

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS81QW: Since 12 March 2020, has your fund provided any liquidity to:

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

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

Answer:

No.

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Q Super

QS82QW: Since 12 March 2020, has your fund loaned any cash to:

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

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

Answer:

No.

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Q Super

QS83QW: Regarding any investments you have with IFM Investors, please provide the following:

- a. The capital invested each year for the past five years.
- b. The accumulated valuation of investments for the past five years.
- c. The dividends received from those investments for the past five years.

Answer:

QSuper does not have any investments with IFM Investors.

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Q Super

- QS84QW:** Regarding any investments you have with ME Bank, please provide the following:
- a. The capital invested each year for the past five years.
 - b. The accumulated valuation of investments for the past five years.
 - c. The dividends received from those investments for the past five years.

Answer:

QSuper does not have any investments with ME Bank.

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Q Super

- QS85QW:** If you are an investor in ME Bank, have you individually (or in collaboration with other funds), ever commissioned reports into its valuation in the past decade?
- a. And if so, how many reports and in what year?
 - b. Were any commissioned to be completed by the UK-based group, LEK?
 - c. And please provide copies.

Answer:

Not Applicable. QSuper does not have any investments with ME Bank.

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Q Super

QS86QW: According to reports in the *Australian Financial Review* superannuation fund, Hostplus, redefined the definition of 'illiquid assets' ('Hostplus warned of liquidity "perfect storm"', *Australian Financial Review*, 18 May 2020). Therefore, can you please advise:

- How you define 'illiquid assets' within your fund, including details of holdings and timeframes?
- How you define 'liquid assets' within your fund, including details of holdings and timeframes?
- How long each of these definitions have been used?
- What prompted any switch to these definitions?
- What the prior definitions were before any switch?

Answer:

- How you define 'illiquid assets' within your fund, including details of holdings and timeframes?
 - QSuper's investment portfolios are analysed to determine how much of its assets can be liquidated within specific time frames (same-day, up to 5 days, up to 1 month, up to 3 months, up to 1 year and >1 year).
 - This bottom up approach creates a "liquidity cascade" for the Fund and provides Management with an estimate of how quickly assets can be liquidated under extreme scenarios.
 - In addition, the level of cash and cash equivalents in the fund is monitored and used to meet short term liquidity requirements.
 - QSuper defines illiquid assets as assets that cannot be liquidated within 1 year.
 - As of 12 May 2020, these amounts were considered "illiquid":

	Amounts that cannot be liquidated within 1 year (\$ billion)	% of QSuper FUM (ex cash Option)
Diversified Infrastructure	9.6	12%
Property Fund	5.1	6%
Private Equity	4.7	6%
Inflation linked bonds	2.9	4%
Cash	0.9	1%
Totals	23.2	28%

- How you define 'liquid assets' within your fund, including details of holdings and timeframes?

- Liquid assets are defined as cash and cash equivalents, and liquid assets in externally managed Options. As of 12 May 2020, liquidity was:

Liquidity	Cash and cash equivalents (\$ billion)	%of QSuper FUM
Cash	16.7	19%
Cash in High Duration Bonds Trusts	5.4	6%
QS International Cash	2.8	3%
Liquidity of externally managed Options	0.3	0%
	25.2	29%

c. How long each of these definitions have been used?

- These definitions have been used since 2009.

d. What prompted any switch to these definitions?

- Definitions have not been switched.

e. What the prior definitions were before any switch?

- Definitions have not been switched.

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Q Super

QS87QW: Have you completed a skills audit in the past five years of the following:

- a. Your board of directors?
- b. Your investment committee?
- c. And if not, why not?
- d. And if so, presently what gaps are identified?

Answer:

Responses to the above:

- a. Yes. QSuper's Governance Policy requires that a skills audit of the Board and its Committees be conducted annually as part of QSuper's Fit & Proper Assessment.
- b. Yes, as above.
- c. Not Applicable.
- d. The QSuper Board has not previously identified any gaps in the collective skills and knowledge of the Board or its Committees. This is attributable to factors such as: the appointment of suitably qualified and experienced people to the Board; supplementing the Committee memberships with specialist Committee members (i.e. non-Board members) to enhance the Committee's capability; and the on-going professional development requirements of the Fund.

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Q Super

- QS88QW:** Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?
- And if not, why not?
 - And if not prior to appointment, have they following appointment?
 - And if so, on what timeframe?

Answer:

External Investment Management

Yes, investment performance track records for all external managers are assessed pre and post fees prior to appointment.

Internal Investment Management

Yes, performance track records of employees have been assessed prior to appointment where relevant. Where a prospective employee has worked at an external firm in a position that enabled them to generate a relevant performance track record, then that return stream (net of fees) is taken into consideration as part of the hiring process. Many employees have been developed in-house and do not have separate third-party track records. In this instance the contribution that they have made to QSuper's successful track record is known. For all internal mandates requiring securities trading, the adequacy of skills is assessed by independent consultants prior to commencement of each mandate. Separately, to provide the QSuper Board assurances as to the appropriateness of internal teams and processes, independent third-party assurance reviews are regularly commissioned by the Board.

