

AustralianSuper

Annual Report
2014/15

BUILD TOMORROW

Contents

Welcome	1
Highlights	2
Investment update	4
Active ownership	8
Digital future	10
Helping our members plan their financial future	11
Stakeholders	12
AustralianSuper's value chain	13
Farewell and thank you, Tim Poole	14
Servicing members	15
Managing risk	16
Investment options	17
Investments and investment managers	22
Major shareholdings	26
The AustralianSuper Board	28
Directors	28
Committees of the Board	33
Being responsible in our dealings	34
Our people	36
Remuneration	39
Financial statements	43

About this report

AustralianSuper is committed to delivering a combined sustainability and annual report. Since 2010/11, AustralianSuper has been using the Global Reporting Initiative (GRI) G3.1 sustainability reporting guidelines as its key platform for communicating economic, environmental, social and governance performance. This annual report has transitioned to GRI G4.

The process for defining the report content and the Aspect Boundaries (the materiality assessment) involved a gap analysis and the application of AccountAbility's 5-part materiality test, including reviews of: our risk register and framework, organisational policies and protocols, stated commitments and declarations regarding sustainability, a peer review, a media review and consideration of stakeholder views.

A range of stakeholder interviews were undertaken to help determine what was considered material to the Fund. This helped to prioritise the content of the annual report and to ensure that AustralianSuper proactively manages the interests of relevant internal and external stakeholders.

This annual report was prepared in October 2015 by AustralianSuper Pty Ltd ABN 94 006 457 987, AFSL 233788 the Trustee of AustralianSuper ABN 65 714 394 898 and may contain general financial advice that does not take into account your personal objectives, situation or needs. Before making a decision about AustralianSuper, consider your financial requirements and read the Product Disclosure Statement, available at **australiansuper.com/PDS** or by calling **1300 300 273**.

This report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) G4 Guidelines.

This report addresses all of AustralianSuper's operations and there have been no significant changes to operations, size or structure since the previous Annual Report for 2013/14.

Welcome

In another strong financial year for AustralianSuper members, the Balanced investment option – where most members' super is invested – returned 10.86% in 2014/15, making this its third successive year of double-digit returns.

While this is pleasing, the Fund does not expect returns of this magnitude every year. Long term performance is always a more meaningful indicator and in this context the Balanced option has returned an average of 7.30% a year over 10 years.

The results for 2014/15 reflect strong returns across a broad range of investments. The low Australian dollar has helped international share market returns, while property and infrastructure assets have provided solid long-term returns in times of uncertainty.

AustralianSuper's 25% stakes in the Ala Moana shopping centre in Honolulu and the King's Cross development in London are part of an ongoing strategy to invest directly in assets that can help grow members' retirement incomes over long periods.

These property assets are resistant to the volatility of share markets, and they offer higher income returns than fixed interest and cash investments.



Adequacy and confidence

AustralianSuper exists to provide adequate retirement incomes for Australians to improve the quality of their life in retirement.

This can only be achieved by ensuring there are effective policy settings in place that allow people to accumulate sufficient super savings during their working life.

There are three key factors in helping members achieve comfort and confidence in retirement: how much they earn, how much they save and how long they work for.

To achieve this, the superannuation system needs to:

- › level the playing field for low income earners, specifically that includes keeping the low income super contribution in place
- › address broken work patterns, this is a major issue that has a significant impact on women in particular; and
- › help people put more savings into their super.

AustralianSuper has a firm focus on ensuring members feel confident about the life they will lead in retirement. Members should be armed with the information and products that allow them to take control of their future.

A sustainable fund

Over recent years there has been an increasing focus on the role that large institutional investors play in influencing social policy outcomes, mostly notably in relation to climate change and coal.

AustralianSuper's primary focus is to provide adequate retirement incomes for our members. This is our fiduciary duty.

The Fund does not, however, do this in isolation. AustralianSuper has what we call an active owner program that oversees the investment risks that various environmental, social and governance issues can present.

The Fund has a highly qualified team managing this program and they have been in place for a number of years. It is called 'active owner' because the Fund has understood for some time now that the responsibility to assess issues around environmental, social and governance risk needs a proactive approach.

AustralianSuper is an engaged asset owner and this is an appropriate approach from a significant investor in the local and global economy. The Fund believes companies that have good corporate practices are more likely to increase their value and therefore maximise sustainable long-term returns to members.

AustralianSuper takes its responsibilities seriously and is responsive to the fact that the Fund has two million members with a wide range of concerns and views, and with a wide range of financial and personal needs.

Thank you

We would like to thank all members for their support of AustralianSuper over the past year.

As always, we welcome your comments or feedback about AustralianSuper by email at isilk@australiansuper.com

Highlights

2 million

AustralianSuper has more than 2 million members – around one in 10 working Australians.

\$3.3 billion

AustralianSuper members received \$3.3 billion in retirement and pension payments in 2015.

9.9 million

AustralianSuper members and employers have embraced our online service, with over 9.9 million visits to our website during 2014/15.

743,000 square metres

AustralianSuper has agreed to take a 25 per cent stake in King’s Cross, in its first direct London investment. The 67-acre King’s Cross site| includes some 743,000 square metres of offices, homes, hotels, leisure, shops and restaurants, a university, galleries, schools, community facilities and music venues.

\$92b

About AustralianSuper

AustralianSuper has more than 2 million members – around one in 10 working Australians – and manages member assets of \$92 billion (at 30 June 2015).

AustralianSuper is an industry fund run only to profit members. Fees are set to cover the cost of operations, and no dividends are paid to shareholders.

The Fund's objective is to help our members achieve the best possible retirement outcome.

This is done by delivering strong long-term investment performance.

AustralianSuper consistently achieves high ratings from independent organisations that measure the overall quality of a fund according to value for money, investment performance, fees and fund operations.

In recent years, AustralianSuper has focused on building world-class in-house investment capabilities. This allows the Fund to maximise long-term returns as well as keep costs low through direct investment.

Governance

The Trustee is AustralianSuper Pty Ltd. The Trustee is governed by a Board of Directors. All Directors are non-executive and independent of management.

Member Directors are appointed by the Australian Council of Trade Unions, Australia's peak union body, and Employer Directors are appointed by a major employer organisation, the Australian Industry Group, subject to ratification by the Board.

The Board comprises five member representatives and five employer representatives.

Management

The Board appoints the Chief Executive. Day-to-day management of the Fund’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated to the Chief Executive.

The Chief Executive has a number of senior executives as direct reports who have responsibility for different business areas.

Most staff, including the Chief Executive Ian Silk, Deputy Chief Executive Mark Delaney and other senior executives, are located in the Trustee head office in Melbourne.

Objectives and strategy

To help members achieve their best possible retirement income AustralianSuper aims to:

Be the best value fund

- › Generate strong long-term investment performance
- › Harness the benefits of scale to reduce costs

Be a member’s fund for life

- › Provide products, help and financial advice for every phase of life

Be easy to deal with

- › Align all interactions with members and employers (channels, messages and services)
- › Invest in technology

Be the number one fund

- › Be Australia’s leading superannuation brand
- › Be Australia’s largest superannuation fund

Be ready for the future

- › Build the foundations for growth
- › Foster industry fund values and workplace leadership
- › Build and protect our intellectual property
- › Manage risk and be regulatory ready

AustralianSuper manages member assets of \$92 billion (at 30 June 2015).

Investment Update

TIM POOLE



It’s been another strong year for AustralianSuper members.

The combination of a diversified strategy, active management and a large exposure to unlisted assets has helped AustralianSuper outperform the majority of its competitors. The Fund makes separate decisions about its international assets and currency exposure, which combined with the slide in the Australian dollar also added to our strong investment result.

Investment returns remain strong

For the 12 months to 30 June 2015, AustralianSuper’s Balanced investment option returned 10.86% against the median option return of 9.60%*. International shares, property and infrastructure performed well, with private equity the best performing asset class for the year to 30 June 2015. Investment options with higher weightings to these asset classes performed better than those with more fixed interest and cash investments.

For the 12 months to 30 June 2015, the Balanced option for retirement income accounts returned 12.60% against the median return of 10.13%. †The Conservative Balanced option for retirement income accounts also outperformed the median with a return of 10.59% against 8.25%.‡

Slow recovery

The global economy has continued its slow paced recovery that began in 2009. Interest rates are at record low levels in developed countries around the world. This has fuelled strong global demand for assets offering investors better yields than the low – and sometimes negative – rates available from cash deposits, bonds and other defensive assets.

With world trade growth still very weak, policy makers and central banks are continuing to support economies through stimulatory policies like quantitative easing, which has been helping to boost share markets. In fact, there is a direct correlation with the economies that have had the most stimulus and the share markets that performed the strongest.

The low interest rate pattern is prevailing across the globe. This situation looks likely to remain in place for some time to come, with only the US and UK considering lifting rates in the coming year. The Federal Reserve has indicated US economic growth is expected to pick up later this year, with the first, very small, rate rise now likely before the end of 2015. While in Australia, the Reserve Bank of Australia (RBA) cut interest rates twice during the financial year.

Weaker Australian dollar

The rise in most currencies against the Australian dollar gave a huge boost to the international share returns of Australian investors. This currency appreciation added 15.9% to global share market returns, which in Australian dollar terms returned a total of 24.2% for the year to 30 June 2015.

Although good for Australian investors, the stronger US dollar is proving to be a drag on the performance of the US share market. The appreciation in the US dollar is holding back corporate earnings as American exports are now more expensive. The decline in both the Euro and Yen, however, is boosting earnings of European and Japanese companies.

After a long period of ‘muddling through’, the Australian economy seems to be starting a rebound on the back of lower interest rates and a weaker Australian dollar. Unemployment appears to have plateaued and small business confidence is being boosted by incentives announced in the May Federal Budget.

Commodity prices decline

The year was also marked by strong declines in many key commodities, particularly oil and iron ore. The fall in prices has been driven by a shift in the balance between the supply and demand for these commodities. While global demand has been relatively steady, there has been a strong increase in the supply; by Australia in iron ore and by the US in oil through its shale field developments.

The oil price more than halved over the year before recovering to around US\$50-\$60. Lower prices saw most commodity producing countries, including Australia and many emerging markets, underperform during the year as did the shares of companies linked to their supply.

Rising uncertainty in Greece and China

Markets have been preoccupied with the Greek government’s non-payment of debts and its potential exit from the Euro currency and the Eurozone group. Despite the small size of the Greek economy, there was concern that a ‘Grexit’ may lead to a more systemic risk for global markets. This risk has been contained to date by the European Central Bank’s continued stimulus, which has sought to underpin confidence in the Eurozone and ensure that other ‘peripheral’ member countries remain united. A bailout package secured after the end of the financial year averted Greece’s near term liquidity crisis. Despite this, Greece continues to face substantial economic challenges in the years ahead.

As we have seen over the past few years, concerns about the Chinese economy remain centred around high leverage and the property market. Investors have become increasingly worried that the Chinese economy is slowing faster than previously expected, and may fall well short of the Government’s expectations of 7% growth in 2015.

While the Chinese economy has been relatively stable, the Chinese share market experienced a spectacular rise of 152% from July 2014 to its peak in early June 2015, before falling suddenly at the end of the financial year and beginning of July. These large swings are mainly due to speculative trading and excessive margin lending, rather than market fundamentals.

AustralianSuper buys four international properties

AustralianSuper invested more than \$2.2 billion in four prime real estate assets in the US and UK during the financial year. AustralianSuper now owns significant stakes in a prime Boston office block, 75 State Street; eight office buildings in Washington DC; London’s world-class mixed-use King’s Cross estate, as well as the world’s largest open-air shopping centre, Honolulu’s Ala Moana Center.

Long-term returns are what really count for members

While these annual results are pleasing, we know returns of this magnitude can’t be repeated every year. The last three years have delivered a total of 46% in investment earnings to members in the Balanced option, and reflect the bounce back from the global financial crisis.

That’s why we encourage members to take a long-term perspective when looking at their super returns. For the ten years to 30 June 2015, the Balanced option has returned an average of 7.30% a year*, well ahead of the median option’s return of 6.44% pa and the Consumer Price Index plus 4% target.

Investment performance			
	1 Year	5 Years (pa)	10 Years (pa)
At 30 June 2015			
AustralianSuper Balanced	10.86%	10.20%	7.30%
Median fund [‡]	9.60%	9.11%	6.44%
AustralianSuper Balanced (Pension)	12.60%	11.50%	—
Median fund [†] (Pension)	10.13%	9.97%	—
[†] SR50 Balanced Index, SuperRatings Crediting Rate Survey, June 2015			
[‡] SRP50 Balanced Index, SuperRatings Crediting Rate Survey, June 2015			

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

* SR50 Median Balanced Option, SuperRatings Fund Crediting Rate Survey, June 2015

†SuperRatings Pension Fund Crediting Rate Survey, SRP50 Median Balanced Option, 30 June 2015.

