

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

MyLifeMyMoney Superannuation Fund

ML92QW:

Please provide the titles of all externally commissioned reports over the past five years that have reviewed any of the following:

- a. Performance of funds.
- b. Investment strategies for funds.
- c. Conflicts of interest for funds.

Answer:

- a. MyLifeMyMoney Superannuation Fund (MLMMSF) has externally commissioned:
 - Monthly performance reporting by National Asset Servicing, the Fund's custodian.
 - Quarterly investment reports by JANA, the Fund's asset consultant.
- b. MLMMSF has commissioned reviews of each asset class sector. These are performed by JANA, the Fund's asset consultant, as per the following:
 - Australian Equities Asset Class Review
 - International Equities Asset Class Review
 - Growth Alternatives Asset Class Review
 - Defensive Alternatives Asset Class Review
 - Property Asset Class Review
 - Private Equity Asset Class Review
 - Fixed Interest, Inflation Linked Securities (ILS) and Cash Asset Class Review
 - Infrastructure Asset Class Review

MLMMSF has also commissioned from JANA the following:

- Target Return Asset Class Review
- Review of Investment Strategy and Asset Allocation
- Periodic reviews of Medium-Term Asset Allocation positioning.
- Three Bucket Retirement Investment Solution
- Foreign Currency Exposure
- Distressed Debt
- Catholic Super in a World of Mega Funds?

- Investing in Style Risk Premia Funds
- Modelling of Proposed Impact Investment Option
- Global Real Estate Security Managers
- Insurance Linked Securities – Property Catastrophe Risk Funds
- ESG Review of Managers
- Comprehensive Income Products for Retirement (CIPR)
- Review of Foreign Currency Strategic Asset Allocation
- Equity Portfolio ESG Analysis
- Classification of Asset Class as Growth or Defensive
- Illiquid Asset Exposure Comparison
- Fund Liquidity Analysis
- Diversified Option MTAA Stress Testing and Liquidity
- Investment Beliefs Review

c. Conflicts of interest

The former trustee of MLMMSF (CSF Pty Ltd) engaged Professional Financial Solutions (PFS) to assist it to draft a Conflicts Management Framework for MLMMSF.

APRA's Prudential Standard *SPS 521 – Conflicts of Interest* (SPS 521) requires the Trustee to ensure that its Conflicts Management Framework is comprehensively reviewed by operationally independent, appropriately trained and competent persons at least every three years. In line with SPS 521, CSF Pty Ltd commissioned PFS and Hall Advisory to provide triennial reviews of the Conflicts Management Framework in 2016 and 2019 respectively.

The current trustee of MLMMSF (Togethr Trustees Pty Ltd) also commissioned KPMG to provide a report titled "Togethr Trustees Conflicts Management Framework – Comprehensive Review" in 2020.

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

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

Answer:

As at 26 June 2020

Fund	Allocation of fund capital*		Managing entity	Shareholder
	%	\$		
MyLifeMyMoney Cash Option (Accumulation)	58.9%	\$146.1 million	Macquarie Investment Management Australia Limited	No
MyLifeMyMoney Cash Option (Pension)	52.7%	\$90.8 million	Macquarie Investment Management Australia Limited	No
MyLifeMyMoney Diversified Fixed Interest Option (Accumulation)	30.1%	\$11.8 million	Apollo Global Management, Inc.	No
MyLifeMyMoney Diversified Fixed Interest Option (Pension)	30.1%	\$8.7 million	Apollo Global Management, Inc.	No

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ML94QW: If you do have capital managed by another entity that you are also a shareholder in, please identify how you manage conflicts of interest.

Answer:

MLMMSF has a small shareholding in IFM, which manages the IFM Global Infrastructure and IFM Australian Infrastructure Funds. These two funds form a substantial portion of our infrastructure holdings. Any conflicts of interest would be addressed at the time an investment is initiated, or at any time that the nature of the conflict of interest materially changes. MLMMSF has been an investor in these two funds for many years and they have both generally performed well. IFM investment products also have very competitive fees and MLMMSF needs to ensure that investment fees are controlled – for the benefit of fund members. Since we are shareholders in IFM, (albeit quite a small shareholder), fund members also benefit from IFM’s commercial success. Therefore, a serious conflict of interest is not likely to arise.

MLMMSF also has a small shareholding in ME Bank, and has held subordinated debt in ME, or made term deposits with ME from time to time. Such investments are only made if they are suitable for MLMMSF’s portfolio and offer returns that are very competitive with similar commercial investments available at the time. ME Bank is a mortgage banking business, so it does not offer any actual managed funds.

