

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS95QW:

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)

Date	Report Author	Title
February 2020	ChantWest	Performance Report
October/November 2019	ChantWest	Multi-Manager Rating
October 2017	ChantWest	Performance Report

In addition to the commissioned reports mentioned in the table above, QSuper regularly receives the following reports from ratings agencies that evaluate performance relative to others in the industry.

Monthly

- Chant West Fee Survey
- Chant West Multi manager Survey
- SuperRatings Fundamentals reports
- SuperRatings SR50 Crediting rate
- SuperRatings Fundamentals reports

Annually

QSuper receives comprehensive SuperRatings Benchmarking reports for the both the superannuation and income (pension) account types.

Portal access

QSuper uses various online tools and research portals for fund research from SuperRatings, Chant West and Rainmaker.

b)

Date	Report Author	Title
October – November 2019	Willis Towers Watson	Review of QSuper investment function
September 2016	Mercer	Asset Liability Management Team Assurance Review
November 2015	Frontier Advisors	Investment Strategy Assurance Review

c)

Date	Report Author	Title
February – March 2020	PWC	SPS 521 Conflicts of Interest Review Internal audit report
June 2017	PWC	Compliance with APRA Prudential Standards - SPS 521 Conflicts of Interest

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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:

Fund (refer note 1 below)	Allocation of fund capital		Managing entity	Shareholder
	% (note 2)	\$		
QSUPER BALANCED ACCUM OPTION	37.91%	\$4.70 billion	QSuper Asset Management Pty Ltd (note 3)	Yes
QSUPER BALANCED AP OPTION	38.75%	\$5.00 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER AGGRESSIVE ACCUM OPTION	32.75%	\$1.33 billion	State Street Global Advisors, Australia Ltd	No
QSUPER AGGRESSIVE AP OPTION	33.21%	\$0.18 billion	State Street Global Advisors, Australia Ltd	No
QSUPER MODERATE ACCUM OPTION	65.81%	\$1.81 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER MODERATE AP OPTION	64.52%	\$5.14 billion	QSuper Asset Management Pty Ltd	Yes
AUSTRALIAN SHARES ACCUM OPTION	83.93%	\$0.89 billion	State Street Global Advisors, Australia Ltd	No
AUSTRALIAN SHARES AP OPTION	78.89%	\$0.18 billion	State Street Global Advisors, Australia Ltd	No

Fund (refer note 1 below)	Allocation of fund capital		Managing entity	Shareholder
	% (note 2)	\$		
INTERNATIONAL SHARES ACCUM OPTION	81.85%	\$0.71 billion	State Street Global Advisors, Australia Ltd	No
INTERNATIONAL SHARES AP OPTION	86.06%	\$0.14 billion	State Street Global Advisors, Australia Ltd	No
CASH ACCUM OPTION	100.00%	\$2.31 billion	QSuper Asset Management Pty Ltd	Yes
CASH AP OPTION	100.00%	\$1.07 billion	QSuper Asset Management Pty Ltd	Yes
DIVERSIFIED BONDS ACCUM OPTION	100.00%	\$0.43 billion	QIC Ltd	No
DIVERSIFIED BONDS AP OPTION	100.00%	\$0.24 billion	QIC Ltd	No
QSUPER SRI ACCUM OPTION	52.82%	\$0.15 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER SRI ACCUM OPTION	30.64%	\$0.08 billion	State Street Global Advisors, Australia Ltd	No
QSUPER SRI AP OPTION	52.82%	\$0.04 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER SRI AP OPTION	30.64%	\$0.02 billion	State Street Global Advisors, Australia Ltd	No
QSUPER LIFETIME SUSTAIN 1	57.25%	\$2.80 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER LIFETIME SUSTAIN 2	70.30%	\$2.70 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER LIFETIME OUTLOOK 1	30.61%	\$3.44 billion	State Street Global Advisors, Australia Ltd	No
QSUPER LIFETIME ASPIRE 1	30.61%	\$0.27 billion	State Street Global Advisors, Australia Ltd	No
QSUPER LIFETIME ASPIRE 2	40.11%	\$5.02 billion	QSuper Asset Management Pty Ltd	Yes

Fund (refer note 1 below)	Allocation of fund capital		Managing entity	Shareholder
	% (note 2)	\$		
QSUPER LIFETIME FOCUS 1	39.86%	\$0.67 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER LIFETIME FOCUS 2	47.25%	\$2.01 billion	QSuper Asset Management Pty Ltd	Yes
QSUPER LIFETIME FOCUS 3	54.34%	\$3.10 billion	QSuper Asset Management Pty Ltd	Yes
DEFINED BENEFIT OPTION	50.81%	\$2.92 billion	Vanguard Investments Australia Limited	Yes

Please note:

- Note 1 – Consistent with the example table provided - “Fund” has been interpreted to mean funds invested in each discrete investment option offered by the QSuper Fund.
- Note 2 – in accordance with Note 1, the percentage is calculated using the total funds invested in the specified investment option.
- Note 3 – QSuper Asset Management Pty Ltd is a wholly owned entity which provides wholesale investment management services as an authorised representative of QSuper Limited AFSL 334546.
- The above table does not include funds relating to Defined Benefit members that is managed and held by Queensland Treasury as well as funds held through QSuper’s member-controlled Self Invest option.
- The information in the table above is accurate on 30 June 2020. Amounts have been rounded to the nearest basis point. The percentage and value of amounts invested in each investment option fluctuate on a daily basis.

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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:

QSuper has no interest of any significance in external investment managers (as an index investor in a range of listed equities markets QSuper may hold small equity positions in listed investment managers).

The QSuper Board has two wholly owned entities (QSuper Limited and QSuper Asset Management Pty Ltd) which provide services (including investment management services) exclusively to the QSuper Board and its wholly owned entities. As a profit for members fund, the interests of the QSuper Board and its wholly owned operating entities are aligned to the best interests of QSuper members.

Where services such as investment management are provided by one wholly owned entity to another QSuper Group entity, there are formal agreements in place containing standard commercial terms and service level agreements. The services are generally provided between QSuper Group entities on a cost recovery basis.

Governance and risk management frameworks set out obligations for the appointment of investment managers including segregation of accountability for internal mandates (including the use of independent internal teams, external consultant/assurance reviews and routine internal/external/regulator review of process).

Any perceived or potential conflict of interests are managed in accordance with robust governance frameworks.

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

Q Super

QS98QW:

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:

Remuneration for the categories outlined is disclosed publicly via the annual report. Any remuneration decisions relating to Financial Year 2019/20 will be considered in line with standard Board practices and will be visible in the next public disclosure.

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QS99QW:

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

Answer:

- a) Divestment from pure play fossil fuel producers is one possible action to mitigate climate-related financial risks. The QSuper Board believes that climate change should be viewed primarily as an investment risk that can impact the probability of the Fund meeting its objectives. Mindful of divergent pathways that inform a transition to a low carbon economy, the Board will seek to manage these risks reflective of its core objectives and the timeline that informs any transition.

To assist the Board's consideration of climate change risks a body of work has been identified which includes:

- An assessment of the suitability of various measurement metrics to determine suitability for various purposes: reporting, management;
- Scenario analysis of these risks relative to various targets;
- Quantification of transition and physical risks across listed equities and unlisted assets;
- Assessment of materiality; and
- Assessment of benchmark measures.

Once completed, this work will inform discussion of possible actions (implications for portfolio integration and stewardship activity) where relevant, for existing and new assets.

- b) Any decision will be informed by QSuper's assessment of Climate Change risks as detailed above.