‡SuperRatings Pension Fund Crediting Rate Survey, SRP50 Median Conservative Balanced Option, 30 June 2015.

Investment Update

Superannuation Investment Performance to 30 June 2015

AustralianSuper declares a return for each investment option on a daily basis. The crediting rate declared can be positive or negative depending on investment performance.

The amount allocated to member accounts is the crediting rate earned during the period that the account was invested in the investment option(s). The crediting rate is net of any investment management fees, expenses and other provisions, such as tax.

Investment returns from relevant investment option(s) are applied to members’ accounts effective 30 June each year or earlier if a member balance is moved between investment options, or when a member leaves AustralianSuper.

TABLE FIGURE 1

Investment options	10 Years (pa %)		5 Years (pa %)		1 Year %	
	A'Super	B'Mark	A'Super	B'Mark	A'Super	B'Mark
PreMixed options						
High Growth	7.26	6.33	11.16	9.77	12.68	10.71
Balanced	7.30	6.44	10.20	9.11	10.86	9.60
Sustainable Balanced	7.17	6.44	10.41	9.11	9.49	9.60
Indexed Diversified					8.05	9.60
Conservative Balanced			9.28	7.40	8.88	7.28
Stable	6.35	5.40	7.62	6.40	7.05	5.66
Capital Guaranteed*	4.30	3.98	4.06	3.09	4.92	2.21
DIY Mix options						
Australian Shares	7.62	6.16	10.13	8.72	6.34	5.03
International Shares	6.27	5.56	12.79	12.59	22.92	21.33
International Shares Hedged					9.94	9.13
Australian Sustainable Shares	7.94	6.08	9.78	8.63	3.94	5.00
International Sustainable Shares	4.48	5.55	13.87	13.39	20.53	21.42
Property	6.03	7.72	7.78	8.55	9.43	9.21
Australian Fixed Interest	5.23	3.67	5.98	3.33	4.17	2.51
Diversified Fixed Interest	6.32	3.67	7.61	3.33	5.96	2.51
International Fixed Interest	4.21	3.67	5.55	3.33	3.99	2.51
Cash	4.32	3.98	3.38	3.09	2.45	2.21

This information is provided by AustralianSuper Pty Ltd (ABN 94 006 457 987, AFSL No. 233788), the Trustee of AustralianSuper (ABN 65 714 394 898). AustralianSuper returns are net of fees and taxes.

Returns from equivalent investment options of ARF and STA are used in calculating returns for periods that begin before 1 July 2006.

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns. All care is taken to ensure this information is correct at the date of publication. Any errors or misprints will be corrected by the Trustee in later reports.

*There was a large daily return in the Capital Guaranteed Option in October 2014. This one-off increase reflects the repayment of reserves held by AMP to support the capital guarantee, as part of the exit from AMP. It does not reflect the level of daily returns we expect in the future given this is a cash-based investment option.

Benchmarks can be found on the inside back cover.

Retirement Income Investment Performance to 30 June 2015

TABLE FIGURE 2

Investment options	5 Years (pa %)		1 Year %	
	A'Super	B'Mark	A'Super	B'Mark
PreMixed options				
High Growth	12.36	11.16	14.52	11.50
Balanced	11.50	9.97	12.60	10.13
Sustainable Balanced	11.55	9.97	11.03	10.13
Indexed Diversified			9.46	10.13
Conservative Balanced	10.32	8.79	10.59	8.25
Stable	8.59	7.27	8.47	6.35
Capital Guaranteed*	4.74	3.65	5.34	2.60
DIY Mix options				
Australian Shares	11.44	9.45	7.30	5.61
International Shares	14.14	14.18	25.83	24.20
International Shares Hedged			11.43	10.28
Australian Sustainable Shares	10.86	9.45	4.75	5.61
International Sustainable Shares	15.36	15.25	22.42	24.56
Property	8.81	9.80	10.51	10.59
Australian Fixed Interest	7.07	3.33	4.90	2.51
Diversified Fixed Interest	8.78	3.33	6.70	2.51
International Fixed Interest	6.07	3.33	5.25	2.51
Cash	4.01	3.65	2.87	2.60

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Benchmarks can be found on the inside back cover.

Active Ownership

AustralianSuper takes its responsibility as an asset owner very seriously. The Fund actively engages with companies and fund managers by meeting with them directly, and we also use our position as an owner in our stock voting decisions.

2014/15 key statistics

1,400

Over 1,400 Australian shareholder resolutions

13,000

Over 13,000 international resolutions

196

196 company engagements on ESG issues

Active ownership

AustralianSuper takes its responsibility as an asset owner very seriously. The Fund actively engages with companies and fund managers by meeting with them directly, and also uses its position as an owner in stock voting decisions.

As a long-term investor, the Fund looks for well-managed companies that focus on long-term value creation.

One of the key ways AustralianSuper addresses and manages a range of investment risks is through our Active Owner Program.

AustralianSuper also works collaboratively with other organisations, including the Australian Council of Superannuation Investors (ACSI), to address environmental, social and governance issues in our investment portfolios.

At its core, active ownership is about good investment and risk management processes. AustralianSuper believes that encouraging companies to be responsible corporate citizens is in accord with the Fund's first priority to maximise returns for members who put their trust in AustralianSuper to invest their retirement savings.

This is because well-performing companies successfully manage their environmental, social and governance responsibilities.

Poor governance is a risk to long-term performance.

Transparency

AustralianSuper votes on matters relating to the largest 300 Australian companies and 500 global companies.

Every quarter AustralianSuper publishes information on the web as to how the Fund voted on its shareholdings in the previous quarter.

Details of these votes can be found on the 'Our investment governance' page at australiansuper.com

ACSI provides voting advice and is an ESG engagement service provider. For international companies we subscribe to the Glass Lewis international proxy voting service.

AustralianSuper voted against 4.5% of remuneration reports and against 1.1% of director elections in 2014–15.

AustralianSuper also had over 40 direct engagements with CEOs, CFOs and board members of companies we invest in.

Increasingly, companies are recognising superannuation funds as large shareholders and therefore a group that they need to engage with directly.

Staying engaged

AustralianSuper takes an active role in being a part of long-term solutions.

In this context, our imperative to be an active owner is perfectly aligned with our responsibility to maximise the retirement savings of members.

In relation to climate change, AustralianSuper has joined the Carbon Disclosure Project, a global initiative asking the largest companies to disclose investment-related information on their greenhouse gas emissions, and the Investor Group on Climate Change, which aims to ensure that risks and opportunities associated with climate change are incorporated into investment decisions for the benefit of the investor.

AustralianSuper is also a signatory to the United Nations Principles of Responsible Investment. In 2015, our assessment score against the principles was the highest rating possible of A+. This puts us in the top 17% of signatories, and the top 20% of all signatories that are asset owners in the world.

In addition, our score in Active Ownership for listed equities moved from a B to an A this year, demonstrating our commitment to exercise our rights as a responsible investor with a long-term view of the companies in which we invest.

These scores also reflect the emphasis we place on incorporating environmental, social and governance issues in our due diligence processes, and our ongoing monitoring and engagement work.

Other groups and initiatives we actively participate in include ACSI, Investor Group on Climate Change, ESG Research Australia and the Asian Corporate Governance Network.

ESG investment risks

AustralianSuper approaches ESG risk identification and management in a few different ways depending on the types of assets.

For unlisted property and infrastructure assets, the Fund has external environmental advisers that provide comprehensive ESG reports on assets as part of the due diligence process for asset purchases. Existing property assets are reviewed annually by the Global Real Estate Sustainability Benchmark (GRESB). Results are used to engage with external managers to ensure specific issues are being addressed and progress is being made.

For shares, we have sector based ESG metrics and rank each company within its sector. This information is used in company discussions and also feeds into models used by our internal equities team to analyse individual companies.

The most common issues we engage directly with companies on are related to governance such as remuneration and board succession. The Fund is also engaged on environmental and social issues that can affect AustralianSuper as a long-term investor. Climate change is an issue that is frequently discussed and what companies are doing to mitigate and adapt to risks.

Some specific themes we have focused on this year include banks and financed carbon emissions and the retail sector and their supply chain risks which is covered in more detail below.

Child labour supply-chain risks

Since 2013, AustralianSuper's Investment Governance Team has been investigating the issue of child labour in the supply chain of AustralianSuper's investments.

The Fund developed an engagement framework and worked with ASX retailers to monitor progress, rating their response and actions out of five.

We have seen to measurable progress in these companies' approaches to their labour supply chain.

We have seen ASX retailers' standard for management and disclosure of supply chain risks continue to improve over the last 12 months, with a number of retailers enhancing their transparency around sourcing and monitoring practices.

These improvements show the benefit of engaging with an issue over a multi-year timeframe, and supply chain engagement will remain a priority for the Fund so that further improvements can continue to be made.

Digital future

Nearly all of AustralianSuper’s future activities, and our future success, will be underpinned by technology and the Fund has begun some vital initiatives in this area.

Improving technology

The Fund’s focus is on developing our administration systems and managing data to provide our members and employers with secure and superior service.

A key element of this is simplifying and consolidating our technology platforms that will make it easier for members and employers to transact with AustralianSuper and improve the Fund’s ability to service them.

For example, the Fund will be consolidating:

- › three core administrations systems currently used to manage all retirement accounts into one system
- › three online portals into one, and
- › more than 30 disparate data sources into a single data warehouse.

The Fund also now has access to market leading data analytics tools that better help us understand the needs of members and to deliver to those needs.

AustralianSuper has also updated our online systems, so members who invest in both Member Direct and Choice Income can now access all accounts in one place at australiansuper.com/login

A key element for success of the Fund’s approach is a new technology governance framework that will ensure there is a consistent approach to procurement, management and deployment as AustralianSuper grows.

Making sure all aspects of our technology is future proof and does not conflict with or destabilise our existing systems is a major priority, as is having the best practices in place around risk management and data security.

Technology is often a top three risk for financial services companies. A key part of AustralianSuper’s technology strategy is investing in both managing and oversighting technology risk.

This includes an increased security operation capability.

Keeping member and Fund data safe is a core technology principle and AustralianSuper is continuously improving its security processes and procedures. This continuous improvement incorporates both the security expertise within the Fund and the best in class technologies used by the Fund.

A new administrator

In December 2014, AustralianSuper and other shareholders reached a binding agreement for the sale of the Fund’s administrator, Superpartners, to Link Group.

Link Group was chosen as a preferred bidder after a comprehensive process in which the shareholders considered a number of competitive proposals. Link has a strong track record of service in the superannuation industry across industry and government funds.

All members will be migrated to the new system by late 2016 and this will provide improved automation which means the requests from members are processed faster.



New app

AustralianSuper has also been developing an app to help make it easier for members to access information about their account.

The AustralianSuper app for mobile will be an easy way for members to:

- › view current estimated account balance and transactions
- › view and edit member details
- › get notified when a super contribution is credited to your account
- › notify your employer of your AustralianSuper account details
- › view levels of Insurance cover
- › provide Tax File Number and consent to search for lost super
- › call or email our contact centre.

The mobile app will be available towards the end of 2015. To use the app, you must be an AustralianSuper member, and have activated your online account. This app does not currently provide account details for members who hold a retirement income account.

Helping our members plan their financial future

AustralianSuper provides members with professional financial advice. Different kinds of financial advice are available, depending on individual member needs.

As well as in house planners, the Fund has a network of external financial planners that has signed up to a code of conduct, and our advice is commission free – so members can be confident they are getting advice in their best interest.

Advice over the phone

A team of financial advisers is available over the phone to help with specific questions or issues about super like:

- › investment options
- › putting extra savings into super
- › insurance cover
- › our pension, including the transition to retirement option.

To get over the phone advice call **1300 789 932**.

In person financial advice

AustralianSuper members can speak to someone face to face about more complex issues and can access fee-for-service financial advice on all financial matters, including:

- › retirement planning, including transition to retirement
- › pensions and super income streams
- › superannuation
- › savings strategies and investments
- › managing debt
- › insurance.

AustralianSuper has a panel of external advisers nationally who can provide face-to-face advice, particularly regional Australia.

Use the ‘Find an adviser’ tool on our website to search for an adviser based on the type of advice you need and your location.

