HESTA's view that, on a relative basis, the valuations of its unlisted portfolio are firmly underpinned by quality assets or businesses, being systematically improved by experienced specialist managers, with a long-term mindset.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

- HEST36QW** How will the overall fund performance be affected if:
- a. The income return of unlisted assets declines?**
  - b. The fund can no longer purchase unlisted assets onshore?**
  - c. The fund can no longer purchase unlisted assets offshore?**

**Answer:**

**a. The income return of unlisted assets declines?**

Should the income return of an unlisted asset decline, HESTA would expect, all things being equal, that the value of that asset would decline commensurately.

However, in aggregate and over the long term, HESTA expects that the income of its unlisted assets will continue to grow (acknowledging that HESTA's assessments and forecasts have, and will continue to be, inherently uncertain). HESTA and its external managers expend considerable effort in understanding the dynamics supporting an investment's cash flows and, therefore, its valuation, prior to investing in that asset. This is to ensure that an adequate level of return is likely to be achieved despite the potential risks associated with that investment.

**b. The fund can no longer purchase unlisted assets onshore?**

If HESTA was unable to invest in unlisted assets (for whatever reason), whether onshore or offshore, HESTA's members would lose access to a set of attractive investments, and the diversified exposure and return streams that these assets provide (relative to a traditional listed equity/debt portfolio). HESTA and its members would also lose the return contribution from these assets. HESTA's unlisted assets provide members with diversification (asset class, geographic, economic and sector) and allow HESTA to create robust investment portfolios which provide a solid foundation for future returns for members.

**c. The fund can no longer purchase unlisted assets offshore?**

If HESTA was no longer able to purchase unlisted assets offshore, the same analysis would apply as the situation described in question HEST36QW(b).

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST37QW    How have you structured the fund to address the writing back of the increased investment capitalised future returns?**

**Answer:**

In considering how HESTA manages the risk of the writing back of the increased investment capitalised future returns, it adopts diversification (across asset classes and regions) and undertakes scenario analysis to consider different economic environments and cash rate paths, and their potential impact on the portfolio. HESTA uses dynamic asset allocation to manage risk and add value through different evolving market environments.

For clarity, a discounted cash flow valuation requires a discount rate, which "capitalises" anticipated future income of an asset. Over recent periods, these discount rates across all assets (eg listed and unlisted) have been reducing, as bond yields have fallen. This has the effect of increasing current price, and reducing future returns. If these discount rates were to subsequently increase, all else being equal, asset values (both listed and unlisted) would likely fall, and forward expected returns would increase.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS  
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**HESTA**

**HEST38QW    What are the projected changes in income in light of the writing back of the increased investment capitalized future returns?**

**Answer:**

HESTA is unable to provide a specific figure with respect to the projected changes in income in light of the writing back of the increased investment capitalised future returns. Any projected changes are heavily dependent on what causes the increased discount rates including the economic growth environment in which the repricing occurs, financial conditions and the idiosyncratic characteristics of each asset. As part of its risk management framework, HESTA models and stress tests the portfolio across a range of potential market outcomes and environments, and adjusts the portfolio where considered appropriate.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

##### HEST39QW Valuation methodologies:

- a. **Have you compared your valuation methodologies and assumptions for unlisted assets with other superannuation funds, and if so, what are the differences?**
- b. **Are you confident that your valuation methodologies and assumptions for unlisted assets reflect their value to the fund, and how often are they reviewed?**
- c. **How do you compare your valuations to listed investments, including, but not limited to, whether there is a cross check to stock prices for similar assets?**
- d. **Have you ever calculated whether there would be a difference between valuations if unlisted assets were listed?**

#### Answer:

- a) **Have you compared your valuation methodologies and assumptions for unlisted assets with other superannuation funds, and if so, what are the differences?**

HESTA has not conducted such a comparison, as the precise valuation methodologies and assumptions for specific unlisted assets are compiled by HESTA's external managers, and HESTA does not have visibility into the precise valuation methodologies and assumptions used by other superannuation funds (and their respective external managers and valuers).

Regard must be had to the difference between, on the one hand, HESTA's valuation policy (disclosed in response to HEST06QW), which establishes a broad framework and procedure under which valuations for its assets are conducted, and, on the other hand, the precise methodologies or assumptions against which valuations are conducted, which are compiled by HESTA's external managers.

