

From small beginnings, super has gained momentum over the last 30 years and for many is one of the most important assets they have.

Into the future, it will become the most important asset for all Australians.

Choosing a fund to manage and grow your super involves trust. Trust that it has the capability to manage it well. Trust that it will act ethically and trust that it will do the right thing for members.

At AustralianSuper, we never lose sight of the trust members place in us to help them achieve their best possible outcomes.

This report aims to show some of the things AustralianSuper is doing to keep earning members' trust.



Get in touch

Member feedback is important to us. To get in touch about something in this report, contact us via the website or email us at australiansuper.com/email

For any other information or queries members can contact us:

Online

Visit australiansuper.com for the latest news and updates.

Members can also find online calculators to help plan for their future.

Over-the-phone*

Call us on 1300 300 273 for advice about:

- making an investment choice
- adding extra to your super
- transition to retirement options
- sorting out your insurance

Face-to-face*

For more complex advice, meeting with an accredited adviser can help members who want a detailed financial plan and have a number of financial matters to think about. Call 1300 300 273 to make an appointment with an adviser.

Seminars

To attend a free retirement and financial planning seminar in your area, visit australiansuper.com/seminars for details.

Translation services

We offer a free over-the-phone translation service in just about any language. Our consultants can arrange for members, or a family member, to talk to someone about their super in the language they understand best.

Call us on 1300 300 273 between 8am-8pm AEST/AEDT weekdays.

* The financial advice you receive will be provided under the Australian Financial Services Licence by a third party and is therefore not the responsibility of AustralianSuper. With your approval a fee may be charged if a Statement of Advice is produced.

Contents

Welcome

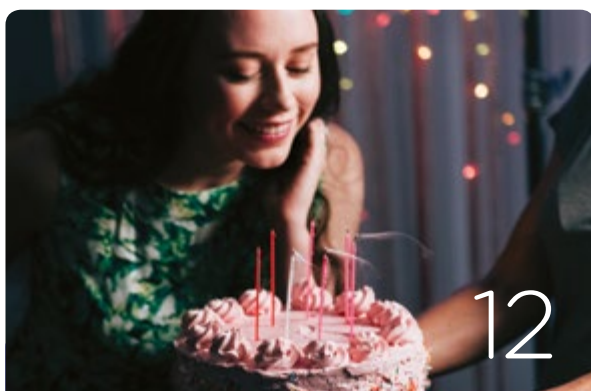
2

- 2 Message from the Chair and CEO
- 4 Performance highlights

About AustralianSuper

6

- 8 Key statistics
- 9 How we aim to create value
- 10 Executive team



12

The year in review

- 14 Member focused people and culture
- 16 Investment performance
- 18 Investment outlook
- 20 Importance of net benefit
- 21 Environmental, social and governance
- 24 Investment internalisation
- 25 Multiple member benefits



30

The year ahead

- 32 The external environment
- 34 Strategic plan overview
- 35 2018-19 initiatives

38

Governance and Financial statements

- 40 Board of directors
- 42 Board and committee membership
- 42 Board and committee attendance
- 43 Remuneration
- 47 Financial statements

50

Investment data

Message from the Chair and Chief Executive

The Board is committed to accountability, transparency and a strong organisational culture to help members achieve their best possible retirement outcome. This report, along with the information on the Fund's website, supports this commitment.

– Heather Ridout, Chair

Investment performance

On behalf of the Board, I acknowledge and commend the strong investment performance delivered by the Fund in 2017-18.

All AustralianSuper investment options delivered positive results for members, with the Balanced option delivering double digit returns for the fifth year in six.

Strategic plan progress

This long-term momentum in performance has been made possible by strong strategic planning. I am pleased to report that the implementation of the Fund's current plan is on schedule, and continues to deliver positive results for members.

While focusing on the long-term, AustralianSuper's strategic approach remains responsive to on-going changes in the superannuation landscape.

Culture

The considerable scrutiny of the financial services and superannuation sectors over the past year has highlighted the absolute importance of the Fund's members-first culture. Four key values underpin the culture at AustralianSuper:

- Integrity
- Excellent outcomes
- Energy and
- Generosity of spirit

On-going monitoring of the Fund's culture is a top priority for the Board and senior management. This approach ensures that the principle of members-first is well understood and remains at the centre of all decision making.