MLMMSF also has a 100% equity interest in MyLifeMyFinance (MLMF), which is also predominantly a mortgage banking business, though much smaller in scale than ME Bank. MLMMSF has also held subordinated debt investments in MLMF, and relatively small term deposits from time to time. Again, any such investments are only made if they offer very competitive returns. Like ME Bank, MLMF does not offer any managed funds.

MLMMSF is also a shareholder in publicly listed companies that have fund management as part of their business such as Macquarie and National Australia Bank that manage capital for MLMMSF. MLMMSF bases its decision in selecting a fund manager through a process via the Manager Selection Policy which looks for four key characteristics in assessing managers for potential inclusion in the Fund’s portfolio: Investment Philosophy, Investment Process, People and Performance. This process also involves the input of JANA, MLMMSF’s independent asset consultant. MLMMSF is of the view that the aforementioned Process and Policy manages any perceived conflict that may arise from having a shareholding in an entity managing capital.

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SUPERANNUATION SECTOR**

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ML95QW: Please provide details of the following reduction to remuneration packages since 11 March 2020:

- a. Board members.
- b. The chief executive
- c. Executive management.

Answer:

There has been no reduction to the remuneration packages of staff since 11 March 2020. This includes Board members, the Chief Executive and Executive Management.

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MyLifeMyMoney Superannuation Fund

ML96QW: Is the fund considering divestment from pure play fossil fuel producers in order to mitigate climate-related financial risks and to increase the cost of capital for those producers?

If not, how has the fund arrived at the conclusion that this approach would not be in members' best interests?

Answer:

MyLifeMyMoney Superannuation Fund's (MLMMSF) approach to managing Environmental, Social and Governance (ESG) issues is outlined in the Fund's Responsible Investment Policy, Climate Change Position Statement, and Proxy Voting Policy, all available to fund members and the public on the Responsible Investment page of our website:

<https://csf.com.au/investments/responsible-investing>

Although by regulation, the sole purpose of superannuation funds is to maximise retirement benefits of members, MLMMSF is of the view that this can only be achieved responsibly. This view had been put into practice by the Fund even before 'responsible investment' became a catch phrase in the investment community. As such, the MLMMSF Fund, which is more broadly known as Catholic Super, was among the first signatories to the UN PRI when it was formed in April 2006. Similarly, the Fund has been the first member and main supporter of the Investor Group on Climate Change (IGCC).

The thrust of the Fund's approach to ESG matters is through engagement, collaboration, and active ownership. While the Fund has an option to screen out (or divest) certain companies based on ESG factors, it is believed that engagement with and collaboration among the main stakeholders is the first step and the most effective way to address a range of ESG issues. This holistic approach has been adopted by the Fund and at this time the Fund has not excluded pure play fossil fuel producers from its investment. MLMMSF does not see divestment as a practical solution to the climate change issue. Divestment would curtail the Fund's capability to engage with investees to assist in the required transition to a low carbon world and enhance efficiency. It is not a practical solution for the following reasons:

- Engagement and collaboration are expected to produce better results for both the environment and all stakeholders. If the Fund divests from pure play fossil fuel, the companies will be owned by investors who may not seek ESG improvements from those companies.
- The energy transformation will take several decades, relies significantly on further technological progress, and will require massive amounts of capital and government commitment.

The Fund is of the view that reduction in fossil fuel can only occur when alternative energy is available and affordable. As such, the Fund has invested significantly in renewables. It is among superannuation funds with the highest proportion of investments in renewables. The Fund is of the view that maximising members' retirement income responsibly, by taking into account various ESG factors such as climate change, is in the best interest of the Fund's members.

We engage with our investees when issues on responsible investing (ESG) arise. We exercise this mostly through our engagement partners, and usually in collaboration with like-minded investors (such as other superannuation funds in Australia and other pension or sovereign funds globally). We engage with companies like these through groups such as Australian Council of Superannuation Investors Limited (ACSI) to ensure that they continue to address ESG related risks appropriately.

We believe that there is a correlation between the sustainability of our investment in individual companies and their risk management frameworks, including exposure to climate change risk and their environmental management, among others. For example, a number of the larger energy companies in which we invest in are among the biggest investors in renewable energy generation, including solar and wind. They recognise the climate change risks to their businesses, and they are taking action to ensure that their business models are resilient to the transition to low carbon.

Proxy voting is another important tool for encouraging responsible corporate behaviour and we take our proxy voting responsibilities seriously. In addition to governance issues, increasing shareholder led resolutions are focusing on environmental and social issues and we consider a range of information when deciding on voting positions for these types of resolutions. Our proxy voting policy and voting record are both available on our website