

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

TWUSUPER

TWU77QW:

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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TWUSUPER

TWU78QW:

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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TWUSUPER

TWU79QW:

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:

- a. No new investments have been placed with IFM over the last five years.
- b. The Valuation of investments held in IFM funds over the last five financial years is set out below.

	IFM Global Infrastructure Trust	IFM Australian Infrastructure Trust
30/06/2019	23,413,666	102,164,887
30/06/2018	21,257,714	88,562,208
30/06/2017	21,657,576	82,965,659
30/06/2016	19,887,395	76,473,005
30/06/2015	17,808,365	79,488,872

- c. Distributions received from IFM Trusts over the last five financial years is set out below.

	IFM Global Infrastructure Trust	IFM Australian Infrastructure Trust
30/06/2019	4,266,309	5,412,517
30/06/2018	1,962,358	2,197,513
30/06/2017	178,688	1,889,412
30/06/2016		19,420,286
30/06/2015		1,292,318

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TWUSUPER

TWU80QW:

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:

- a. No new investments have been placed with ME Bank over the last five years.
- b. The Valuation of investments held in Super Loans Trust, which is managed by ME Bank, over the last five financial years is set out below.

Super Loans Trust	
30/06/2019	792,359
30/06/2018	923,516
30/06/2017	1,603,182
30/06/2016	4,058,552
30/06/2015	4,887,486

- c. Income distributions received from the Super Loans Trust over the last five financial years are set out below. Note that this trust is in the process of being wound down and TWUSUPER also received capital repayments over this period.

Super Loans Trust	
30/06/2019	49,644
30/06/2018	73,525
30/06/2017	130,047
30/06/2016	246,378
30/06/2015	335,971

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TWUSUPER

TWU81QW:

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:

- a. No, but annually at the end of each financial year we receive an independent valuation of ME Bank. In 2017, this valuation was undertaken by PwC, and in 2018 & 2019 the valuation was completed by Ernst & Young.
- b. N/A
- c. N/A

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TWU82QW:

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:

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

Answer:

- a. Illiquid assets are defined as investments that can be converted to cash in an orderly market over a period of more than one month, or in a shorter period of time by accepting a discount to fair value.
- b. Liquid assets are defined as investments that can be converted to cash at fair value within a period of up to one month of giving notice.
- c. These definitions have never been changed and have been in force for in excess of 10 years
- d. N/A
- e. N/A

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TWU83QW:

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:

- a. The most recent assessment of the competency of the Board and its individual directors was conducted as at 30 June 2019, with the results available on the Fund website (<https://www.twusuper.com.au/about-us/twusuper-team/> - see 'Board collective skills, experience and diversity' link).
- b. There is no separate assessment of the investment committee but its members, who are all directors, are assessed as part of the Board assessment referred to in a. That assessment includes an assessment of directors' investment skills and experience.
- c. Refer answers to a. and b.
- d. Mean ratings for the directors for each competency are set out in the table on the website. The legend beneath the table explains the ratings, which vary between Basic and Expert level.

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TWU84QW:

Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?

- a. And if not, why not?
- b. And if not prior to appointment, have they following appointment?
- c. And if so, on what timeframe?

Answer:

The Trustee, having regard to recent case law on employees and fiduciary duties, is of the view that the duties of its employees are such that no employee owes fiduciary duties in relation to the investments of the fund. No employee has the power to acquire or dispose of investment assets of the fund.

The Trustee acts on the advice of its investment adviser JANA Investment Advisers Pty Ltd, whose advice is considered and decided upon by either the Board's Investment Committee or the Board itself.

- a. Not applicable.
- b. Not applicable.
- c. Not applicable.

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TWUSUPER

TWU85QW:

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

Country/Region	Share of fund asset value		Share of fund income	
	\$	%	\$	%
North America (inc USA)				
- United States specifically				
South America				
Asia (inc China)				
- China specifically				
Africa				
Europe (not inc UK)				
Europe (inc UK)				
- United Kingdom specifically				
Australasia (inc Aus)				
- Australia specifically				

Answer:

Note that unlisted assets are defined as all assets except listed shares. This includes bonds, cash, credit securities, unlisted infrastructure, unlisted property and private equity.