Accountability and transparency

Keeping members informed is essential to maintaining trust. The Fund is continually engaging with members through a range of direct and indirect channels. It is particularly encouraging to observe the growth in the number of members attending the annual Member Briefings that are held in each capital city. In 2017-18 more than 3,000 members took the opportunity to hear about the Fund's activities and future plans and to ask questions on a range of issues.

Board renewal

As part of the Board renewal process, the Board welcomed two new Directors – Gabrielle Coyne and Julia Angrisano – both appointed on 31 August 2017. Gabrielle and Julia are both highly experienced executives who bring strong skills to the Board.

The year ahead

There is little doubt that the superannuation landscape will continue to experience change, whether it's technology related, investment market related or further changes in legislation and regulation.

As the Fund embraces and adapts to movements in the operating environment in the year ahead, the Board will continue to monitor the implementation of the Fund's five-year strategic plan and the health of the Fund's culture.

Thank you

I would like to thank all AustralianSuper members for the ongoing trust they place in the Fund. My thanks also extend to the Directors of the Board for their work and support over the past year. I also acknowledge and thank the Chief Executive, Ian Silk, the Deputy Chief Executive, Mark Delaney, the executive leadership team and staff of AustralianSuper for their strong commitment to serving the best interests of members.



Members continue to benefit from strong investment performance and cost reductions as well as product and service innovations.

– Ian Silk, Chief Executive

Investment performance

With a return of 11.08% for 2017-18 and 9.30% for the three years to 30 June 2018, the Balanced Option produced its ninth consecutive year of positive returns since the GFC and the fifth year in the past six of double-digit returns.

All other investment options delivered positive returns as well – those with the highest weightings to shares and unlisted assets, such as infrastructure, were the best performers.

In total, the Fund's investment returns added around \$13 billion to the retirement savings of the 2.2 million AustralianSuper members in the financial year.

Acknowledging that at some point in the future markets will produce negative results and this will effect the balance of Fund members, we will continue to maintain a widely diversified portfolio and active management to provide strong long-term returns for members.

Product and service innovations

Numerous product and service innovations were introduced in the past 12 months. These included the establishment of a world class security operations centre (SOC) to protect member data from cyber threats, and the introduction of a chat-bot known as AustralianSuper Help or 'Ash', to provide faster responses to member queries.

Legislative and regulatory change

The superannuation industry has been the subject of intense scrutiny in the past year, with three key sources setting the scene for change – the 2018 Commonwealth Budget, the Productivity Commission* and the Royal Commission**.

The Fund has welcomed the scrutiny on the industry, and the highlighting of the importance of superannuation funds genuinely acting in the best interests of members.

AustralianSuper looks forward to contributing further to enhancing the standards and behaviour in the industry.

Delivering the best possible retirement outcome for members underpins AustralianSuper's culture and behaviours, and maintaining the trust of members remains our ongoing priority.

Ongoing cost reductions

We continue to leverage the Fund's size and scale to improve the efficiency and reduce the costs of our investment program. Over the course of 2017-18 total member assets increased by 17%, whilst our total investment costs*** grew by a modest 2%. The most significant driver of these scale efficiencies is the increased internalisation of the Fund's investment management capability, with 31% of the portfolio now managed internally. This has contributed in excess of \$100 million in annual savings to members.

Fee review

We manage costs carefully to keep our fees as low as possible. The administration fee for members was set in 2009 and is \$1.50 per week or \$78 pa. Over recent years, we have invested in technology, systems and people to support the Fund's ongoing performance for members.

AustralianSuper will undertake a review of the current administration fee in 2018-19 which will likely see an increase in this fee.