HESTA (in conjunction with its advisers) regularly reviews its valuation policy, including by reference to the practices and frameworks established by other superannuation funds. However, HESTA's valuation policy does not prescribe the precise methodologies or assumptions against which valuations for specific assets are conducted.

As advised in HESTA's response to questions HEST07QW and HEST08QW, the valuations of HESTA's externally managed unlisted assets are procured by the applicable external manager (through independent professional valuers or based on well-known and accepted valuation guidelines) in accordance with accounting standards and sound principles. In the course of conducting such valuations, these external managers and their independent professional valuers would consider the valuation methodologies and assumptions developed by other investors and valuation firms in unlisted assets, including other superannuation funds, to evaluate appropriate principles and ascertain a fair value for the asset.

- b) **Are you confident that your valuation methodologies and assumptions for unlisted assets reflect their value to the fund, and how often are they reviewed?**

Yes. HESTA is confident that the valuation methodologies and assumptions for valuing unlisted assets used by its external managers (and their professional valuers) are in accordance with accounting standards and sound principles, and in turn result in a fair value being attributed to HESTA's unlisted assets.

Prior to engaging an external manager, HESTA's Investment team (and its external advisers) conduct due diligence on the manager, which includes a review of the manager's valuation policy. This diligence is intended to ensure that the manager's valuation policy reflects accounting standards and sound principles.

Further, HESTA's Investment team continues to test the valuations received from external managers through its ongoing investment management and diligence.

**c) How do you compare your valuations to listed investments, including, but not limited to, whether there is a cross check to stock prices for similar assets?**

In the course of conducting their valuations, HESTA's external managers and their respective independent valuers (who are responsible for valuing unlisted assets) would have regard to comparable listed or public market investments. A comparison to analogous listed investments would be one of many reference points which a manager or valuer would have regard to – regard would also be had to, among other things, a calculation of replacement cost for the assets, reference to comparable transactions and discounted cash flow (DCF) calculations. The specific methodologies utilised are ultimately determined by the external manager and its professional valuers, and, as discussed earlier, would be conducted in accordance with accounting standards and sound principles.

**d) Have you ever calculated whether there would be a difference between valuations if unlisted assets were listed?**

HESTA has not performed this analysis across its unlisted asset portfolio and is unable to confirm whether this analysis has been conducted by its external managers and their respective independent valuers.

However, HESTA does perform this analysis where relevant for specific investment opportunities on an *ad hoc* basis. However, the difference in valuation is structured to reflect the cost of illiquidity, governance rights and other investment-specific factors, and is what HESTA considers as contributing to the superior investment performance observed from unlisted assets in general. HESTA notes that it is a generally accepted investment principle that there is an illiquidity premium associated with an investment that cannot be readily sold on a public market.

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

#### HESTA

**HEST40QW** What is the current annual average return for your unlisted assets?

**Answer:**

#### **Annual Return of Unlisted Assets (%)**

Type	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Unlisted	10.66%	10.06%	10.86%	11.07%	8.95%

**Note:** For the purposes of its responses to the questions and in the absence of an ordinary/standardised definition of 'unlisted assets', HESTA has defined 'unlisted assets' as private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets. All other assets (including Australian Equities, International Equities, Global Debt, Cash, Term Deposits, Foreign Currency contracts) constitute 'listed assets'. OTC derivatives held in cash, debt or listed equity mandates are classified as listed assets. HESTA's classification is generally based on liquidity, frequency of valuation and trading opportunities.

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

#### **HESTA**

**HEST41QW** Given the size of your large joint investments, why are they not listed for liquidity, valuation and public disclosure purposes?

**Answer:**

As a minority investor in large joint investments and as a holder of indirect exposure to investments through funds managed by external managers, HESTA is rarely able to influence whether such investments are listed.

HESTA understands that the precise reasons behind why a particular investment is not listed are complex and multi-faceted, and include cost (additional costs incurred as a result of being listed), conflict of interest (where a company's duty to shareholders conflicts with their duties to clients, particularly relevant for a funds management business), investment horizon (a longer-term investment horizon for value creation is more aligned with a company remaining privately-held), liquidity (where liquidity is not required, HESTA can achieve a return premium for illiquidity) and governance/control (some investments benefit from control over strategy execution and implementation being held by the investment manager directly through concentrated governance arrangements).