TWUSUPER invests into these asset classes predominantly through managed funds. The Fund does not look through each managed fund to determine regional allocations of assets or income. Rather they are divided as Australian or foreign assets. The composition of unlisted investments as at 30 June 2019 is set out below.

Country/Region	Share of fund asset value		Share of fund income	
	\$	%	\$	%
Australia	1,606,081,213	28.5%	46,597,232	26.8%
Global	1,287,162,473	22.8%	52,168,689	30.0%

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TWUSUPER

TWU86QW:

Please provide a copy of your Constitution.

Answer:

A copy of the constitution of TWU Nominees Pty Ltd (the trustee of the TWU Superannuation Fund) is on the Fund website (<https://www.twusuper.com.au/about-us/governance-and-transparency/key-documents/>).

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TWUSUPER

TWU87QW:

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:

The Fund does not make political donations nor has it had any involvement in supporting individuals or political parties in fund-raising activities in the past decade.

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TWUSUPER

TWU88QW:

Do you currently have an art collection?

- a. If so, can you advise its current valuation?
- b. If so, can you advise where it is stored and/or exhibited?

Answer:

No.

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TWUSUPER

TWU89QW:

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:

- a. TWUSUPER has engaged ISS to provide voting advice in relation to the Fund's directly-held Australian listed equity investments. We receive research and advice that is aligned with ISS' Sustainability Proxy Voting Guidelines which are aligned with environmental, social and governance-related initiatives such as the Principles for Responsible Investment (PRI).

ISS' voting policies are publicly available here: <https://www.issgovernance.com/policy-gateway/voting-policies/>

We also have a discrete mandate with a global credit manager, but these directly-held credit securities do not have voting rights.

All international equities mandates are held as pooled investments and voted by our investment managers in line with their respective policies.

- b. ISS is not authorised to act on behalf of TWUSUPER. TWUSUPER maintains oversight of ISS' research and recommendations and may exercise discretion to override ISS' voting recommendations where it is considered in our members' best interests. Consideration is also given to investment managers' advice where ISS recommends opposing the company board. TWUSUPER makes voting decisions internally after taking into account managers' and advisers' views.
- c. Summary statistics of voting activity are provided to the Investment Committee semi-annually and to the Board on an annual basis. The report highlights contentious themes that were identified during the period and the results of resolutions where TWUSUPER voted against company management.
- d. Per c. above, semi-annually to the Investment Committee and annually to the Board.

- e. The Investment Committee and Board note the reports on proxy voting activity.
- f. ISS's general principles under each of its policies are publicly available on their website here: <https://www.issgovernance.com/policy-gateway/voting-policies/>.

Specific positions taken in respect of individual resolutions may be made available by ISS at their discretion.

- g. The Board believes that exercising ownership rights seeks to ensure that company executives and directors run companies in the best long-term interests of shareholders. The Board also believes that Companies that properly manage environmental, social and governance risks and opportunities are likely to be more financially sustainable and, therefore, perform better over the long-term. Within this context, the Board has aligned its policy on proxy voting to its fiduciary duties under the Superannuation Industry (Supervision) Act 1993 and the sole-purpose test.

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TWU90QW:

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:

- a. The ACTU member Connect program was renewed for the 2019/21 FYs - a 2-year period.
- b. The annual cost of the program is \$33,600 (plus GST)
- c. A formal evaluation process was conducted, this includes assessment against the following dimensions:
 - 1) Alignment with goals – workplace distribution*
 - 2) The audience
 - 3) Program (event) analysis
 - 4) Overall business case.

*Programs that can assist with connecting to a transport audience that is difficult to reach due to; (a) geographical distribution; (b) secure workplaces; and; (c) mobility, underpin member outcomes that have seen people in transport improve their retirement prospects.

This low-cost distribution model is not just based on union involvement, but that of representative employer associations (some affiliated with TWUSUPER, others not) and ultimately members who benefit.