AustralianSuper is also boosting our numbers of internal financial planners. The financial planning team has grown from 12 to 20 financial planners in the last 12 months. Our planners conduct face-to-face meetings in our offices in Sydney, Melbourne, Brisbane, Perth, Newcastle, Hobart, Darwin, Adelaide and Canberra.

The financial planning team also gives presentations at seminars and workplaces.

Transition to retirement

Approaching retirement is an important phase in your financial life.

Getting the right advice can help minimise the tax on super. It can also help you get all the government support you’re entitled to.

As well as talking to one of our qualified financial planners about retirement, members can attend a transition to retirement seminar at each of our Member Briefings around the country.

Members can call our Retirement Helpline on **1300 789 932** to get started, or visit australiansuper.com/advice.

Common super myths

Even with a low super balance, just a few extra dollars a week can go a long way. When it comes to super:

- › you don’t need to spend all your super before you can get the Government Age Pension
- › you don’t have to take your super as a lump sum; you could benefit from taking smaller amounts over time
- › with an income stream, you have control over how much money you get
- › by taking an income stream rather than all your super at once, you can make your money go further
- › even as you get closer to retirement, it shouldn’t be too late to better your position.

The over the phone or in person financial advice you may receive is provided under the Australian Financial Services licence held by a third party and not by AustralianSuper Pty Ltd (AustralianSuper) and therefore is not the responsibility of AustralianSuper. Some personal advice provided may attract a fee, which would be outlined before any work is completed and is subject to your agreement. With your approval, the fee for advice relating to your AustralianSuper account can be deducted from your AustralianSuper account.

Stakeholders

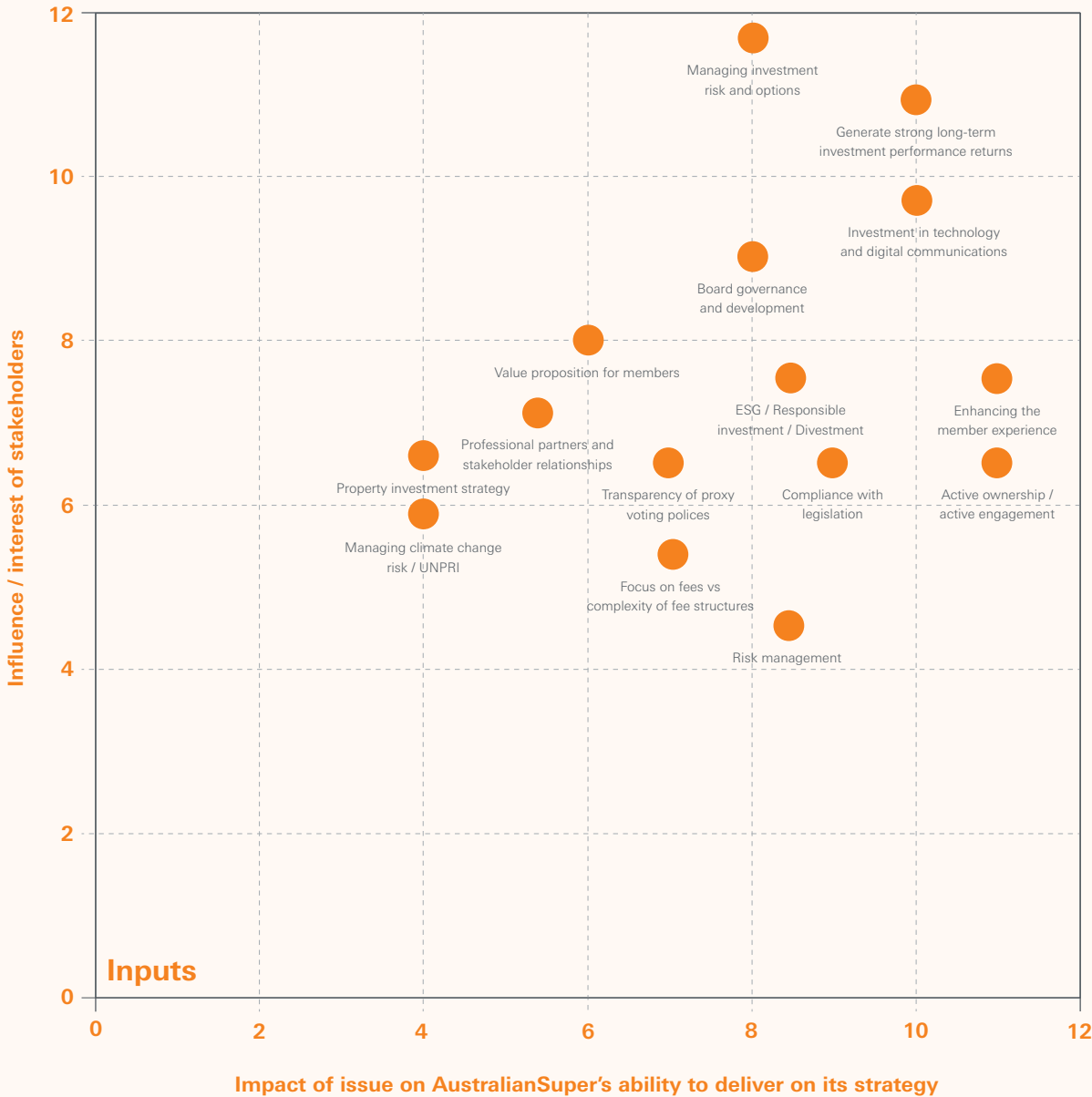
AustralianSuper’s stakeholders are vital to the Fund’s ongoing growth and success. Our major stakeholders include members, employers groups, unions, major suppliers, staff and regulators.

During the year an assessment was undertaken by each Group in AustralianSuper to identify major stakeholders. A range of external stakeholders were interviewed to determine what they thought the material issues were for AustralianSuper, which has helped shape the content of this annual report.

The stakeholders interviewed included a major supplier, a regulator and a major industry body. Member feedback was ascertained through an analysis of both the Fund’s market research program and feedback received from our contact centre.

The issues highlighted as material by our stakeholders are outlined below. All of these material issues sit within our operational boundary with the exception of those where the impact and value is provided to members, such as investment performance returns and active ownership/ESG.

AustralianSuper Materiality Matrix

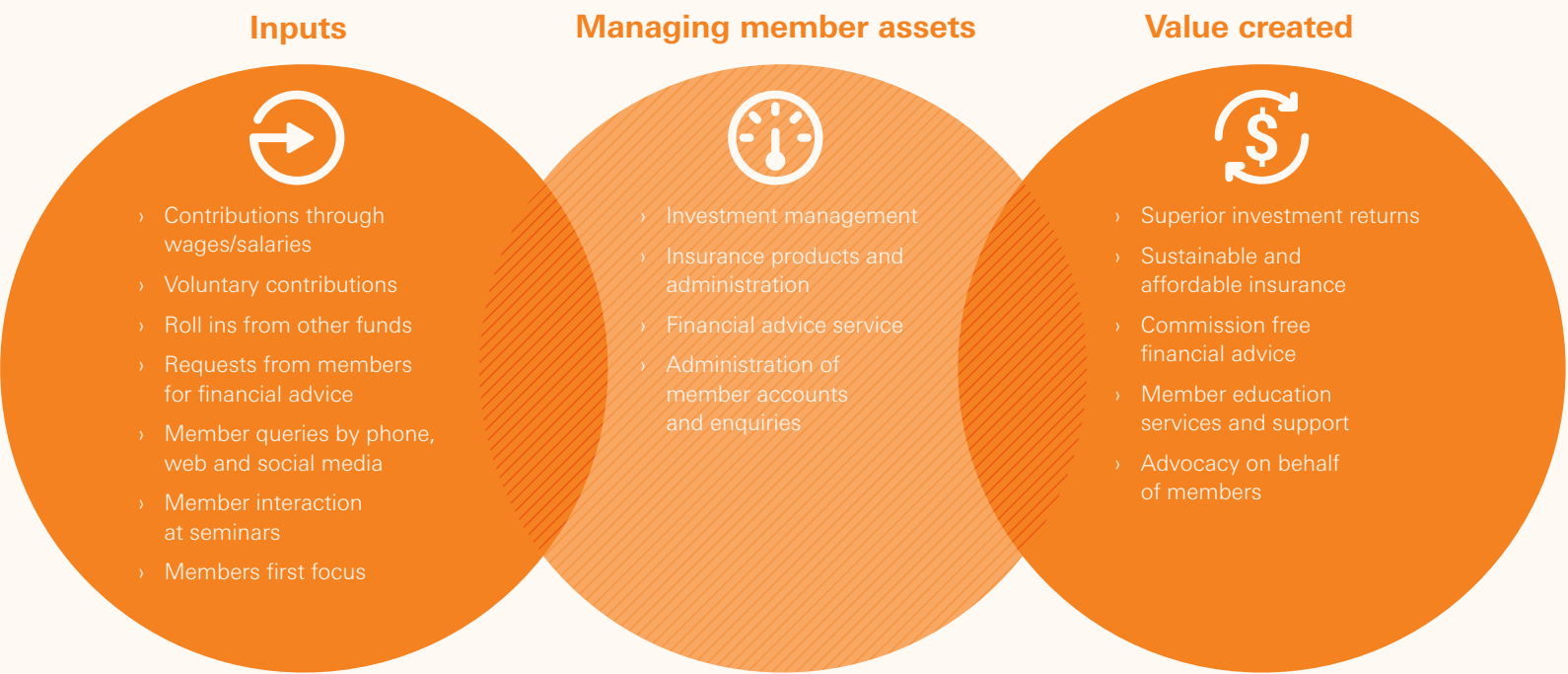


AustralianSuper's value chain

AustralianSuper's value chain is a simple description of the Fund's activities and how we create value for members.

To help members achieve the best possible retirement outcome we access some of the leading suppliers in the financial services industry to provide their services and expertise.

Combining the Fund's internal capabilities with expert skills and advice ensures we use our scale to help members achieve the best possible retirement.



Farewell and thank you, Tim Poole

Tim Poole has stepped down from his positions as Independent Director and Investment Committee Chair at AustralianSuper.

Tim has been a member of AustralianSuper’s Investment Committee since 2007. He took over as Chair from Bernie Fraser on 1 July 2011, when he also became a member of the Board.

Tim has played a pivotal role in helping the Fund deliver on its mission of providing better retirement outcomes to members. In his four years as Chair, the Balanced option has delivered total investment earnings of 47.41%, equating to an average annual return of 10.19%.

During this time, member assets have more than doubled, with the Investment Committee now overseeing \$92 billion in members' assets.

Tim helped the Fund successfully navigate the periods of volatility and recovery that followed the global financial crisis.

He has been instrumental in shaping the investment strategy of the Fund, particularly the shift to internal management which began in 2012. AustralianSuper currently manages around 15% of assets internally, and aims to lift this to around 40% over time. This strategy aims to deliver significant cost savings, which will go back to members in the form of better net returns.

Unlisted assets are an important part of the Fund’s investment strategy, with assets now totalling more than \$22 billion. Tim’s investment experience in infrastructure has brought significant benefits to the Fund.

He oversaw the Fund’s first significant direct infrastructure investment in May 2013 with the purchase of NSW Ports. This was followed by the Queensland Motorways acquisition in April 2014.

Tim has also been instrumental in driving the Fund’s offshore property strategy that began in 2011. The Fund now has one third of its \$22 billion property portfolio invested overseas.

‘On behalf the AustralianSuper Board and staff, we thank Tim for the extraordinary contribution he has made to our members’ retirement incomes,’ said AustralianSuper Chair Heather Ridout.

TIM POOLE



Servicing members

AustralianSuper continues to improve the level of service provided and seeks to ensure the Fund is easy to deal with and responsive to the needs of members.

During the year the Fund trialled click to chat, a new service channel accessed through the website.

Click to chat allows AustralianSuper to talk with potential and existing members in real time on the web. The Fund is working towards click to chat being a permanent service channel offered to members.

Towards the end of 2015 the AustralianSuper mobile app will be available. The app will enable members to view all transactions (current and two previous financial years), update account details (e.g. personal information such as TFN, address, mobile etc), view account balance (split between contributions and investment returns), receive notifications (including when contributions are received) and provide their membership details to employers.

The Fund has also redesigned our statements in line with member feedback, to make them easier to read and understand.

As part of this redesign AustralianSuper has included retirement income projections on some statements for the first time, to help members better understand and manage their super. Around 40% of our membership will receive a projection on their statement.

Online the Fund saw website visits increase by 16% during the year to over 9.9 million. Member logins were 4.8 million and our contact centre handled 1.2 million calls.

AustralianSuper undertakes a range of activities to measure member satisfaction.

These activities take the form of qualitative and quantitative research as well as analysis of feedback we receive from members via email, surveys, phone calls and social media.