With respect to valuations, while unlisted assets tend to be valued less frequently than listed assets, such valuations tend to be based upon more granular and insightful data that can be extracted by external managers (and their respective valuers) when compared with the information available to investors in publicly listed companies.

With respect to disclosure, investors in unlisted assets may receive greater access to information, either through its external managers or through information rights specifically negotiated by the investor, as disclosure of information is not restricted by disclosure rules under applicable securities laws.



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

#### HESTA

#### HEST42QW

- a. **How many unlisted assets do you hold in the fund?**
- b. **What value share are unlisted assets of the fund's:**
  - i. **total value?**
  - ii. **total property value?**

#### Answer:

- a. **How many unlisted assets do you hold in the fund?**

As at 30 June 2019, HESTA was invested in approximately 130 unlisted investment vehicles. Please refer to HESTA's responses to questions HEST07QW and HEST08QW.

- b. **What value share are unlisted assets of the fund's:**
  - i. **total value?**
  - ii. **total property value?**

HESTA has defined 'total property value' as meaning the total value of its property asset class. This response is in line with response HEST04QW.

<b>Unlisted Asset as at 30 June 2019</b>	
<b>Total Value (%)</b>	<b>Total Property Value (%)</b>
32.35%	100%

The above figures have been calculated on the basis that HESTA has defined 'unlisted assets' to be private equity, infrastructure, property, alternative credit, opportunistic growth, liquid alternatives and insurance linked securities assets.

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**HESTA**

**HEST43QW Discount rates:**

- a. For unlisted assets, do you use a consistent discount rate for income across all unlisted assets, or an asset-specific discount rate?**
- b. What is the discount rate you apply to the income from unlisted assets, and has it changed over the past decade, and if so, when and why?**

**Answer:**

- a. For unlisted assets, do you use a consistent discount rate for income across all unlisted assets, or an asset-specific discount rate?**

In the course of conducting their valuations, HESTA's external managers and their respective independent valuers (who are responsible for valuing unlisted assets) would not use a single discount rate across all unlisted assets. Each unlisted asset is valued independently and is the product of a range of assumptions and considerations particular to the applicable asset (or type of asset). Consequently, asset-specific discount rates would be applied.

- b. What is the discount rate you apply to the income from unlisted assets, and has it changed over the past decade, and if so, when and why?**

Given that HESTA's external managers and their respective independent valuers are responsible for valuing unlisted assets to which HESTA has exposure, and each unlisted asset is valued independently and different discount rates may apply, HESTA is unable to provide a single discount rate in response to this question.

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#### **HESTA**

**HEST44QW** Of the unlisted assets, how many have outperformed the average return on investments in superannuation over the past five years?

**Answer:**

HESTA has compared the performance of its unlisted assets investments to the median 5-year return of the SRF balanced Index - SuperRatings 50 Balanced (60-70) Index, including investments with a hold period sufficient to be compared against this benchmark. In this comparison, approximately 68% of unlisted investments in HESTA's portfolio have generated performance exceeding this index.

By way of context, HESTA notes that this comparison is based on a period in which public equity markets have posted strong returns and this comparison includes all unlisted assets, which have varying expectations of risk and return. Internally, HESTA utilises a range of benchmarks, risk metrics, and return targets that are specifically selected to provide a more granular view as to both the appropriateness of its portfolio construction, and the performance of specific asset classes and investments relative to broad market comparables. These analytics inform HESTA's assessments of its own performance and focus its continual improvement.

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**HESTA**

**HEST45QW Have you completed any analysis about your capacity to continue to provide returns to fund members at the current, or past rate, into the future based on the valuations of your unlisted assets?**

**Answer:**

Yes. Given the importance of diversification to achieve strong returns while addressing the risks inherent in HESTA's assets, HESTA has conducted this analysis on a whole-of-portfolio basis (and not just by reference to HESTA's unlisted assets). Based on this analysis, HESTA's asset class returns (including with respect to unlisted assets) are now expected to be moderately lower over the next decade. This reduction in future expected returns reflects the structural changes in the economic environment and the expectation of a 'lower for longer' environment, as further discussed below.

The cash rate expectation is a key driver of HESTA's return expectations. HESTA has undertaken an extensive investigation on the likely cash rate and inflation paths in the future and how they affect HESTA's asset class return expectations.

Notwithstanding the above, HESTA still considers that returns will be sufficient to achieve its long- term objectives and deliver strong returns to members.