- Not Applicable
- Not Applicable
- Not Applicable

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Q Super

QS89QW: Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread:

Answer:

Country/Region	Share of fund asset value		Share of fund income	
	\$'m	%	\$'m	%
North America (inc USA)	8,242	7%	330	4%
- United States specifically	8,242	7%	330	4%
South America	0	0%	-	0%
Asia (inc China)	0	0%	-	0%
- China specifically	0	0%	-	0%
Africa	0	0%	-	0%
Europe (not inc UK)	137	0%	3	0%
Europe (inc UK)	2,607	2%	127	1%
- United Kingdom specifically	2,470	2%	124	1%
Australasia (inc Aus)	10,108	9%	1,449	17%
- Australia specifically	9,710	8%	1,435	17%

- Assumptions:**
1. Asset Values reported are as of 30 June 2019
 2. Income reported is for the Financial Year ended 30 June 2019
 3. Share of Fund percentages are derived in reference to values reported per the audited 2019 Annual Financial Statements
 4. Country/Region is reported as the jurisdiction of the underlying vehicle through which QSuper invests.

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Q Super

QS90QW: Please provide a copy of your Constitution.

Answer:

QSuper does not have a constitution. The QSuper Board is the trustee entity for QSuper and as it is not a Corporations Act company, it does not have a company constitution. The QSuper Board is a statutory authority established by the Queensland Government under the *Superannuation (State Public Sector) Act 1990*. A copy of this Act, and its subordinate legislation, is publicly available on the website of the Office of the Queensland Parliamentary Counsel or on the QSuper website at the following locations:

- <https://www.legislation.qld.gov.au/view/html/inforce/current/act-1990-020>
- <https://qsuper.qld.gov.au/-/media/pdfs/qsuper-public/publications/qsuperact.pdf>

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Q Super

QS91QW: Please provide details, including the event name, organising entity, ticket price and attendee(s) for the past decade of the tickets purchased for events and/or fundraisers for political parties or related entities, individual MPs and individual candidates for political office or the associated fundraising entities of political parties, individual MPs and individual candidates for political office.

Answer:

QSuper has not purchased tickets or attended events related to fundraisers for political parties, individual MP's and individual candidates for political office over the past decade.

For the purposes of this response, QSuper has used the Australian Electoral Commission, *Transparency Register - Annual returns - Associated entities (last updated 1 May 2020)*, to define organisations considered to be a related entity.

Events or activities which are aligned to political parties and political campaigns are expressly excluded under QSuper's Sponsorship and Donations Framework.

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Q Super

QS92QW: Do you currently have an art collection?
a. If so, can you advise its current valuation?
If so, can you advise where it is stored and/or exhibited?

Answer:

The QSuper Fund does not have an art collection.

QSuper Limited which provides workplaces and member contact centres for QSuper Group entities does have a small number of artworks purchased from local artists.

As part of QSuper's first Reconciliation Action Plan, QSuper Limited engaged Gilimbaa and Larrakia artist Jenna Lee to create an artwork that represents the QSuper reconciliation journey.

Several additional art works have been acquired for member contact centres to promote cultural awareness and provide an inclusive environment for First Australians as part of our Reconciliation Action Plan.

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Q Super

QS93QW: Do you engage proxy advisers?

- a. What are the terms of engagement for proxy advisers?
- b. To what extent are they empowered to act on behalf of the entity?
- c. Does their advice get provided to the board?
- d. How often is advice submitted to the board?
- e. Is their advice formally adopted by the board?
- f. Are their positions publicly stated?
- g. How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?

Answer:

Question:

Do you engage proxy advisers?

Yes.

a. What are the terms of engagement for proxy advisers?

QSuper has an internal team which manage engagement of proxy advisers and voting to ensure voting is conducted efficiently and consistently in accordance with the Board's voting policy. QSuper obtains a range of services from the Australian Council of Superannuation Investors (ACSI) and Glass Lewis including research, recommendations and proxy voting services.

b. To what extent are they empowered to act on behalf of the entity?

QSuper has participated in the development of ACSI's Corporate Governance Guidelines and has directed its proxy advisers to follow those guidelines in making voting recommendations to QSuper. QSuper provides voting instructions to its proxy advisers and retains the right to direct voting on any resolution.

c. Does their advice get provided to the board?

The Board receives a semi-annual report which details all proxy votes cast and highlights key issues arising and how QSuper voted on these issues.

d. How often is advice submitted to the board?

Semi-annually.

e. Is their advice formally adopted by the board?

The Board has set the voting policy that directs the voting.

f. Are their positions publicly stated?

Voting outcomes are published on QSuper's website.

g. How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?

In addition to reviewing voting outcomes on a semi-annual basis, the Board's Voting Policy is subject to periodic review. Further, QSuper participates in the review of ACSI's Corporate Governance Guidelines to ensure that advice reflects the central tenet to 'protect and improve long-term shareholder value'.

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Q Super

QS94QW: Are you currently, or have you previously been, a member or subscriber of the ACTU Members Connect Program?

- a. If so, what is the timeframe of your membership?
- b. What has been the annual fee year-on-year?
- c. How have you assessed its value to your members?

Answer:

No.