A new service introduced during the year gives members who contact the call centre the opportunity to opt into a feedback survey after receiving an SMS.

Almost 4,000 members have responded to this service since it was launched.

This provides up to date feedback on how the Fund is performing in response to member needs and enquiries.

AustralianSuper also monitors member satisfaction through 465,000 emails and 220,000 letters members sent to the Fund. Members are also increasingly using the website to transact and obtain information about their super.

If you would like to provide feedback to the Fund, including what you think of this annual report, contact us at australiansuper.com/email or call **1300 300 273**.

Managing risk

We all take risks everyday.

From taking out a mortgage, choosing superannuation investment options or even crossing the road, risk is an inherent part of life.

Even choosing not to take any action comes with risk.

Balancing risk

In the financial realm, it's a matter of balancing risk – too much risk can lead to unsustainable losses, and not enough risk can lead to too little reward.

AustralianSuper seeks to manage risk in order to maximise the retirement outcomes for members.

Upgrading our risk management practices

AustralianSuper is working on a number of initiatives that will significantly increase our awareness and management of operational risk.

We are refreshing and upgrading our risk management framework, policies and procedures based on leading practice.

This means putting in place the things that we need to build a strong risk management culture, as well as investing in further training for our workforce.

We are also building a catalogue of risks and mitigating controls across the fund, and taking the opportunity to improve controls including strengthening fraud and corruption protection.

Good risk management practice is founded on strong reporting and response processes, so we are developing a new reporting system and response plans to possible risk events and scenarios.

This includes a new system to automate the way we manage risk.

A strong framework

Having a strong risk management framework can help to reduce the likelihood and severity of adverse events.

Some of the things we focus on are:

- › preventing problems before they occur
- › responding early and appropriately when things go wrong
- › having clear boundaries in place.

The point is not to eliminate risk, but to be aware of the risks we have chosen to take on.

To do this, we need to have robust systems in place to track and address issues.

AustralianSuper has invested much effort specifically addressing the risk of fraud and corruption across the entire Fund. We have further strengthened controls to mitigate the risk of various types of fraud and corruption including, cyber, member account, expense payment, investment, illegal use of the Fund's assets and brand.

Fraud and corruption will continue to be an area of focus for the Fund in order to protect members' interests.

Delivering for the future

AustralianSuper is putting these initiatives in place now so that we can deliver for the future.

These changes are happening in a context of:

- › increasing complexity
- › increasing uncertainty
- › increasing competition
- › greater regulatory expectations.

By acting now, we can ensure we are prepared to manage operational risk as the environment changes.

Putting members first

Addressing operational risk is another way that AustralianSuper puts members' interests first.

Taking calculated risks is what enables us to build our members' funds.

Rigorously applying our risk framework will help to maximize opportunity that risks present and mitigate the negative consequences of risk for our members.

Investment Options

The following pages show the objectives, investment strategy, risks and potential ranges of returns for each of AustralianSuper's investment options.

The asset allocation ranges are the minimum and maximum amounts we expect to invest in each asset class for each PreMixed option. Each year, we set a strategic asset allocation within these ranges based on our outlook for the economy and investment markets over the next 12 to 18 months. We will move towards or away from the strategic asset allocation (but seek to keep within the ranges) during the year based on our outlook for each asset class. The strategic asset allocation shown is current at September 2015.

Investment strategy

AustralianSuper's investment strategy is to achieve maximum investment returns for each investment option at a reasonable cost.

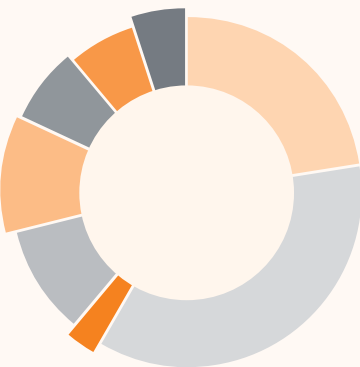
AustralianSuper actively manages each investment option's portfolio to achieve, where appropriate, a diversified portfolio consistent with the option's strategic asset allocation, investment objectives and risk appetite.

Balanced

Investment objectives

To outperform (after fees and tax) the median balanced fund and an average annual return of CPI* + 4% over the medium to long term.

Strategic asset allocation 2015-16



- Australian shares **23%** (10–45%)
- International shares **35%** (10–45%)
- Private equity **3%** (0–10%)
- Direct property **10%** (0–30%)
- Infrastructure **11%** (0–30%)
- Credit **7%** (0–20%)
- Fixed interest (bonds) **6%** (0–25%)
- Cash **5%** (0–15%)

Asset allocation ranges are shown in brackets

Asset allocation at 30 June 2015	
Australian shares	26.2%
International shares	34.5%
Direct property	9.1%
Infrastructure	10.5%
Private equity	3.3%
Fixed interest	12.8%
Cash	3.7%

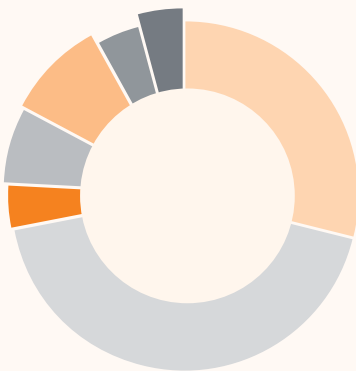
PreMixed investment options

High Growth

Investment objectives

To outperform (after fees and tax) the median growth fund and an average annual return of CPI* + 4.5% over the medium to long term.

Strategic asset allocation 2015–16



- Australian shares **29%** (20–50%)
- International shares **43%** (20–50%)
- Private equity **4%** (0–10%)
- Direct property **7%** (0–30%)
- Infrastructure **9%** (0–30%)
- Credit **4%** (0–20%)
- Fixed interest (bonds) **0%** (0–20%)
- Cash **4%** (0–10%)

Asset allocation ranges are shown in brackets

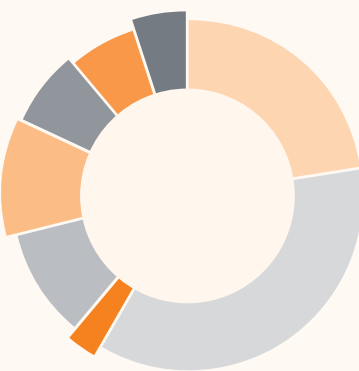
Asset allocation at 30 June 2015	
Australian shares	32.0%
International shares	42.4%
Direct property	8.1%
Infrastructure	9.4%
Private equity	5.7%
Fixed interest	0.0%
Cash	2.4%

Sustainable Balanced

Investment objectives

To outperform (after fees and tax) the median balanced fund and an average annual return of CPI* + 4% over the medium to long term.

Strategic asset allocation 2015–16



- Australian shares **23%** (10–45%)
- International shares **35%** (10–45%)
- Private equity **3%** (0–10%)
- Direct property **10%** (0–30%)
- Infrastructure **11%** (0–30%)
- Credit **7%** (0–20%)
- Fixed interest (bonds) **6%** (0–25%)
- Cash **5%** (0–15%)

Asset allocation ranges are shown in brackets

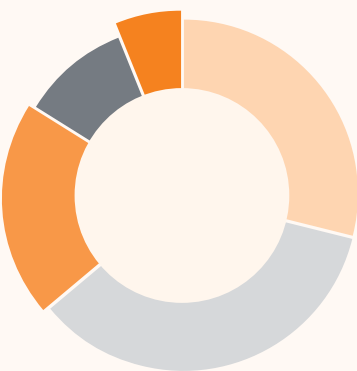
Asset allocation at 30 June 2015	
Australian shares	26.2%
International shares	34.4%
Direct property	9.2%
Infrastructure	10.3%
Private equity	3.3%
Fixed interest	12.7%
Cash	4.0%

Indexed Diversified

Investment objectives

To match (after fees and tax) the median balanced fund and an average annual return of CPI* + 3.5% over the medium to long term.

Strategic asset allocation 2015–16



- Australian shares **29%** (20–50%)
- International shares **35%** (20–50%)
- Listed property **6%** (0–10%)
- Fixed interest (bonds) **20%** (0–30%)
- Cash **10%** (0–30%)

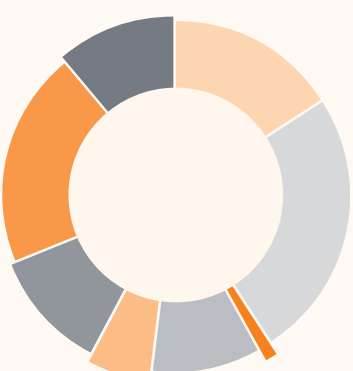
Asset allocation at 30 June 2015	
Australian shares	29.3%
International shares	40.3%
Fixed interest	17.2%
Cash	13.3%

Conservative Balanced

Investment objectives

To outperform (after fees and tax) the median conservative balanced fund and an annual average return of CPI* + 2.5% over the medium term.

Strategic asset allocation 2015–16



- Australian shares **16%** (5–35%)
- International shares **25 %** (5–35%)
- Private equity **1%** (0–5%)
- Direct property **10%** (0–25%)
- Infrastructure **6%** (0–25%)
- Credit **11%** (0–25%)
- Fixed interest (bonds) **20%** (0–30%)
- Cash **11%** (0–30%)

Asset allocation ranges are shown in brackets

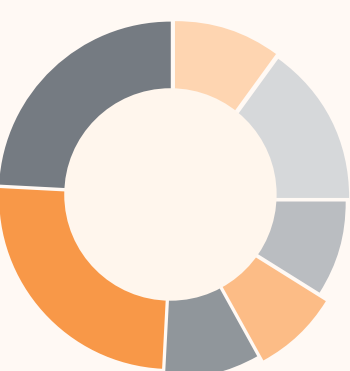
Asset allocation at 30 June 2015	
Australian shares	17.8%
International shares	23.5%
Direct property	9.1%
Infrastructure	9.4%
Private equity	2.0%
Fixed interest	28.4%
Cash	9.8%

Stable

Investment objectives

To outperform (after fees and tax) the median growth fund and an average annual return of CPI* + 1.5% over the medium to long term.

Strategic asset allocation 2015–16



- Australian shares **10%** (0–20%)
- International shares **15%** (0–20%)
- Private equity **0%** (0–3%)
- Direct property **9%** (0–15%)
- Infrastructure **8%** (0–20%)
- Credit **9%** (0–25%)
- Fixed interest (bonds) **25%** (0–40%)
- Cash **24%** (0–50%)

Asset allocation ranges are shown in brackets

Asset allocation at 30 June 2015	
Australian shares	11.9%
International shares	14.4%
Direct property	8.1%
Infrastructure	8.6%
Private equity	0.0%
Fixed interest	30.2%
Cash	26.7%

Capital Guaranteed

Investment objectives

To guarantee a member’s capital and outperform (after fees and tax) the return of the Bloomberg AusBond Bank Bill Index over the short-term.

Strategic asset allocation 2015–16



- Cash **100%**

Asset allocation ranges are shown in brackets

Asset allocation at 30 June 2015	
Cash	100%

* CPI stands for consumer price index which is used as a measure of inflation.

DIY Mix investment options

Australian Shares

Investment objectives

To outperform (after fees and tax) the S&P/ASX 300 Accumulation Index (adjusted for tax) over the medium to long term.

Strategic asset allocation 2015–16

Australian shares **100%**



International Shares

Investment objectives

To outperform (after fees and tax) the MSCI World All Countries (ex Australia) Unhedged Index (adjusted for tax) over the medium to long term.

Strategic asset allocation 2015–16

International shares **100%**



International Shares – Hedged

Investment objectives

To outperform (after fees and tax) the MSCI World All Countries (ex Australia) Hedged Index (adjusted for tax) over the medium to long term.

Strategic asset allocation 2015–16

International shares – hedged **100%**



Australian Sustainable Shares

Investment objectives

To outperform (after fees and tax) the S&P/ASX 300 Accumulation Index (adjusted for tax) over the medium to long term.

Strategic asset allocation 2015–16

Australian shares **100%**



International Sustainable Shares

Investment objectives

To outperform (after fees and tax) the MSCI World (net dividend reinvested) Unhedged Index (adjusted for tax) over the medium to long term.

Strategic asset allocation 2015–16

International shares **100%**



Property

Investment objectives

To outperform (after fees and tax) the Mercer/IPD Australian Unlisted Wholesale Property Fund Index (adjusted for tax) and an annual return of CPI* + 3% over the medium to long term.

Strategic asset allocation 2015–16

Direct property **100%**



DIY Mix investment options

Australian Fixed Interest

Investment objectives

To outperform (after fees and tax) an average annual return of CPI* + 0.5% over the short to medium term.