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**HESTA**

**HEST46QW Over the past decade:**

**a. Have you ever devalued an unlisted asset?**

HESTA does not value assets as its assets are independently valued by third parties. HESTA is aware that its managers from time to time have devalued assets. Valuations regularly increase and decrease subject to market and economic conditions. Over time our unlisted assets have achieved strong long-term returns for members.

**b. Have you ever devalued an unlisted asset by more than \$10 million?**

No, refer to a.

**c. Have you ever devalued an unlisted asset by more than \$50 million?**

No, refer to a.

**d. Have you ever devalued an unlisted asset by more than \$100 million?**

No, refer to a.

**e. Please advise the companies and/or individual valuers that have valued your unlisted assets.**

No, refer to a.

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**HESTA**

**HEST47QW For each year of the past decade:**

**a. How many fund members do you have?**

<b>FY</b>	<b>Total Numbers</b>
12/13	753,100
13/14	780,783
14/15	800,460
15/16	821,439
16/17	839,629
17/18	855,773
18/19	843,534

**b. How many financial planners do you have in total numbers, and as a member to financial planner ratio?**

<b>FY</b>	<b>Total Numbers</b>	<b>Ratio</b>
12/13	2.00	376,550
13/14	2.00	390,392
14/15	3.60	222,350
15/16	4.00	205,360
16/17	4.00	209,907
17/18	5.00	171,115
18/19	6.00	140,589

HESTA has assumed 'Financial Planners' to be comprehensive planners.

**c. How many financial advisers do you have in total numbers, and as a member to financial planner ratio?**

<b>FY</b>	<b>Total Numbers</b>	<b>Ratio</b>
12/13	10.0	75,310
13/14	8.2	95,217
14/15	10.8	74,117
15/16	9.4	87,387
16/17	12.0	69,969
17/18	11.0	77,798
18/19	12.0	70,295

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**HESTA**

**HEST48QW For each year of the past decade:**

- a. **How much is charged for financial planning annually to fund members, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$394,535	\$2,204.11
13/14	\$419,637	\$1,848.62
14/15	\$635,763	\$1,999.26
15/16	\$692,868	\$2,256.90
16/17	\$736,514	\$1,958.81
17/18	\$690,744	\$2,587.06
18/19	\$918,252	\$2,782.58

The reference to the average amount in the table above relates to those members who request and receive comprehensive financial planning services and are charged.

- b. **How much is charged for financial planning annually to funds, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	0.00
13/14	\$0.00	0.00
14/15	\$0.00	0.00
15/16	\$0.00	0.00
16/17	\$0.00	0.00
17/18	\$0.00	0.00
18/19	\$0.00	0.00

- c. **How much is charged for financial advice annually to fund members, and what is the average per fund member?**

HESTA did not charge directly for financial advice (intra fund), 100% of funds were received from member accounts.

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$115,335	\$0.15
13/14	\$152,955	\$0.20
14/15	\$189,090	\$0.24
15/16	\$155,430	\$0.19
16/17	\$117,875	\$0.14
17/18	\$174,758	\$0.20
18/19	\$239,080	\$0.28

d. How much is charged for financial advice annually to funds, and what is the average per fund member?

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00



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**HESTA**

**HEST49QW For each year of the past decade:**

- a. What is the cost of general advice annually, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$2,615,626.46	\$3.47
13/14	\$2,709,594.86	\$3.47
14/15	\$3,123,682.66	\$3.90
15/16	\$2,767,333.38	\$3.37
16/17	\$3,234,647.41	\$3.85
17/18	\$4,442,186.57	\$5.19
18/19	\$4,363,774.35	\$5.17

- b. What are the aggregate value of bonuses provided for general advice, and what is the average per adviser?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00

HESTA do not pay any bonuses for general advice.

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**HESTA**

**HEST50QW For each year of the past decade:**

- a. **What is the cost of scaled advice annually, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$289,143	\$706.95
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00

HESTA provided scaled advice until the introduction of intra-fund advice on 1 July 2013 with the 'Stronger Super' reforms.

- b. **What are the aggregate value of bonuses provided for scaled advice, and what is the average per adviser?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00

HESTA do not provide bonuses for scaled advice.

