

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**HESTA**

**HEST63QW: Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?**

**Answer:**

HESTA outsources its property investment activities to external investment managers and does not own any property assets directly. As part of its ongoing monitoring of external investment management activities and processes, HESTA is aware that its external investment managers are receiving rental deferral requests and are in the process of considering these requests. It is difficult to quantify at this stage what the full impact of any rental deferrals will be (noting also that the recent release of the Mandatory Code of Conduct for commercial leasing will also impact the management of rental deferral requests).

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**HESTA**

**HEST64QW: Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?**

**Answer:**

Please refer to the response provided in response to question HEST63QW.

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**HESTA**

**HEST65QW: Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?**

**Answer:**

HESTA outsources its property investment activities to external investment managers and does not own any property assets directly. As part of its ongoing monitoring of external investment management activities and processes, HESTA is aware that its external investment managers are receiving rental adjustment requests and are in the process of considering these requests. It is difficult to quantify at this stage what the full impact of any rental adjustments will be (noting also that the recent release of the Mandatory Code of Conduct for commercial leasing will also impact the management of rental adjustment requests).

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**HESTA**

**HEST66QW: Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?**

**Answer:**

Please refer to the response provided in response to question HEST65QW.

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**HESTA**

**HEST67QW: On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?**

**Answer:**

Please refer to HESTA's response to question HEST04QW for data relating to HESTA's listed and unlisted investments as at 30 June 2019. There have not been material changes to the percentage between listed and unlisted investments from 30 June 2019 to 1 January 2020.

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**HESTA**

**HEST68QW: On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?**

**Answer:**

No, HESTA did not have any liquidity issues resulting from honouring obligations to members.

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**HESTA**

**HEST69QW: What write down, if any, has been made to the value of unlisted assets?**

**Answer:**

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 valuation principles.

HESTA's Valuation Policy (provided in response to question HEST06QW) contains several triggers, at which point the asset values are assessed to ensure equity is maintained for members and to determine whether any 'out of cycle' revaluation is required on unlisted assets. Since mid-March, 'out of cycle' adjustments have been made to unlisted asset valuations consistent with HESTA's long-standing Valuations Policy. The ongoing, unprecedented economic and financial market impact of COVID-19 means that HESTA will continue to regularly review valuations. The amount of any change to valuation is reflected in the weekly unit prices, published on our website at <https://www.hesta.com.au/members/investments/super-performance.html>.

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**HESTA**

**HEST70QW: Listed companies holding infrastructure assets have had write downs of around 40 per cent:**

- a. How does this compare to your write down of unlisted assets?**
- b. If there is a difference, why is there a difference?**

**Answer:**

As explained in HESTA's response to HEST69QW, the amount of any valuation changes with respect to unlisted assets is reflected in the weekly unit prices, published on our website at <https://www.hesta.com.au/members/investments/super-performance.html>. These weekly unit prices include 'out of cycle' valuations of unlisted assets which may be undertaken.

HESTA does not consider that a comparison of the value of listed companies holding infrastructure assets with unlisted assets is appropriate in these circumstances, given that the impact of an event (such as the impact of COVID-19) on a given asset (whether listed or unlisted) is particular to that asset. Providing an 'average' impact does not appropriately recognise the particularities of each asset.

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**HESTA**

**HEST71QW: Have you had any liquidity issues in honouring your obligations to members as a result of the:**

- a. recent decline in the share market?**
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?**

**Answer:**

No, HESTA has not experienced liquidity issues in honouring our obligations to members.

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**HESTA**

**HEST72QW: What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?**

**Answer:**

The COVID-19 pandemic and associated market conditions have impacted the value of the fund. As markets are still volatile, it is difficult to quantify at this stage what the full impact to the fund will be. As at 31 March 2020, HESTA's total Funds Under Management was \$50.23b, compared to \$55.48b on 31 December 2019.

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**HESTA**

**HEST73QW: How many members have requested the early release of their superannuation since 12 March 2020, and to what value?  
Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:**

Applications for the early release of superannuation on compassionate grounds are managed by the ATO. If the ATO approves the early release, the appropriate forms are lodged with HESTA. We are hence not in a position to identify the total number of members who have requested early release of their superannuation from HESTA.

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**HESTA**

**HEST74QW: How many members have had approved the early release of their superannuation since 12 March 2020, and to what value?  
Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:**

From 12 March to 17 April 2020, HESTA received 713 requests from members for the early release of superannuation funds. The total value of these is \$6,520,047.

The ATO manages all eligibility assessments for the early release of superannuation as part of the Federal Government's response to the COVID-19 pandemic. HESTA will continue to prioritise the needs and concerns of members as the situation unfolds and will action requests promptly as they are transmitted from the Australian Taxation Office.

HESTA, as do all RSE licensees, provide regular detailed member data reporting to APRA. This can be accessed directly by the secretariat via APRA.

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**HESTA**

**HEST75QW: If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.**

**Answer:**

Please refer to the response provided to question HEST73QW.

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**HESTA**

**HEST76QW: Liquidity management:**

- a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?**
- b. How is the plan being reported to the trustee directors?**
- c. Who is responsible for the day-to-day liquidity management for the fund?**

**Answer:**

HESTA has a robust process for managing compliance with all its legislative and regulatory obligations, including those obligations under APRA's prudential framework. In line with Superannuation Prudential Standard 530 – Investment Governance, HESTA has in place a Liquidity Management Plan that is reviewed and approved annually by the Board's Investment Committee. HESTA's investment teams monitor the day-to-day liquidity of the Fund and there are clear processes in place for escalation and action, including regular reporting to the Investment Committee and Board, if any significant or potentially significant liquidity issues are identified. As per responses to questions HEST68QW and HEST71QW no liquidity issues have been identified to date.