Strategic asset allocation 2015–16

Fixed interest **100%**



International Fixed Interest

Investment objectives

To outperform (after fees and tax) an average annual return of CPI* + 0.5% over the short to medium term.

Strategic asset allocation 2015–16

International fixed interest **100%**

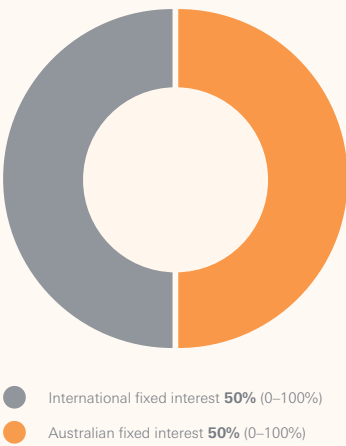


Diversified Fixed Interest

Investment objectives

To outperform (after fees and tax) an average annual return of CPI* + 0.5% over the short to medium term.

Strategic asset allocation 2015–16



Cash

Investment objectives

To match (after fees and tax) the Bloomberg AusBond Bank Bill Index (adjusted for tax) each year and outperform the annual return of CPI.*

Strategic asset allocation 2015–16

Cash **100%**



Member Direct

Investment objectives

The Member Direct investment option enables eligible members to invest part of their AustralianSuper account in their choice of shares from the S&P/ASX 300 Index, a selection of Exchange Traded Funds and term deposits.

* CPI stands for consumer price index which is used as a measure of inflation.

Investment and Investment Managers

AustralianSuper engages a range of external investment managers to complement our internal investment teams.

In appointing investment managers, we take into consideration their:

- › investment processes
- › reputation and experience
- › size and funds under management, and
- › structure and ownership.

The following tables detail the composition of AustralianSuper’s portfolios and include:

- › mandates – investment managers that manage discrete portfolios on behalf of AustralianSuper
- › other investments – includes pooled investment vehicles and some direct holdings that AustralianSuper invests in.

As at 30 June 2015 the following combination of investments represented more than 5% of total Fund assets:

- › IFM Investments: 22.99% (5.73% of this is an indexed Australian shares portfolio and 8.78% short-term cash instruments).

Investments and Investment Managers

	Sector	Value \$'000
Airlie Funds Management	Australian Equities	1,892,849
Alphinity Investment Management Pty Ltd	Australian Equities	2,167,703
Antares Capital Partners Ltd	Australian Equities	482,820
AustralianSuper Internal Investments	Australian Equities	6,402,987
Avoca Investment Management Pty Ltd	Australian Equities	408,744
Celeste Funds Management Ltd	Australian Equities	147,160
Eley Griffiths Group Ltd	Australian Equities	323,315
FIL Ltd	Australian Equities	3,280,653
Goldman Sachs Asset Management Australia Pty Ltd	Australian Equities	632,835
Industry Funds Management Pty Ltd	Australian Equities	5,504,098
Member Direct	Australian Equities	719,387
Northcape Capital Pty Ltd	Australian Equities	337,068
Paradice Investment Management Pty Ltd	Australian Equities	184,498
Perpetual Investment Management Ltd	Australian Equities	2,684,454
Tribeca Investment Partners Pty Ltd	Australian Equities	310,362
AustralianSuper Internal Investments	Capital Guaranteed	421,573
Industry Funds Management Pty Ltd	Cash	8,326,255
AustralianSuper Internal Investments	Currency Overlays	230,390
AustralianSuper Internal Investments	Fixed interest	2,843,672
Babson Capital Management LLC	Fixed interest	1,435,295
BCA Mezzanine Debt Trust	Fixed interest	267
Bentham Asset Management Pty Ltd	Fixed interest	3,620,058
Brandywine Global Investment Management LLC	Fixed interest	1,714,007
Bridgewater Associates, LP	Fixed interest	295,037
DIF Capital Partners Senior Debt Trust	Fixed interest	47
Fidante Partners	Fixed interest	335,827
Hastings Funds Management Pty Ltd	Fixed interest	57
Industry Funds Management Pty Ltd	Fixed interest	1,517,503
ME Portfolio Management Limited	Fixed interest	159,074
Perennial Investment Partners Ltd	Fixed interest	863,367
Q-BLK ARS III - Institutional, Ltd	Fixed interest	2,330
Schroder Investment Management Ltd	Fixed interest	736,586
State Street Global Advisors Australia Limited	Fixed interest	21,732
AustralianSuper Internal Investments	Infrastructure	3,110,651
Industry Capital Group Limited	Infrastructure	233,615
Industry Funds Management Pty Ltd	Infrastructure	4,974,946
Macquarie Specialist Asset Management Limited	Infrastructure	65,148
Ausbil Investment Management Limited	International Equities	749,590
AustralianSuper Internal Investments	International Equities	1,104,297
Baillie Gifford Overseas Ltd	International Equities	4,240,745
Causeway Capital Management LLC	International Equities	1,215,082



Investments and Investment Managers

	Sector	Value \$'000
First State Investments International Ltd	International Equities	660,376
Genesis Asset Managers LLP	International Equities	2,141,675
Harding Loevner LP	International Equities	680
Independent Franchise Partners LLP	International Equities	2,101,509
Jackson Square Partners, LLC	International Equities	2,086,309
LSV Asset Management	International Equities	1,829,042
MFS Institutional Advisors Inc	International Equities	4,245,030
Orbis Investment Management Limited	International Equities	2,495,684
State Street Global Advisors Australia Limited	International Equities	5,274,728
Vontobel Asset Management Inc	International Equities	1,117,311
Westwood Management Corp	International Equities	268,653
AustralianSuper Internal Investments	Private Equity	1,657,249
Frontier Investment Consulting Pty Ltd	Private Equity	1,095
Industry Funds Management Pty Ltd	Private Equity	565,966
Industry Super Holdings Pty Ltd	Private Equity	144,067
Members Equity Bank Pty Limited	Private Equity	342,273
Quay Partners Pty Ltd	Private Equity	19,580
AMP Investment Funds	Property	5,806
Australian Farms Fund Management Pty Ltd	Property	42,314
Australian Sustainable Forestry Investors 1 & 2	Property	44
AustralianSuper Internal Investments	Property	2,737,056
Charter Hall Investment Funds	Property	8,185
Eureka Funds Management Ltd	Property	17
Fortius Funds Management Pty Ltd	Property	173,636
Franklin Templeton Investments Australia Limited	Property	21,276
Hastings Funds Management Pty Ltd	Property	11,607
ISPT Pty Ltd	Property	3,360,165
LaSalle Australian Core Plus	Property	10,620
Lend Lease Group	Property	19,073
Macquarie Specialist Asset Management Limited	Property	941
QIC Property Funds Pty Ltd	Property	1,684,974
Russell Real Estate Advisors Inc.	Property	30,935
Trinity Land Equity Trust	Property	34
AustralianSuper Internal Investments	Reserves	337,089

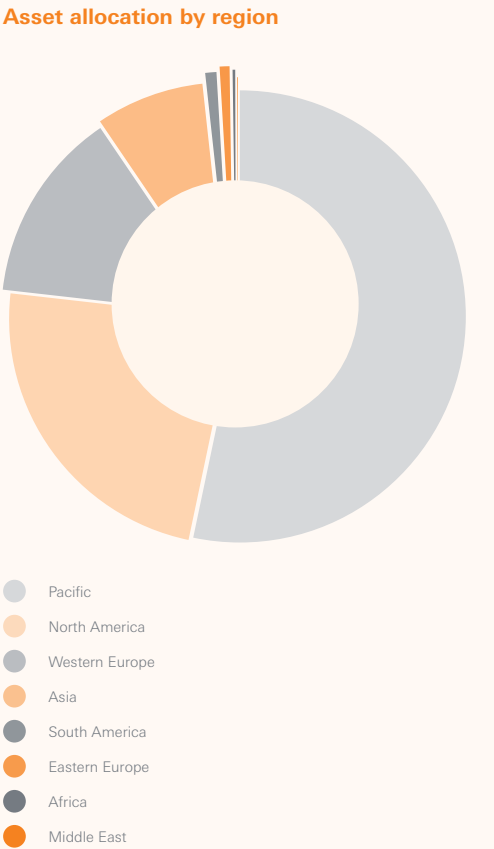
Major shareholdings

Top 20 domestic and international equity holdings as at 30 June 2015

		% of portfolio
Australian Shares		
Commonwealth Bank of Australia		8.18
Westpac Banking Corporation		6.30
BHP Billiton Limited		5.37
National Australia Bank Limited		5.36
Australia and New Zealand Banking Group Limited		5.28
Telstra Corporation Limited		5.02
Wesfarmers Limited		3.07
CSL Limited		2.69
Macquarie Group Limited		2.24
Suncorp Group Limited		2.02
Transurban Group Ltd.		1.89
Rio Tinto Limited		1.86
Caltex Australia Limited		1.27
Healthscope Ltd		1.21
QBE Insurance Group Limited		1.19
Insurance Australia Group Limited		1.17
Woolworths Ltd		1.13
Aurizon Holdings Ltd.		1.10
AMP Limited		1.09
Oil Search Limited		1.01
International Shares		
Amazon.com, Inc.	United States	1.54
Baidu, Inc. Sponsored ADR Class A	United States	1.33
Tencent Holdings Ltd.	Hong Kong	1.23
Illumina, Inc.	United States	1.23
Time Warner Inc.	United States	1.11
Visa Inc. Class A	United States	1.08
Accenture Plc	United States	1.07
Walt Disney Company	United States	1.06
Microsoft Corporation	United States	0.98
Facebook, Inc. Class A	United States	0.98
Oracle Corporation	United States	0.94
eBay Inc.	United States	0.91
Nestle S.A.	Switzerland	0.89
Google Inc. Class C	United States	0.89
Reckitt Benckiser Group plc	Great Britain	0.88
Thermo Fisher Scientific Inc.	United States	0.81
Honeywell International Inc.	United States	0.79
Apple Inc.	United States	0.78
Samsung Electronics Co., Ltd.	South Korea	0.77
Tesla Motors, Inc.	United States	0.74

AustralianSuper invests in a range of asset classes across a number of markets.

We are a large investor in the Australian share market, as well as having investments in international markets, including emerging markets in Latin America and Asia. These holdings are based on the value of each holding as a percentage of the Fund’s share portfolios.



- › Excludes Cash and Cash Equivalents
- › Excludes Member Direct
- › Includes portfolio holdings look through data if available
- › Region classification refers to country of domicile
- › Excludes investments where no country/region information is available

Shares we invest in globally

Through its investment managers AustralianSuper invests in over 50 global markets. The table below provides information on the countries in the AustralianSuper international shares portfolio, and their approximate weighting compared with the benchmark – the Morgan Stanley Capital Index.

International equity country exposure as at 30 June 15

Country	Actual weights %	Benchmark weights %
Total Equity		
Asia		
Hong Kong	1.45	1.17
New Zealand	0.00	0.05
Singapore	0.15	0.51
Japan		
Europe		
Austria	0.04	0.07
Belgium	0.41	0.46
Denmark	0.82	0.60
Europe Other	0.00	0.00
Finland	0.08	0.29
France	4.19	3.45
Germany	3.54	3.16
Greece	0.02	0.04
Ireland	0.04	0.13
Italy	0.24	0.85
Netherlands	1.61	0.98
Norway	0.06	0.23
Portugal	0.01	0.05
Spain	1.46	1.24
Sweden	1.09	1.06
Switzerland	3.36	3.34
United Kingdom		
North America		
Canada	1.14	3.34
United States	44.87	52.64
Other markets		
Argentina	0.01	0.00
Brazil	1.99	0.78
Cayman Islands	0.62	0.00

These shareholdings are updated and can be found with a range of other investment information at – australiansuper.com/investments

Country	Actual weights %	Benchmark weights %
Other markets		
Chile	0.21	0.15
China	6.57	2.72
Colombia	0.07	0.07
Cyprus	0.01	0.00
Czech Republic	0.03	0.02
Egypt	0.05	0.02
Hungary	0.12	0.02
India	3.89	0.75
Indonesia	0.45	0.26
Israel	0.09	0.21
Korea, Republic of	1.58	1.58
Luxembourg	0.02	0.00
Malaysia	0.52	0.36
Mexico	1.24	0.49
Morocco	0.01	0.00
Mongolia	0.01	0.00
Nigeria	0.17	0.00
Oman	0.02	0.00
Panama	0.01	0.00
Peru	0.10	0.04
Philippines	0.11	0.14
Poland	0.23	0.16
Qatar	0.00	0.08
Russian Federation	0.83	0.42
Saudi Arabia	0.02	0.00
South Africa	1.16	0.80
Taiwan, Province Of China	1.16	1.40
Thailand	1.01	0.24
Turkey	0.56	0.16
United Arab Emirates	0.01	0.07
International equity - other (UUTs)		
International equity		
0.00		
0.00		

The AustralianSuper Board

AustralianSuper’s Board oversees the Fund’s operations and ensures it is operating efficiently and in the best interests of members.

