

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

TWUSUPER

TWU91QW:

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:

Each meeting of TWUSUPER's Investment Committee receives a variety of reports produced by its Asset Consultant JANA. These reports provide details of market performance and TWUSUPER's performance. JANA will also provide a detailed review of the investment strategy for each asset class at least once every two years and provides a quarterly report on asset allocation positioning. At least once a year JANA produces a detailed review of the asset allocation for each investment TWUSUPER option, and reports on liquidity testing and scenario analysis.

TWUSUPER also receives a report from Fund researchers Rainmaker and SuperRatings, which compares TWUSUPER option performance, product features and fees with their respective industry peers. Reports are received from the internal auditor, PricewaterhouseCoopers, on reviews they conduct from time to time of TWUSUPER's conflicts of interest policy and procedures.

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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:

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

Fund	Allocation of fund capital		Managing entity	Shareholder
	%	\$		
i.e. Hostplus infrastructure options	i.e. 70%	i.e. \$10 billion	i.e. IFM Investors	i.e. Yes

Answer:

TWUSUPER is a Superannuation Fund (the Fund). There is no manager that invests as much as 30% of the Fund.

The Fund offers three investment options for Accumulation members, all of which are duplicated for Pension members. Only one of these options has an allocation exceeding 30% to another entity: the Cash Plus option. We provide responses on the Cash Plus option below.

Option	Allocation of Option capital		Managing entity	Shareholder
	%	\$		
i.e. Cash Plus option	100%	\$220 million	Janus Henderson	No

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TWU93QW:

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:

TWUSUPER has investments in two funds managed by IFM, one managed by ME Bank and one managed by ISPT. TWUSUPER is a shareholder in the Trustee companies of each fund.

TWUSUPER has a Conflicts Management Policy, a summary of which is published on the TWUSUPER website (<https://www.twusuper.com.au/about-us/governance-and-transparency/key-documents/>).

The chair of each Board and Committee meeting requires attendees to declare any current or potential conflicts before the commencement of a meeting. All directors and senior managers are required to complete an annual declaration of conflicts, including disclosure of relevant interests and duties which are published on the TWUSUPER website (<https://www.twusuper.com.au/about-us/twusuper-team/>). Under the Conflicts Management Policy, they must also notify the Board of potential conflicts as they arise.

The process by which investment managers are appointed relies on a positive recommendation from our asset consultant: JANA.

JANA runs a business providing investment advice to institutional investors that entails detailed research on each investment manager. Only those managers that are recommended by JANA are presented as candidates to manage assets for TWUSUPER.

TWUSUPER's Investment Committee will typically interview at least two candidates for a given role. The criteria for selection include the following:

- the attractiveness of the asset class that the manager is investing,
- the likelihood that a manager will be able to provide higher returns than a passive benchmark after allowing for investment fees and expenses,
- the additional risks (investment, liquidity, ESG etc) that are associated with a given manager and its investment strategy,
- the ability of the manager to communicate effectively and to service its account,
- the strength of recommendations from JANA
- the results of a due diligence review conducted by Management that includes consideration of investment, operational, tax and legal matters.

Directors and employees must not accept entertainment, gifts or personal favours which may imply a conflict of interest. Gifts of cash are not accepted and a gift or gift certificate of over \$100 in value is required to be disclosed to the Trustee.

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TWU94QW:

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:

In accordance with the Fund's remuneration policy the remuneration for Directors, CEO & Executive Management Team are determined as follows:

- a. Board members are paid a fixed meeting fee to their employer organisation on an annual basis. This has not reduced since 11 March 2020.
- b. The Chief Executive is remuneration on the following basis: total remuneration package comprising of a fixed salary plus superannuation contributions. This is reviewed annually and any change made effective from the first full pay cycle after 1 December. The Chief Executive's remuneration has not been reduced since 11 March 2020.
- c. The Executive Management team are remunerated on the following basis: total remuneration package comprising of a fixed salary plus superannuation contributions. This is reviewed annually, and any change made effective from the first full pay cycle after 1 December. There has been no reduction to the remuneration of the Executive Management team since 11 March 2020.

The fees paid to Directors and the remuneration payments made to the Chief Executive and the Executive Management team are disclosed on our web site, the links are found below.

<https://www.twusuper.com.au/assets/Documents/director-remuneration.pdf>

<https://www.twusuper.com.au/assets/Documents/executive-remuneration.pdf>

Fees for Directors paid by TWU Nominees Pty Ltd 2018/19



Name, Trustee role Employer organisation	Financial year end	Short term employee benefits (\$)				Post-appointment benefits (\$)	
		Fees ¹	Short term incentives ²	Long term incentives ³	Non-monetary benefits ⁴	Superannuation contributions ⁵	Termination payments ⁶
David Galbally AM QC ⁷ , Chairman Madgwicks Lawyers	2019	284,400	0	0	0	0	0
	2018	277,200	0	0	0	0	0
Peter Biagini, Director Transport Workers Union of Australian – Qld Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Gary Mahon, Director Queensland Trucking Association Ltd	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Peter Anderson, Director Victorian Transport Association	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
John Berger, Director Transport Workers Union of Australia – Vic/Tas Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Hugh McMaster, Director Australian Road Transport Industrial Organisation – NSW Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Richard Olsen, Director Transport Workers Union of Australia – NSW Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Timothy Dawson, Alternate Director Transport Workers Union of Australia – WA Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Michael Kaine ⁸ , Director Transport Workers Union of Australia – National	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Paul Ryan, Alternate Director Australian Road Transport Industrial Organisation – National	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Ian Smith, Alternate Director Transport Workers Union of Australia – SA/NT Branch	2019	30,000	0	0	0	0	0
	2018	30,000	0	0	0	0	0
Michelle Harwood ⁹ , Alternate Director Tasmanian Transport Association	2019	30,000	0	0	0	0	0
	2018	20,000	0	0	0	0	0
Nick McIntosh ¹⁰ , Alternate Director Transport Workers Union of Australia – National	2019	30,000	0	0	0	0	0
	2018	0	0	0	0	0	0