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**HESTA**

**HEST51QW For each year of the past decade:**

- a. What is the cost of comprehensive advice annually, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$395,532.00	\$2,209.68
13/14	\$270,524.00	\$1,191.74
14/15	\$407,481.75	\$1,281.39
15/16	\$406,566.00	\$1,324.61
16/17	\$489,684.75	\$1,302.35
17/18	\$487,382.00	\$1,825.40
18/19	\$674,335.00	\$2,043.44

Comprehensive advice is what HESTA terms as Financial Planning (see above HEST47QW b.).

- b. What are the aggregate value of bonuses provided for comprehensive advice, and what is the average per adviser?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00

HESTA do not pay bonuses for comprehensive advice.

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**HESTA**

**HEST52QW For each year of the past decade:**

- a. **What is the cost of intra-fund advice annually, and what is the average per fund member?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$400,511	\$0.51
14/15	\$658,906	\$0.82
15/16	\$653,643	\$0.80
16/17	\$832,409	\$0.99
17/18	\$820,158	\$0.96
18/19	\$1,002,025	\$1.19

- b. **What are the aggregate value of bonuses provided for intra-fund advice, and what is the average per adviser?**

<b>FY</b>	<b>Total Amount</b>	<b>Average</b>
12/13	\$0.00	\$0.00
13/14	\$0.00	\$0.00
14/15	\$0.00	\$0.00
15/16	\$0.00	\$0.00
16/17	\$0.00	\$0.00
17/18	\$0.00	\$0.00
18/19	\$0.00	\$0.00

Intrafund advice provided under HESTA licence / employed model. HESTA does not pay any bonuses for intrafund advice.

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**HESTA**

**HEST53QW** How many employees does the fund have?

**Answer:** 290 (as at February 2020).

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

#### **HESTA**

#### **HEST54QW How do you define employee misconduct?**

**Answer:** HESTA considers matters of misconduct having regard to guidance contained in its governing documents, these of which include policies like its Whistleblower Policy and Code of Conduct. These documents consider the following to be examples of behaviours that constitute employee misconduct:

- dishonest, fraudulent, corrupt or unlawful conduct or practices
- misleading or deceptive conduct
- coercion, harassment or discrimination
- conduct endangering the health or safety of any person
- any other conduct or act which may cause significant loss (including financial and non-financial loss) to HESTA or which may otherwise be detrimental to HESTA
- any other conduct that is incompatible with the expectations of an individual's employment

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**HESTA**

**HEST55QW** Over the past five years:

- a. How many employees have been cautioned for misconduct?**

**Answer:** One.

- b. How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct?**

**Answer:** None.

- c. How many employees have been terminated for misconduct?**

**Answer:** One.

- d. How many employees have been cautioned for misconduct, as a share of all employees over that timeframe?**

**Answer:** 0.26%.

- e. How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct, as a share of all employees over that timeframe?**

**Answer:** None.

- f. How many employees have been terminated for misconduct, as a share of all employees over that timeframe?**

**Answer:** 0.26%.

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**HESTA**

**HEST56QW** Do you support current Corporations Law provisions for the disclosure of corporate remuneration?

**Answer:** Yes.



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**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS  
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**HESTA**

**HEST57QW: Of the twenty highest remunerated employees over the past decade, please provide the number whose total remuneration in a financial year (including all forms of remuneration, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?**

**Answer:**

<b>Total remuneration package value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	<b>20</b>
\$1,000,001 - \$2,000,000	<b>0</b>
\$2,000,001 - \$3,000,000	<b>0</b>
\$3,000,001 - \$4,000,000	<b>0</b>
\$4,000,001 - \$5,000,000	<b>0</b>
\$5,000,001 - \$6,000,000	<b>0</b>
\$6,000,001 - \$7,000,000	<b>0</b>
\$7,000,001 - \$8,000,000	<b>0</b>
\$8,000,001 - \$9,000,000	<b>0</b>
\$9,000,001 - \$10,000,000	<b>0</b>
\$10,000,001 - \$11,000,000	<b>0</b>
\$11,000,001 - \$12,000,000	<b>0</b>
\$12,000,001 - \$13,000,000	<b>0</b>
\$13,000,001 - \$14,000,000	<b>0</b>
\$14,000,001 - \$15,000,000	<b>0</b>
\$15,000,001 - \$16,000,000	<b>0</b>
\$16,000,001 - \$17,000,000	<b>0</b>
\$17,000,001 - \$18,000,000	<b>0</b>
\$18,000,001 - \$19,000,000	<b>0</b>
\$19,000,001 - \$20,000,000	<b>0</b>
\$20,000,001 - \$25,000,000	<b>0</b>
\$25,000,001 - \$30,000,000	<b>0</b>
\$30,000,001 - \$35,000,000	<b>0</b>
\$35,000,001 - \$40,000,000	<b>0</b>
\$40,000,001 - \$45,000,000	<b>0</b>
\$45,000,001 - \$50,000,000	<b>0</b>
>\$50,000,000	<b>0</b>