The Trustee of AustralianSuper is AustralianSuper Pty Ltd. The Trustee is governed by a Board of Directors (the Board). The Board is appointed in accordance with the provisions of the Constitution of AustralianSuper Pty Ltd.

All Directors are non-executive and independent of management. Member Directors are appointed by the Australian Council of Trade Unions (ACTU) and Employer Directors are appointed by Australian Industry Group (Ai Group), subject to ratification by the Board.

At present the Board comprises five member representatives and five employer representatives.

Many matters are delegated to Committees for decision and oversight. The Board is covered by indemnity insurance against the financial effects of legal action against AustralianSuper.

Delegation to management

Day to day management of the Fund’s affairs and the implementation of corporate strategy and policy initiatives are formally delegated to the Chief Executive and senior executives. Delegations are reviewed regularly.

Directors



Heather Ridout

(AO) BEc (Hons)
CHAIR

Heather Ridout is an Employer Director appointed by the Ai Group. She joined the AustralianSuper Board in 2007 and was appointed Chair in 2013.

Heather is a company director and Reserve Bank Board member with a long history as a leading figure in the public policy debate in Australia.

She is a Director of Sims Metal Management, ASX Ltd and Image Networks Holdings Pty Ltd. Other appointments include member of the Boards of: the Australian Chamber Orchestra; Asialink and Advance Australia Advisory Board.

Heather has been a delegate to the B20, the key business advisory body to the international economic forum which includes business leaders from all G20 economies.

Her previous appointments include: member of the Henry Tax Review panel; board member of Infrastructure Australia; Australian Workforce and Productivity Agency; Climate Change Authority, member of the National Workplace Relations Consultative Committee; and the Prime Minister’s Taskforce on Manufacturing.

In 2014 Heather was made an Officer in the general division of the Order of Australia. She has been awarded an honorary Doctor of Business from Macquarie University and the University of Ballarat.



Dave Oliver

DEPUTY CHAIR

Dave Oliver is a Member Director appointed by the ACTU. He joined AustralianSuper’s Board in July 2007.

He was elected Secretary of the ACTU in 2012 after serving the Australian Manufacturing Workers’ Union (AMWU) for more than 20 years, including holding the position of National Secretary.

Dave established, and is a former Director of, the National Entitlement Security Trust and is a current member of the Resource Sector Skills Taskforce Sub Committee, the Future Manufacturing Industry Innovation Council, and the Defence Industry Innovation Board.



Paul Bastian

LLB
MEMBER DIRECTOR

Paul Bastian is a Member Director appointed by the ACTU. He joined the AustralianSuper Board in 2013.

Paul was elected to the position of National Secretary of the Australian Manufacturing Workers’ Union (AMWU) in March 2012, having previously held the position of National President since December 2009. From 1997 until December 2009, Paul was State Secretary of the AMWU NSW Branch. Paul is a shipwright by trade and holds a Bachelor of Law (Honours) from the University of Technology, Sydney.



Lucio Di Bartolomeo

BEng/MEngSc
EMPLOYER DIRECTOR

Lucio Di Bartolomeo is an Employer Director appointed by the Ai Group. He joined the AustralianSuper Board in 2008.

He is Chair of Northwest Rapid Transit and Eco Logical Australia, a non-executive Director of Australian Rail Track Corporation and the immediate past National President of the Ai Group.

Lucio’s previous experience includes Managing Director of ADI Limited and Country Director of Thales Australia. Lucio has held several senior positions in the transport industry including Managing Director of FreightCorp and President of the Australasian Railway Association. He is a qualified civil engineer and has a Master’s degree in Engineering Science.

Directors



Brian Daley

BMath
MEMBER DIRECTOR

Brian Daley is a Member Director appointed by the ACTU. He joined AustralianSuper’s Board in July 2006 and was previously a Director of Australian Retirement Fund.

Brian served as an Official for United Voice for many years including in capacities of the Union’s Victorian Secretary and its National President. United Voice is a long term supporter of AustralianSuper and many of its members, including in industries like cleaning and security, are members of AustralianSuper.

Brian has been actively involved in industry superannuation since the recognition of superannuation as an industrial issue in the 1980’s. He also currently holds the position of Capital Stewardship Officer for the ACTU.

Brian is on the Industry Superannuation Australia Advisory Council and his industry involvement has included service as a former Director of IFS, AIST and ASFA.



John Ingram (AM)

FCPA
EMPLOYER DIRECTOR

John Ingram is an Employer Director appointed by the Ai Group. He joined AustralianSuper’s Board in July 2006 and was previously a Director of Superannuation Trust of Australia.

John has spent most of his career in the corporate sector where he has been a CEO and has been or continues to be a non-executive director of many publicly listed companies. These companies include Crane Group (Chief Executive), Nick Scali (Chair), Wattyl (Chair) and engineering firm UGL (non-executive Director).

In 2008, John was appointed a Member of the Order of Australia.



Scott McDine

MEMBER DIRECTOR

Scott McDine is a Member Director appointed by the ACTU. He joined the AustralianSuper Board in 2014.

Scott is the National Secretary of the Australian Workers’ Union and began his career with the union as a member at the Alcoa Pinjarra Alumina Refinery in Western Australia.

In 2007, Scott left Alcoa to become an organiser in the AWU’s Western Australian Branch, and was then promoted to the National Office of the AWU in Sydney as a National Organiser. Scott was elected to the position of Assistant National Secretary in the December of 2009.

Scott has previously been a director at Skills DMC and Cbus Super and has completed the RG146 compliance course.

In July 2014, Scott was elected National Secretary of the AWU. He is also a Director of the Resources and Infrastructure Industry Skills Council Ltd.



Gemma Pinnell

BA (Hons)/MA (Appl Comms)
MEMBER DIRECTOR

Gemma Pinnell is a Member Director appointed by the ACTU. She joined AustralianSuper’s Board in 2013.

She is currently the Special Projects and Partnerships Manager at the Australian Council of Trade Unions (ACTU) where she has worked since 2006, and is responsible for overseeing a range of strategic functions. Gemma is also a Director of ACTU Member Connect and has been a Director of Industry Fund Services. She holds an Honours degree in Women’s Studies and Politics from Monash University and a Masters of Applied Communications from RMIT. Gemma is currently completing a Diploma of Superannuation.



Grahame Willis

BCom FAIST
EMPLOYER DIRECTOR

Grahame Willis is an Employer Director appointed by the Ai Group.

He joined AustralianSuper’s Board on 1 July 2006 and was previously an Employer Director of Superannuation Trust of Australia from 1988 and Australian Retirement Fund from September 2002. He has extensive experience in general management, financial management, legal issues and superannuation.

He was the Executive Director of Finance, Administration and Superannuation at Ai Group with whom he was employed for 42 years. In 1997, Grahame received the Trustee of the Year Award at the Conference of Major Superannuation Funds and is a foundation Fellow of the Australian Institute of Superannuation Trustees.



Innes Willox

BA (Hist and Pol)
EMPLOYER DIRECTOR

Innes Willox is an Employer Director appointed by the Ai Group.

He joined the AustralianSuper Board as an Alternate Director to the Chair on 26 February 2013, and was appointed to the position of Director on 9 December 2014.

Innes was appointed Chief Executive of the Australian Industry Group (Ai Group) in May 2012.

He has served as the Australian Consul General to Los Angeles from 2006 to 2008 and was Chief of Staff to the Australian Minister for Foreign Affairs, Alexander Downer, from 2004 to 2006, and was Manager of Global Public Affairs for Singapore Airlines from 2000 to 2004. Innes holds a Bachelor of Arts in History and Politics from Monash University and is a graduate from the Edinburgh Business School in Economics and Organisational Change.

AustralianSuper is undertaking a search for a new Independent Director to join the Board.

Committee membership as at 30 June 2015

Audit, Compliance and Risk Management	Investment	Member and Employer Services	Nomination and Remuneration	Budget Review
Grahame Willis (Chair)	Tim Poole (Chair)	Brian Daley (Chair)	John Ingram (Chair)	Scott McDine (Chair)
Paul Bastian	Nixon Apple	Lucio di Bartolomeo	Scott McDine	Brian Daley
Brad Crofts	Peter Burn	Mike Nicolaides	Dave Oliver	John Ingram
John Ingram	Brad Crofts	Dave Oliver	Heather Ridout	Grahame Willis
Liam O'Brien	Brian Daley	Heather Ridout		
Vacant	John Ingram	George Stamas		
	Russell Maddox			
	Stephanie Weston			

Board attendance

	Full meetings of Directors*		Audit Compliance and Risk Management		Budget Review		Investment		Member and Employer Services		Nomination and Remuneration	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Paul Bastian	7	8	5	5	–	–	–	–	–	–	–	–
Brian Daley	8	8	–	–	3	3	10	10	3	3	–	–
Lucio Di Bartolomeo	8	8	–	–	–	–	–	–	3	3	–	–
John Ingram	7	8	5	5	3	3	10	10	–	–	3	3
Scott McDine	5	7	–	–	1	3	–	–	–	–	1	2
Dave Oliver	8	8	–	–	–	–	–	–	2	3	3	3
Gemma Pinnell	7	8	–	–	–	–	–	–	–	–	–	–
Tim Poole	8	8	–	–	–	–	10	10	–	–	–	–
Heather Ridout	7	8	–	–	–	–	–	–	3	3	3	3
Alison Terry	3	3	2	2	–	–	–	–	–	–	–	–
Grahame Willis	8	8	5	5	3	3	–	–	–	–	–	–
Innes Willox	5	5	–	–	–	–	–	–	–	–	–	–
Alternate Director and Committee members												
Nixon Apple	1	–	–	–	–	–	10	10	–	–	–	–
Mark Boyd	–	–	–	–	–	–	–	–	–	–	–	–
Peter Burn	–	–	–	–	–	–	9	10	–	–	–	–
Leon Carter	–	–	–	–	–	–	–	–	–	–	–	–
Brad Crofts	–	–	5	5	–	–	9	10	–	–	–	–
Fiona Jordan	–	–	–	–	–	–	–	–	–	–	–	–
Russell Maddox	–	–	–	–	–	–	10	10	–	–	–	–
Mike Nicolades	–	–	–	–	–	–	–	–	3	3	–	–
Liam O'Brien	–	–	4	5	–	–	–	–	–	–	–	–
Michelle O'Neil	–	–	–	–	–	–	–	–	–	–	–	–
George Stamas	–	–	–	–	–	–	–	–	3	3	–	–
Stephanie Weston	–	–	–	–	–	–	2	2	–	–	–	–

A = number of meetings attended
B = number of meetings held during the time the Director held office or was a member of the committee
* Includes a strategy planning day

Committees of the Board

The Board has the ability under the constitution to delegate its powers and responsibilities to the Committees of the Board.

The Committees of the Board are:

Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management Committee monitors and oversees AustralianSuper’s compliance with statutory reporting requirements to members, directors, and regulatory bodies as well as risk management control, financial reporting and external audit.

Investment Committee

The Investment Committee sets strategic asset allocation ranges for each investment option, monitors the performance, achievement of investment objectives and risk and liquidity constraints of each investment option, approves investment guidelines, approves the asset class strategies and large direct investments and makes recommendations as appropriate to the Board.

Member and Employer Services Committee

The Member and Employer Services Committee oversees the range and quality of services provided to members and participating businesses.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee recommends to the Board nominations to fill director positions on external boards on which AustralianSuper has a seat; sets the salaries of the Chief Executive and senior executives and establishes the remuneration framework for the Fund.

Budget Review Committee

The Budget Review Committee reviews and monitors the annual budget and recommends the annual budget to the Board. The Committee also ascertains whether the budget is appropriate having regard to the strategic plan, pricing reviews, benchmarking studies and other reviews and in relation to AustralianSuper’s five-year strategy.