Thank you

I wish to thank AustralianSuper members and contributing businesses for the confidence they place in the Fund. I'd also like to recognise the commitment of all staff to helping members achieve their best possible retirement outcome. As always, I welcome member feedback by email at ChiefExecutive@australiansuper.com

*Productivity Commission Review of the Efficiency and Competitiveness of the Superannuation System

**Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

***As calculated in accordance with RG97.

Highlights

11.08%

Return on Balanced Option
for year to 30 June 2018

\$100m+

in annual savings

from increased internalisation of the
Fund's investment management capability

9.30%

Return on Balanced Option for
the three years to 30 June 2018

17%

Increase in member assets

Top 3

Performing fund in FY18*

AustralianSuper's Balanced option ranked
in the top three performing funds for
1, 3, 5 and 20 years to 30 June 2018

Most trusted super fund
for 6th consecutive year

240,000

downloads of the
AustralianSuper app

7th

Ranked 7th in the Reputation
Institute's Reputation Index

Every day over 10,000
members use the app

*SuperRatings Fund Crediting Rate Survey - SR50
Balanced (60-76) Index, June 2018



WGEA Employer
of Choice sixth year
in a row





How Fiona found \$45,000 in lost super

Fiona has had a diverse career working in a number of organisations. She endured change and uncertain economic circumstances while raising her daughters.

As a busy mother, retirement and super weren't high on her list of concerns, but when she heard that older and middle-aged women are the highest growing proportion of homeless people during a seminar run by AustralianSuper, she sat up and took notice.

To read Fiona's story visit:
australiansuper.com/tools-and-advice

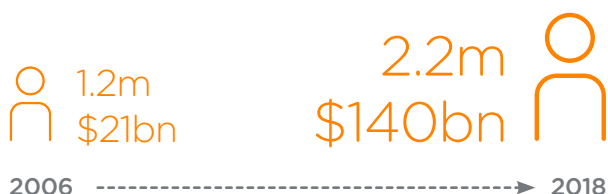
About AustralianSuper

- 8 Key statistics
- 9 How we aim to create value
- 10 Executive team

Key statistics

AustralianSuper was created in 2006 predominantly by the merger of the Australian Retirement Fund (ARF) and the Superannuation Trust of Australia (STA).

Members



In 2006, AustralianSuper began its journey with 1.2 million members, 82,000 contributing businesses and managed \$21 billion of members' superannuation savings.

Twelve years later AustralianSuper has grown to over 2.2 million members, 280,000 employers and manages approximately \$140 billion of members' assets (as at 30 June 2018).

Balanced Option



More than 50% of the Balanced option's assets are in international investments



Average annual return of the Balanced option since inception is 9.54%*

Our largest infrastructure and property investments include globally significant assets such as:

Australian

- Ausgrid (infrastructure, NSW)
- Melbourne Airport (infrastructure, VIC)
- NSW Ports (infrastructure, NSW)
- Port of Brisbane (infrastructure, QLD)
- Transurban Queensland (toll road, QLD)

International

- Ala Moana Shopping Centre (property, USA)
- Milton Keynes Centre (property, UK)
- Kings Cross Estate (property, UK)
- Enaitienere SAU (toll road, Spain)
- Indiana Toll Roads (toll road, USA)
- Manchester Airports Group (infrastructure, UK)

\$54.2K



The average (mean) AustralianSuper member account balance is \$54,200



The average age of an AustralianSuper member is 39 years



The net cash inflows of contributing Australian Super members were \$9.4 billion in FY18

* Source: AustralianSuper. Investment returns of the Balanced option from 1 July 1998 to 30 June 2018. 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 net of investment fees, costs and taxes, but do not include the impact of administration fees and insurance fees that are deducted from members' account balances.

How we aim to create value

AustralianSuper aims to create value for members through leading investment capability, effective internal cost management and the leveraging of scale, which allows us to take a long-term investment outlook while keeping costs down. These benefits have translated to strong long-term investment returns, low fees and affordable insurance coverage for members.



Roles



Executive team

Meet AustralianSuper's leadership team. In addition to the management of designated departments, the leadership team sets the tone for our member-centric ethos, demonstrates our values and drives performance outcomes. Ian Silk and the executive team manage the implementation of the Fund's business plan.



Ian Silk

Chief Executive

As Chief Executive I am responsible for the overall management of the Fund and providing advice to the Board. The implementation of the strategic plan to achieve the Fund's objectives and ensuring staff and our business partners maintain momentum to deliver members their best possible outcomes is my key goal.