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**HESTA**

**HEST58QW** Of the twenty highest incentive bonuses paid over the past decade, please provide the number that fall within these brackets?

**Answer:**

<b>Total incentive bonuses value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	<b>12</b>
\$1,000,001 - \$2,000,000	<b>0</b>
\$2,000,001 - \$3,000,000	<b>0</b>
\$3,000,001 - \$4,000,000	<b>0</b>
\$4,000,001 - \$5,000,000	<b>0</b>
\$5,000,001 - \$6,000,000	<b>0</b>
\$6,000,001 - \$7,000,000	<b>0</b>
\$7,000,001 - \$8,000,000	<b>0</b>
\$8,000,001 - \$9,000,000	<b>0</b>
\$9,000,001 - \$10,000,000	<b>0</b>
\$10,000,001 - \$11,000,000	<b>0</b>
\$11,000,001 - \$12,000,000	<b>0</b>
\$12,000,001 - \$13,000,000	<b>0</b>
\$13,000,001 - \$14,000,000	<b>0</b>
\$14,000,001 - \$15,000,000	<b>0</b>
\$15,000,001 - \$16,000,000	<b>0</b>
\$16,000,001 - \$17,000,000	<b>0</b>
\$17,000,001 - \$18,000,000	<b>0</b>
\$18,000,001 - \$19,000,000	<b>0</b>
\$19,000,001 - \$20,000,000	<b>0</b>
\$20,000,001 - \$25,000,000	<b>0</b>
\$25,000,001 - \$30,000,000	<b>0</b>
\$30,000,001 - \$35,000,000	<b>0</b>
\$35,000,001 - \$40,000,000	<b>0</b>
\$40,000,001 - \$45,000,000	<b>0</b>
\$45,000,001 - \$50,000,000	<b>0</b>
>\$50,000,000	<b>0</b>

Note – HESTA had 12 employees that received an incentive payment in FY19. Prior to this HESTA did not pay any incentive bonuses. For the purposes of this question HESTA considered incentive payments to be payments made to employees based on specific measures that are assessed to determine any appropriate incentive that is paid. HESTA considers performance bonuses to be entirely discretionary payments made without objective measures being assessed and applied. On that basis HESTA do not make any performance bonus payments.

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**HESTA**

**HEST59QW:** Of the twenty highest performance bonuses paid over the past decade, please provide the number that fall within these brackets?

**Answer:**

<b>Total performance bonuses value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	0
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

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

#### HESTA

**HEST60QW:** Of the twenty highest severance packages over the past decade, please provide the number whose total package (including all forms of accumulated severance package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

**Answer:**

<b>Total severance package value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	<b>12</b>
\$1,000,001 - \$2,000,000	<b>0</b>
\$2,000,001 - \$3,000,000	<b>0</b>
\$3,000,001 - \$4,000,000	<b>0</b>
\$4,000,001 - \$5,000,000	<b>0</b>
\$5,000,001 - \$6,000,000	<b>0</b>
\$6,000,001 - \$7,000,000	<b>0</b>
\$7,000,001 - \$8,000,000	<b>0</b>
\$8,000,001 - \$9,000,000	<b>0</b>
\$9,000,001 - \$10,000,000	<b>0</b>
\$10,000,001 - \$11,000,000	<b>0</b>
\$11,000,001 - \$12,000,000	<b>0</b>
\$12,000,001 - \$13,000,000	<b>0</b>
\$13,000,001 - \$14,000,000	<b>0</b>
\$14,000,001 - \$15,000,000	<b>0</b>
\$15,000,001 - \$16,000,000	<b>0</b>
\$16,000,001 - \$17,000,000	<b>0</b>
\$17,000,001 - \$18,000,000	<b>0</b>
\$18,000,001 - \$19,000,000	<b>0</b>
\$19,000,001 - \$20,000,000	<b>0</b>
\$20,000,001 - \$25,000,000	<b>0</b>
\$25,000,001 - \$30,000,000	<b>0</b>
\$30,000,001 - \$35,000,000	<b>0</b>
\$35,000,001 - \$40,000,000	<b>0</b>
\$40,000,001 - \$45,000,000	<b>0</b>
\$45,000,001 - \$50,000,000	<b>0</b>
>\$50,000,000	<b>0</b>