During the Year

- › Russell Maddox joined the Investment Committee on 15 July 2014 and was appointed as an Alternate Director on 23 February 2015.
- › Leon Carter resigned as Alternate Director on 31 July 2014.
- › Dave Oliver was appointed Deputy Chair and joined the Member and Employer Services Committee on 26 August 2014.
- › Scott McDine was appointed as a Director and joined the Nomination and Remuneration and Budget Review Committees on 26 August 2014.
- › Brian Daley was appointed Chair of the Member and Employer Services Committee and joined the Budget Review Committee on 26 August 2014.
- › Liam O'Brien was reappointed as an Alternate Director on 26 August 2014.
- › Brad Crofts was reappointed as an Alternate Director on 26 August 2014.
- › Alison Terry resigned as a Director and member of the Audit, Compliance and Risk Management Committee on 28 October 2014.
- › Fiona Jordan became an Alternate Director on 9 December 2014.
- › Innes Willox was appointed as a Director on 9 December 2014.
- › Peter Burn was appointed an Alternate Director on 23 February 2015.
- › Scott McDine replaced John Ingram as Chair of the Budget Review Committee on 30 April 2015.
- › Stephanie Weston joined the Investment Committee on 19 May 2015.
- › Tim Poole resigned as a Director of the Board on 18 June 2015, continuing as a Member and Chair of the Investment Committee until he resigned from that role after 30 June 2015.

Being responsible in our dealings



AustralianSuper’s Code of Conduct sets out the values required by the Fund to maintain the trust and confidence of members and participating businesses.

The Code of Conduct sets out standards of behaviour that apply to AustralianSuper staff including:

Recognising and managing conflicts of interest

AustralianSuper has a conflicts of interest framework, which provides guidance to recognise and manage conflicts of interest.

Safeguarding integrity in financial reporting

AustralianSuper has a dedicated Audit, Compliance and Risk Management Committee to ensure the integrity of the financial reporting process. External auditors are selected by the Board in accordance with a formal policy, which requires external auditors to declare their independence to the Committee.

Recognise and manage risk

The Board recognises that risk management needs to be embedded across the Fund’s operations.

AustralianSuper adopts the requirements of the international standard on risk management (ISO 31000) in conducting risk management practices on a day-to-day basis.

The Board has ultimate responsibility for risk management.

However, it delegates responsibility for the oversight of the risk management framework to the Audit, Compliance and Risk Management Committee (ACRMC). The Board has approved a Risk Appetite Statement (RAS) that provides guidance to management on the acceptable risks to be taken by the Fund in achieving its objectives.

The performance of management against the requirements of the RAS is reported to the Board and the ACRMC four times a year. In addition to this, the risk management framework involves the identification and evaluation of risks in accordance with the international standard on risk management (ISO 31000) and Superannuation Prudential Standard SPS 220. In doing so, the material risks of the Fund and associated activities to mitigate those risks are reported to the ACRMC four times a year with a summary going to the Board.

During the year there were no breaches of the Privacy Act determined by the Privacy Commissioner, and there were no losses of customer data.

AustralianSuper has not been subject to any significant fines or other sanctions for failure to comply with laws or regulations.

Corporate responsibility and sustainability

AustralianSuper seeks to conduct itself in a responsible, trustworthy and ethical manner and is committed to transparency and fair dealing in all of our operations.

Related parties

AustralianSuper will enter into contracts with a related party only where it determines equivalent or enhanced benefits will result for members. When the Fund invests in, or contracts with, a related party, we ensure that:

- › the investment or contract is made in the best interest of members
- › the appointment of the service provider or the investment in the related entity is at fair market price
- › the benefits of the services provided are periodically assessed, and
- › the right of AustralianSuper to pursue its interests in the normal course of business is fully protected.

All related party transactions are made on normal commercial terms, under normal conditions and at market rates. Related party disclosures are contained in the Fund’s audited financial statements available in early November at australiansuper.com/Governance or by calling 1300 300 273.

Ownership of AustralianSuper Pty Ltd (the Trustee)

The shareholders of AustralianSuper Pty Ltd are the Australian Industry Group and ACTU Super Shareholding Pty Ltd. ACTU Super Shareholding Pty Ltd holds the shares on behalf of the Australian Council of Trade Unions and other unions.

Our people

Opportunity, flexibility and respect

AustralianSuper’s People and Culture Strategy aims to create more opportunities for our people and enhance our skills and capabilities as an organisation.

Staff participate in an annual survey to provide feedback on the Fund’s performance as an employer against key metrics and 88% of staff responded to the survey this year.

An overall favourable engagement score of 78% was achieved, which is 8% above the Australian norm. Key areas that recorded the strongest results were: a strong belief in the future of the Fund, support provided by managers, work flexibility and AustralianSuper as a good place to work.

The Fund’s Scorecard includes a People Leader Index based on a number of survey responses and this year the Scorecard target of 4 of a possible 5 was achieved. This continues the trend of very strong results on both an absolute and comparable basis over the nine years we have conducted the survey.

Developing and retaining staff

AustraliaSuper, through remuneration policies and workplace flexibility, continues to build the Fund’s capability and put in place measures to retain our best staff.

The Fund develops staff through three methods: formal training, coaching by managers or peers, and through development on the job. The focus on development as a holistic activity ensures staff get access to development which is appropriate to their needs.

As part of our commitment to staff we continue to invest in our people through the People Essentials Foundations Program and People Essentials for Managers Program. These programs reflect the Fund’s performance management cycle, providing staff with the opportunity to experience first hand how they can apply the program tools to their work. The underpinning philosophy is about how staff use their strengths at work to help achieve our organisational values of excellent outcomes, integrity, generosity of spirit and energy.

We continue to build the capability of the Fund’s leaders. This year we launched a senior leader development program, aimed at building capability in the areas of strategic thinking, change management and leadership skills.

AustralianSuper aims to have a workforce that is diverse and reflects our membership and broader community. This is an important part of building our organisational capability. A number of initiatives are used to promote improved workforce diversity, particularly in relation to gender balance, gender pay equity and flexible work arrangements. Our Diversity Scorecard also includes targets for women across all levels of management within the Fund.

As a non-public sector employer with 100 or more employees, we report annually to the Workplace Gender Equality Agency (WGEA).

AustralianSuper’s 2014/15 Compliance Report has been submitted to the WGEA and a copy of the report is available on our website. Any comments about the report can be directed to AustralianSuper (australiansuper.com/contact) or the WGEA.

In 2014, AustralianSuper was awarded the WGEA Employer of Choice for Women citation.



Ian Silk
CHIEF EXECUTIVE

Ian is the Chief Executive of AustralianSuper and is responsible for the overall management of the Fund and the provision of advice to the Board.



Mark Delaney
DEPUTY CHIEF EXECUTIVE
AND CHIEF INVESTMENT OFFICER

Mark is the Deputy Chief Executive and Chief Investment Officer of AustralianSuper, and is responsible for the development and implementation of investment strategies, and managing the work of AustralianSuper’s investment advisers.



Jane Foley
GROUP EXECUTIVE –
STRATGEY, PEOPLE AND PERFORMANCE

Jane is responsible for the Fund’s strategy development and business planning, strategic data analysis and reporting of the Fund’s performance, together with human resources and IT services, and the project management office.



Shawn Blackmore
GROUP EXECUTIVE –
MEMBER EXPERIENCE AND ADVICE

Shawn is responsible for the provision of super, retirement and insurance services to members and employers. He is charged with providing a quality member experience from administration through to advice and communication services across all channels.



Georgina Williams
GROUP EXECUTIVE –
ENGAGEMENT, ADVOCACY AND BRAND

Georgina is responsible for positioning AustralianSuper as the leading superannuation fund. She is charged with the development and implementation of brand, marketing, advocacy, public policy and external relations as well as specific-issue strategies.



Tony Cavanagh
GROUP EXECUTIVE –
CORPORATE SERVICES

Tony is responsible for legal, compliance, risk, financial and accounting matters for AustralianSuper. He is also responsible for all external and internal audit matters, and tax lodgement and compliance.



Paul Schroder
GROUP EXECUTIVE –
MEMBERSHIP

Paul is responsible for AustralianSuper’s Membership group, which ensures the Fund has the products and relationships in place to effectively attract and retain members.

Our people

AustralianSuper’s management team by gender and age as at 30 June 2015

	Male	Female	Under 30	30-40	41-50	51+
Board	3	7	0	2		8
Executive team	2 (*30%)	5	0	3		4
Management	34 (*50%)	59	0	69		24
Total	39	72	0	75		36

*Representation target FY15. AustralianSuper’s Diversity Scorecard includes targets to improve the representation of women across all levels of management.

AustralianSuper’s workforce by gender and working arrangements (including contractors) as at 30 June 2015

	Full-time	Part-time	Total
Female			
Asia, Beijing	2		2
Australian Capital Territory	1		1
New South Wales	5	5	10
Northern Territory		1	1
Queensland	1	3	4
South Australia	1		1
Tasmania	1		1
Victoria	123	32	155
Western Australia	4	3	7
Sub-total female	138	44	182
Male			
Asia, Beijing	1		1
New South Wales	18		18
Northern Territory	2		2
Queensland	3		3
South Australia	4		4
Tasmania	1		1
Victoria	157	3	160
Western Australia	3		3
Sub-total male	189	3	192
Grand total	326	47	374

New Hires 1/7/2014 - 30/6/2015

Total	Female	Male	Under 30	30-40	41-50	51+
184	86	98	31	80	47	26

Remuneration

AustralianSuper engages qualified and experienced staff to deliver benefits and services to members.

AustralianSuper engages qualified and experienced staff to deliver benefits and services to members.

The information included in this annual report is a summary of the remuneration practices for AustralianSuper.

Our remuneration practices are designed to help AustralianSuper to:

- › attract and retain staff with the skills required to manage the operations and growth of the Fund
- › ensure a level of equity and consistency of treatment across the Fund, and
- › ensure the members first orientation of the Fund.

AustralianSuper’s Nomination and Remuneration Committee monitors the remuneration practices of the Fund and is responsible for the development, implementation and review of professional development standards and remuneration policies of the Board, management and staff.

The Nomination and Remuneration Committee is primarily responsible for making recommendations to the Board on:

- › fees to be paid to Directors, Alternate Directors and Non-Director Committee Members (Directors)
- › major changes to conditions of employment for staff (including Enterprise Agreement negotiations)
- › the framework of management and staff remuneration, and
- › remuneration of the Chief Executive and the other members of the executive team.

Directors’ remuneration

Directors are remunerated for their work, having regard to their specific responsibilities and the nature and objectives of the Fund. The fees are reviewed with effect from 1 July each year.

Directors' remuneration

Fees as at 30 June 2015	Chair	Member	Board Deputy Chair
	\$	\$	\$
Board	139,600	34,900	51,300
Investment Committee*	130,800	52,300	
Member and Employer Services Committee	30,500	17,400	
Audit, Compliance and Risk Management Committee	47,000	20,900	
Nomination and Remuneration Committee	18,000	10,300	
Budget Review Committee	14,400	8,200	

A per meeting fee of \$1,750 is paid for attendance at meetings of any sub-committees formed by the Board, and not for the above Committees, and to Alternate Directors who attend Board and Committee meetings in that capacity.

Directors are not entitled to annual leave, long service leave or performance payments.

*Independent Investment Committee members receive \$68,493.

Remuneration

Directors' remuneration

Directors and Alternate Directors	2015			2014		
	Cash fees	Superannuation	Total	Cash fees	Superannuation	Total
	\$	\$	\$	\$	\$	\$
N. Apple ¹	68,000	6,460	74,460	60,975	5,658	66,633
P. Bastian ²	55,800	5,301	61,101	51,000	4,752	55,752
P. Burn ³	52,300	4,969	57,269	45,675	4,257	49,932
L. Carter ⁴	-	-	-	1,700	162	1,862
B. Crofts ⁵	73,200	6,954	80,154	61,405	5,725	67,129
B. Daley ⁶	122,659	11,653	134,311	93,125	8,678	101,803
L. Di Bartolomeo	56,343	5,353	61,695	47,450	4,400	51,850
P. Howes ⁷	-	-	-	88,758	8,266	97,024
J. Ingram	139,461	13,249	152,710	124,350	11,531	135,881
M. Nicolaides ²	17,400	1,653	19,053	15,375	1,433	16,808
L. O'Brien ⁷	20,900	1,986	22,886	20,625	1,921	22,546
D. Oliver ⁸	75,104	7,135	82,239	49,625	4,623	54,248
G. Pinnell ⁸	34,900	3,316	38,216	32,075	2,988	35,063
T. Poole	164,549	15,632	180,182	148,450	13,765	162,215
H. Ridout	167,300	15,894	183,194	148,175	13,740	161,915
G. Stamas	17,400	1,653	19,053	15,375	1,426	16,801
A. Terry	26,020	2,472	28,492	51,000	4,729	55,729
G. Willis	93,600	8,892	102,492	89,550	8,302	97,852
R. Maddox	65,887	6,259	72,147			
S. McDine ⁷	51,624	4,904	56,528			
S. Weston	8,091	769	8,860			
I. Willox ³	19,631	1,865	21,496			

The following Alternate Directors did not receive any compensation during the year ended 30 June 2015: M. Boyd, M. O'Neil, F. Jordan (30 June 2014: M. Boyd, I. Willox, M. O'Neil).