Earning trust continues to be a key objective this year particularly in light of the intense scrutiny of the superannuation industry. I will be focused on ensuring all of our team continue to be open and transparent so that not only does AustralianSuper do the right thing, but also that it is seen to do so.

Delivering members the best possible net benefit, that is, strong returns with low fees, along with products and services that help them make good decisions about their super are key deliverables for me this year.



Mark Delaney

Deputy Chief Executive and Chief Investment Officer

Ensuring the investment team continues to deliver strong, long-term returns that improve members' net benefit is my responsibility.

This year we will continue to focus on achieving strong returns. We will increase the amount of members' assets that are managed internally, embed new systems and technology to enhance capability, expand our expertise in global markets and lower investment costs. We will continue to prepare for changing investment markets so that we are well positioned in the event of a downturn.



Shawn Blackmore

Group Executive, Member Experience

I am responsible for ensuring that the provision of super, retirement and insurance services meet members' needs.

Our aim is to make things easier and ensure we are available when members need us through the design of service experiences with meaningful outcomes and continual monitoring.

This year the team will be focusing on continuing to meet members' growing service needs across multiple channels, ensuring all service channels are available, aligning quality with expectations and evolving our service with changing member expectations.



Tony Cavanagh

**Group Executive,
Corporate Services**

I am responsible for managing all legal, compliance, governance, risk and financial matters for AustralianSuper.

Ensuring ongoing, robust governance and accountability are my key focuses for this year. Additional priorities include developing and implementing the best capital model to support the Fund's anticipated growth, introducing a new finance and human resources system to improve reporting and strategic planning and driving increased value from the compliance, risk and finance teams through deeper insights.



Paul Schroder

**Group Executive,
Product, Brand and Reputation**

I am responsible for harnessing insights into current and future needs of members and businesses, and developing products and services that meet those needs in a cost effective way. My team and I are also responsible for advocating for members, communicating the brand promise and telling the Fund's story in a compelling way to build our reputation and trust.

This year we will be focusing on all these aspects, while continuing to embed rigour and creativity into our efforts.



Michele Glover

**Group Executive,
People and Culture**

I am responsible for enabling an engaged workforce which consistently delivers high performance.

The People and Culture team focus on attracting the right talent and building a high performance workforce.

This year we will focus on identifying and developing talent, lifting the performance enablement index, pivoting diversity and inclusion initiatives and renegotiating the Enterprise Agreement.



Felicia Trewin

**Group Executive,
Technology Services**

I am responsible for providing organisational-wide technology and information security capabilities, to enable the broader organisation strategy.

This year we will be focusing on uplifting our technology capability to a level of maturity that is appropriate for such a significant and growing Fund. This includes investing in technology assets, as well as the people, partners and processes that enable the development and support of these key assets.



Rose Kerlin

**Group Executive,
Membership**

Increasing membership of the Fund is my responsibility along with ensuring existing members have access to quality advice and cost effective life insurance.

My team will be focusing on supporting the businesses that contribute super on behalf of their employees, and continuing to attract members directly and through their workplaces. We will be further enhancing our insurance offer so it remains effective and great value for members and ensuring members are able to access quality education and advice through our expanded seminars and financial adviser network.



Financial advice gave Chrisoula peace of mind

Chrisoula Markopoulos had always been good with money. As she approached her 65th birthday, she needed to make the big decision on how to use her super and live the retirement she always wanted. She called AustralianSuper.

“It was very important to me that I could sit down with someone,” she says. Natashya, an adviser with AustralianSuper, was able to help her understand what was required to get her super in the right place before retiring. Natashya helped Chrisoula to set up a retirement income account so she could draw a tax-free income from her super. “I have peace of mind,” Chrisoula replies when we ask how she finds receiving regular payments.

To read Chrisoula’s story visit:
australiansuper.com/tools-and-advice

The year in review

- 14 Member focused people and culture
- 16 Investment performance
- 18 Investment outlook
- 20 Importance of net benefit
- 21 Environmental, social and governance performance
- 24 Investment internalisation
- 25 Multiple member benefits

Member focused people and culture

At AustralianSuper we believe that every working Australian has the right to a long and happy retirement. This united purpose guides us in all we do. We strive to always improve and innovate so we can deliver the best outcomes for members.