¹ Director meeting fees and chairman fees are paid to their respective employers. Directors are not paid by the Fund or Trustee. Fees are shown net of GST. Director meeting fees are paid annually to Directors serving as at 1 July.

² No short term incentives are payable to any Director.

³ No long term incentives are payable to any Director.

⁴ No non-monetary benefits are payable to any Director.

⁵ No superannuation contribution are payable to any Director.

⁶ No termination payments are payable to any Director.

⁷ Chairman fees increased in July 2018.

⁸ Michael Kaine ceased as an Alternate Employee Director on 6 June 2019 and was appointed Employee Director on the same day.

⁹ Michelle Harwood was appointed as an Alternate Director on 7 December 2017 replacing Robin Phillips who resigned as a Director on 10 August 2017 and was subsequently appointed as a Director on 2 August 2018. Pro rata fees for 2018 are shown.

¹⁰ Nick McIntosh was appointed as an Alternate Director on 6 June 2019. No fees were paid in 2019.

Remuneration of Executive Management paid by TWU Nominees Pty Ltd 2018/19

Name	Financial year end	Short term employee benefits (\$)				Post-employment benefits (\$)		Total remuneration (\$)	Movement in leave accrual (\$)	
		Base salary ¹	Short term incentives ²	Long term incentives ³	Non-monetary benefits ⁴	Superannuation contributions ⁵	Termination payments		Annual leave movement during the year ⁶	Long service leave movement during the year ⁷
Frank Sandy, Chief Executive Officer	2019	364,882	0	0	0	25,000	0	389,882	-20,831	14,632
	2018	342,120	0	0	0	25,000	0	367,120	23,282	17,179
Andrew Killen, Chief Investment Officer	2019	351,229	0	0	0	25,000	0	376,229	-7,958	11,492
	2018	337,580	0	0	0	25,000	0	362,580	11,716	14,888
Matt Licheri, Chief Operating Officer	2019	233,398	0	0	0	25,000	0	258,398	-3,962	8,083
	2018	218,868	0	0	0	21,852	0	240,720	2,636	7,807
Lachlan McBain, Chief Governance Officer ⁸	2019	215,255	0	0	0	25,000	0	240,255	-97	4,756
	2018	219,419	0	0	0	25,000	0	244,419	-8,776	7,133
Lou Coia, Manager, Trustee Services ⁹	2019	213,709	0	0	0	25,000	0	238,709	5,750	7,747
	2018	210,209	0	0	0	19,566	0	229,775	-972	9,164
Tony Buckley, Executive Manager, Stakeholders & Marketing ¹⁰	2019	199,311	0	0	0	18,893	0	218,204	5,202	6,147
	2018	191,924	0	0	0	18,233	0	210,157	-3,425	6,419
John Arnott, Chief Financial Officer ¹¹	2019	211,567	0	0	0	17,484	0	229,051	5,974	5,505
	2018	0	0	0	0	0	0	0	0	0

¹ Base salary includes annual leave and long service leave taken during the year.

² No short term incentives are payable to any Executive Manager.

³ No long term incentives are payable to any Executive Manager.

⁴ There were no reportable fringe benefits for any Executive Manager.

⁵ Superannuation contributions are employer contributions including superannuation salary sacrificed.

⁶ Annual leave reflects the movement during the financial year.

⁷ Long service leave reflects the movement during the financial year and may not be an entitlement. Long service leave generally cannot be accessed until 8 years continuous service has been reached.

⁸ Lachlan McBain transitioned from 100% full time equivalent (FTE) to 80% FTE on 18 March 2019.

⁹ Lou Coia was appointed Manager, Trustee Services on 15 May 2019. He previously held the role of Manager, Operations.

¹⁰ Matt Licheri's position title was changed from Executive Manager, Strategy & Customer Experience to Chief Operating Officer from 1 July 2019.

¹¹ John Arnott was appointed as Chief Financial Officer on 3 September 2018.

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TWU95QW:

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:

TWUSUPER does not currently exclude fossil fuel companies from portfolios.

Relevant TWUSUPER Policies and Climate Change Position Statement are published on TWUSUPER's website (www.twusuper.com.au/investments/responsible-investment/).

TWUSUPER delegates the selection of assets to professional investment managers within their respective asset classes. These managers are regularly reviewed for their ability to integrate ESG risks and opportunities, which include climate change, into their investment decisions.

TWUSUPER also uses proxy voting and company engagement to improve disclosure of climate related risks, and to encourage management of these risks.