1. These fees were paid to the Australian Manufacturing Workers' Union until 18 October 2013. Post this date, the fees were directly paid to N. Apple.

2. These fees are paid to the Australian Manufacturing Workers' Union.

3. These fees are paid to the Australian Industry Group.

4. These fees were paid to the Financial Services Union.

5. These fees are paid to Eureka Economics Pty Ltd.

6. These fees are paid to United Voice.

7. These fees are paid to the Australian Workers' Union.

8. These fees are paid to the Australian Council of Trade Unions.

All superannuation amounts are paid to the Director and Alternate Directors' superannuation fund.

Executive remuneration

Remuneration is comprised of one or more of the following:

1. Fixed annual remuneration

The fixed annual remuneration for managers is determined with reference to levels necessary to recruit and retain staff with the relevant skills and experience and to remuneration levels across the Fund and the relevant market. External advice is sought to ensure that the fixed annual remuneration meets these conditions.

Fixed annual remuneration is comprised of base salary and superannuation guarantee contributions.

2. Investment Performance Payment Plan

AustralianSuper operates an investment performance payment plan which applies to a limited number of senior investment staff. The level of performance pay is set with reference to levels necessary to recruit and retain staff with the relevant skills and experience, and to remuneration levels in the Fund and the relevant market.

The performance pay component for the participants is intended to reflect:

- › the investment performance of the Balanced option (accumulation) and, where relevant, the internally managed sector or asset class, and
- › an individual's performance with respect to personal objectives in their role in the Fund

Payments under the plan occur when all of the following targets are met in a financial year:

- › investment performance of the AustralianSuper Balanced option is positive

- › investment performance of the AustralianSuper Balanced option is above inflation

- › investment performance of the AustralianSuper Balanced option is above the median performance of the SuperRatings SR50 Median Balanced Option, and

- › the participant achieves an individual performance rating of at least 'Effective'.

The Investment Performance Payment Plan is based on:

Heads of investment teams and the CIO:

- › investment performance of the Fund weighted at 70%, and
- › assessment of performance of the individual weighted at 30%

Investment management staff:

- › investment performance of the Fund weighted at 30%, and
- › investment performance of the relevant sector or asset class weighted at 50%, and assessment of performance of the individual weighted at 20%.

The maximum payment available under the performance payment plan is 40% (60% in the case of the Chief Investment Officer) of salary and super packages of the participants covered by the Plan. Payments under the payment plan are made in cash.

The Chief Executive and the Nomination and Remuneration Committee may revise the performance conditions and weightings in order to better meet the objectives of the remuneration policy.

Performance of the Fund in 2014–15 in relation to the Investment Performance Payment Plan

Investment performance measures	Benchmark	Performance	Result
Investment performance of the AustralianSuper Balanced option is positive	Positive	Positive	Achieved
Investment performance of the AustralianSuper Balanced option is above inflation	1.51%	10.86%	Achieved
Investment performance of the AustralianSuper Balanced option is above that of the median Balanced fund in the relevant SuperRatings SR50 survey	9.60%	10.86%	Achieved

Executive remuneration at 30 June 2015

	Salary ^(A)	Superannuation	Fixed remuneration	Performance payment	Non-monetary benefits ^(B)	Annual leave accrual ^(C)	Long service leave accrual ^(D)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
I. Silk	678,242	35,000	713,242	N/A	17,786	22,551	51,793	805,372
M. Delaney	625,971	35,000	660,971	360,791	–	-46,168	34,347	1,009,941
P. Curtis	435,000	35,000	470,000	167,226	–	17,433	21,969	676,628
I. McKeand	452,000	35,000	487,000	173,275	–	11,283	15,930	687,487
J. Peasley	417,000	30,000	447,000	156,629	–	-16,093	17,439	604,975

(A) Represents that cash remuneration paid during the financial year before superannuation and performance payments.
This amount does not include any accrual for annual leave or long service leave.

(B) Includes motor vehicle parking benefits and parking benefits and any associated fringe benefits tax.

(C) Represents the movement in the annual leave accrual for each personnel each month.

(D) Includes long service entitlements accrued but not taken during the year as required to be recognised under legislation.

Executive remuneration at 30 June 2014

	Salary ^(A)	Superannuation	Fixed remuneration	Performance payment	Non-monetary benefits ^(B)	Annual leave accrual ^(C)	Long service leave accrual ^(D)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
I. Silk	623,402	25,000	648,402	NA	19,200	-15,683	46,051	697,970
M. Delaney	585,972	25,000	610,972	345,963	–	-1,971	16,150	971,114
P. Curtis	395,000	25,000	420,000	150,990	–	-9,968	19,364	580,386
I. McKeand	412,000	25,000	437,000	157,102	–	13,506	14,007	621,615
J. Peasley	372,000	25,000	397,000	142,772	–	24,679	12,723	577,174

(A) Represents that cash remuneration paid during the financial year before superannuation and performance payments.
This amount does not include any accrual for annual leave or long service leave.

(B) Includes motor vehicle parking benefits and parking benefits and any associated fringe benefits tax.

(C) Represents the movement in the annual leave accrual for each personnel each month.

(D) Includes long service entitlements accrued but not taken during the year as required to be recognised under legislation.

Non-management staff

AustralianSuper staff are employed under the AustralianSuper Enterprise Agreement 2012–16. Staff whose salaries are set under the Agreement receive annual increases to their remuneration.

Remuneration consultants

AustralianSuper engages remuneration consultants to ensure that remuneration is in line with industry standards and to ensure that the Fund continues to attract and retain quality staff to run and operate the Fund efficiently and expertly, and that the Fund's remuneration is consistent with our core tenet of being a members’ first fund.

Financial Statements

For the year ended 30 June 2015

Below is a summary of AustralianSuper’s financial statements for the last two financial years. The financial statements for 2015 are taken from audited accounts.

AustralianSuper movement in members' funds for the year ended 30 June 2015

	2015 – \$’000	2014 – \$’000
Opening balance	78,275,860	64,869,334
Employer contributions	6,214,688	5,659,229
Member contributions	1,617,874	1,121,544
Transfers inwards	5,111,425	4,646,755
Investment income	8,738,637	9,475,319
Insurance receipts	250,031	206,321
Other income	118,157	47,175
Total income	22,050,812	21,156,343
Benefits paid and payable	6,383,589	5,515,102
Administration & operating expenses	232,225	232,158
Insurance expense	721,164	600,766
Income tax expense	1,219,380	1,401,791
Total benefits and expenses	8,556,358	7,749,817
Net assets available to pay benefits at year end	91,770,314	78,275,860
Members’ funds	91,340,582	77,991,007
Reserves	429,732	284,853
Liability for accrued benefits	91,770,314	78,275,860

Reserves for the three years to 30 June 2015

	2015 – \$’000	2014 – \$’000	2013 – \$’000
Reserves	429,732	\$284,853	\$168,806

More information about the AustralianSuper’s reserves

The level of the reserves is determined by the Board annually based on an assessment of the risks faced by AustralianSuper and with regard to industry best practice. Our policy sets out how the level of the reserves is maintained and replenished through both investment earnings and operational surplus. It also outlines under what circumstances payments are made from the reserves. Included in the reserves is an amount set aside as an Operational Risk Financial Reserve of \$234m (\$190m in 2014). The purpose of the Operational Risk Financial Reserve is to provide funding for incidents where material losses may arise from operational risks (as opposed to investment risks).

Related party disclosures are contained in the Fund’s audited financial statements available in early November, along with the auditor's report, at australiansuper.com/Governance or by calling 1300 300 273.

AustralianSuper balance sheet as at 30 June 2015

	2015 – \$'000	2014 – \$'000
Assets		
Investments		
Cash and cash equivalents	5,324,070	4,375,370
Listed equity securities	49,616,713	40,906,219
Fixed interest securities	16,918,549	14,428,636
Unlisted unit trusts	21,662,410	19,004,065
Unlisted equity securities	532,091	515,854
Derivatives	260,971	288,265
Receivables		
Receivables	329,485	292,259
Receivable for securities sold	142,285	81,377
Other assets		
Deferred tax asset	14,131	24,183
Total assets	94,800,705	79,916,228
Liabilities		
Payables	147,908	231,500
Payable for securities purchased	611,485	166,272
Derivatives	923,558	231,452
Current tax liabilities	17,734	226,404
Deferred tax liabilities	1,329,706	784,740
Total liabilities	3,030,391	1,640,368
Net assets available to pay benefits	91,770,314	78,275,860

Derivatives

Derivatives can be useful tools and allow investors to have exposure to a particular asset without actually owning the physical asset. The cost of derivatives can be lower in some instances than holding the actual asset.

AustralianSuper uses derivatives for risk control and to enhance returns in our investment options. We are not allowed to use them for gearing or speculative purposes. Derivatives are mostly used in our bond portfolio, but are also used for currency hedging and to fully invest the cash in the shares and capital guaranteed portfolios.

AustralianSuper may directly invest in derivatives (futures and options) to reduce investment risk. Investment managers may use derivatives when investing in assets. Where this is the case, AustralianSuper considers the risks and the controls in place by reviewing each investment manager's derivatives risk statement, and receives regular reports of the investment manager's compliance with their derivatives risk statement.

The statement details the use of derivatives, the controls on their use and the process for assessing the investment manager's compliance with these controls.

The derivatives charge ratio (the percentage of the Fund's assets being used as security for derivative investments) did not exceed 5% of AustralianSuper's assets at any time during the year.

This annual report was issued in 2015 by AustralianSuper Pty Ltd ABN 94 006 457 987 AFSL 233788, the Trustee of AustralianSuper ABN 65 714 394 898, and may contain general financial advice that does not take into account your personal objectives, situation or needs. Before making a decision about AustralianSuper, consider your financial requirements and read the Product Disclosure Statement, available at australiansuper.com/pds or by calling **1300 300 273**.

Surcharge payments (if any) are deducted from members' accounts.

AustralianSuper may transfer your account

If you have less than \$700 in your account and we haven't received employer contributions for you for at least 13 months, AustralianSuper may transfer your account to AUSfund. AUSfund is an eligible rollover fund into which lost super fund members or members with small inactive accounts are transferred. If your account is transferred to AUSfund, you'll no longer be a member of AustralianSuper and any insurance cover you had with AustralianSuper will cease. To contact AUSfund call 1300 361 798 or write to PO Box 2468, Kent Town, SA, 5071. By law, AustralianSuper must transfer lost super accounts with balances under \$2,000, or those that are unidentified and have been inactive for more than 12 months, to the Australian Taxation Office. To find out more visit www.ato.gov.au

Benchmarks

High Growth – SR50/SRP50 Growth (77-90) Index

Balanced – SR50/SRP50 Balanced (60-76) Index

Sustainable Balanced – SR50/SRP 50 Balanced
(60-76) Index

Indexed Diversified – SR50/SRP50 Balanced
(60-76) Index

Conservative Balanced – SR25/SRP25
Conservative Balanced (41-59) Index

Stable – SR50/SRP50 Capital Stable (20-40) Index

Capital Guaranteed – Bloomberg AusBond Bank Bill Index adjusted for tax

Australian Shares – S&P/ASX300 Accumulation Index adjusted for tax

International Shares – MSCI AC World ex Australia
(in \$A) Index adjusted for tax

International Shares Hedged -MSCI AC World ex
Aust Net Divs Hedged adjusted for tax

Australian Sustainable Shares – S&P/ASX300
Accumulation Index adjusted for tax

International Sustainable Shares – MSCI World
Net Dividend Reinvested Unhedged to AUD
adjusted for tax

Property – Mercer/IPD Australia Unlisted
Wholesale Property Fund Index adjusted for tax

Australian Fixed Interest – CPI+0.5%

Diversified Fixed Interest – CPI+0.5%

International Fixed Interest – CPI+0.5%

Cash – Bloomberg AusBond Bank Bill Index
adjusted for tax

Temporary residents permanently leaving

If you are a temporary resident permanently leaving Australia, you have six months to claim your super from us. If you do not, we may transfer your benefit to the Australian Taxation Office (ATO). Under Australian Securities and Investments Commission relief, we do not have to give you an exit statement if we pay your benefit to the ATO in these circumstances. Once transferred, you will need to contact the ATO to claim your benefit.



How to contact us

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