Note – HESTA had 12 redundancies in total in the last 10 years

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HESTA

**HEST61QW:** Of the twenty highest termination payments over the past decade, please provide the number whose total package (including all forms of accumulated termination package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

**Answer:**

<b>Total termination package value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	<b>20</b>
\$1,000,001 - \$2,000,000	<b>0</b>
\$2,000,001 - \$3,000,000	<b>0</b>
\$3,000,001 - \$4,000,000	<b>0</b>
\$4,000,001 - \$5,000,000	<b>0</b>
\$5,000,001 - \$6,000,000	<b>0</b>
\$6,000,001 - \$7,000,000	<b>0</b>
\$7,000,001 - \$8,000,000	<b>0</b>
\$8,000,001 - \$9,000,000	<b>0</b>
\$9,000,001 - \$10,000,000	<b>0</b>
\$10,000,001 - \$11,000,000	<b>0</b>
\$11,000,001 - \$12,000,000	<b>0</b>
\$12,000,001 - \$13,000,000	<b>0</b>
\$13,000,001 - \$14,000,000	<b>0</b>
\$14,000,001 - \$15,000,000	<b>0</b>
\$15,000,001 - \$16,000,000	<b>0</b>
\$16,000,001 - \$17,000,000	<b>0</b>
\$17,000,001 - \$18,000,000	<b>0</b>
\$18,000,001 - \$19,000,000	<b>0</b>
\$19,000,001 - \$20,000,000	<b>0</b>
\$20,000,001 - \$25,000,000	<b>0</b>
\$25,000,001 - \$30,000,000	<b>0</b>
\$30,000,001 - \$35,000,000	<b>0</b>
\$35,000,001 - \$40,000,000	<b>0</b>
\$40,000,001 - \$45,000,000	<b>0</b>
\$45,000,001 - \$50,000,000	<b>0</b>
>\$50,000,000	<b>0</b>

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST62QW:** Of the twenty highest redundancy payments over the past decade, please provide the number whose total package (including all forms of accumulated redundancy package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

**Answer:**

<b>Total redundancy package value</b>	<b>Number (ie 1 employee)</b>
<\$1,000,000	<b>12</b>
\$1,000,001 - \$2,000,000	<b>0</b>
\$2,000,001 - \$3,000,000	<b>0</b>
\$3,000,001 - \$4,000,000	<b>0</b>
\$4,000,001 - \$5,000,000	<b>0</b>
\$5,000,001 - \$6,000,000	<b>0</b>
\$6,000,001 - \$7,000,000	<b>0</b>
\$7,000,001 - \$8,000,000	<b>0</b>
\$8,000,001 - \$9,000,000	<b>0</b>
\$9,000,001 - \$10,000,000	<b>0</b>
\$10,000,001 - \$11,000,000	<b>0</b>
\$11,000,001 - \$12,000,000	<b>0</b>
\$12,000,001 - \$13,000,000	<b>0</b>
\$13,000,001 - \$14,000,000	<b>0</b>
\$14,000,001 - \$15,000,000	<b>0</b>
\$15,000,001 - \$16,000,000	<b>0</b>
\$16,000,001 - \$17,000,000	<b>0</b>
\$17,000,001 - \$18,000,000	<b>0</b>
\$18,000,001 - \$19,000,000	<b>0</b>
\$19,000,001 - \$20,000,000	<b>0</b>
\$20,000,001 - \$25,000,000	<b>0</b>
\$25,000,001 - \$30,000,000	<b>0</b>
\$30,000,001 - \$35,000,000	<b>0</b>
\$35,000,001 - \$40,000,000	<b>0</b>
\$40,000,001 - \$45,000,000	<b>0</b>
\$45,000,001 - \$50,000,000	<b>0</b>
>\$50,000,000	<b>0</b>

Note – HESTA had 12 redundancies in total in the last 10 years