AustralianSuper values diversity in all its forms – both in our organisation and the companies we invest in.

Improved workplace diversity, particularly in relation to gender equality, gender pay equity and flexible work arrangements, have been an important focus for the Fund.

We're proud of the work we do to ensure AustralianSuper maintains a workforce that reflects our members' diversity. Our staff engagement survey reflects this, with a diversity score of 90% demonstrating that our staff believe we live up to our commitment to a diverse and inclusive workforce.

The Fund reports annually to the Workplace Gender Equality Agency (WGEA). AustralianSuper's 2017-18 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.

Women make up 47% of our workforce, and hold 41% of management positions. AustralianSuper has been awarded the Workplace Gender Equality Agency citation each year since 2012, for being an employer of choice for women.

Developing and retaining our people

AustralianSuper continues to invest in its people through formal training, coaching by people leaders or peers, and development on the job. Core learning programs include:

Thrive to Lead

Thrive to Lead, is a tailored program targeted at developing our emerging female leaders, particularly those at the beginning of their leadership journey. The program supports the transition to leadership by developing the participants' authentic leadership style, confidence to lead, presence, and communication.

Management Excellence Program

This year we developed and implemented a new operational management program to support the development of management capability across the Fund. The Management Excellence Program has been designed to build awareness of a people leader's style and impact, and support participants to improve their management of people and teams, make effective decisions, manage change and execute business plans. The continued investment in our management and leadership capability is a key enabler to deliver our strategy.

Staff engagement

The Fund received a response rate of 91% for the annual staff survey, which provides feedback on AustralianSuper's performance as an employer against key metrics. An overall favourable engagement score of 77% was achieved, which is 5% above the Australian norm.

77%

favourable staff engagement score

Volunteer, donate, participate!

Throughout the year, our staff-led Sustainability and Community Group organised activities focused around people, the environment, fundraising and volunteering. Over the past year our employees donated approximately 530 volunteer hours to not for profit organisations.

People and culture

A Diversity and Inclusion Strategy for 2017-21 was approved by the Board. This strategy continues to guide our People and Culture practices through recruitment and retention, performance, talent and succession, gender pay equity and the development of staff. Key measures and targets are in place to monitor progress.

AustralianSuper's management team by gender and age as at 30 June 2018

	Female	Male	Age under 30	Age 30-50	Age 50+
Board	3	8	0	1	10
Executive*	1	5	0	2	4
Management	57	77	2	91	41
Total	61	90	2	93	56

* Two additional female executives were appointed in July 2018.
Target for women in management positions is 50%.

AustralianSuper's workforce by gender and working arrangements as at 30 June 2018

	Full-time			Part-time			Total
	Female	Male	Total	Female	Male	Total	
Asia	1	0	1	0	0	0	1
UK	3	2	5	0	0	0	5
ACT	1	0	1	0	0	0	1
NSW	7	18	25	6	1	7	32
NT	0	1	1	0	0	0	1
QLD	2	3	5	2	0	2	7
SA	3	2	5	0	0	0	5
TAS	1	1	2	0	0	0	2
VIC	194	277	471	47	5	52	523
WA	6	5	11	3	0	3	14
Sub-total	218	309	527	58	6	64	591

New hires 2017-18

Total	Female	Male	Age under 30	Age 30-50	Age 51+
126	56	70	23	87	16

Staff turnover

Age	Turnover rate %
18-34	7.60%
35-54	15.55%
55+	25.51%

Investment performance

It's been another great year for AustralianSuper members, with the Balanced option delivering its ninth year in a row of positive returns.



Mark Delaney

**Deputy Chief Executive and
Chief Investment Officer**

Pleasingly, all AustralianSuper investment options delivered positive results over the past year. Stable global economic growth and low interest rates supported markets, with global shares, private equity and infrastructure the better performing asset classes.

Returns proved to be resilient despite an increase in share market volatility in the second half of the financial year. In a similar scenario to 2017, global political uncertainty, rising US interest rates and noise over increasing trade protectionism did not have a sustained negative affect on markets.

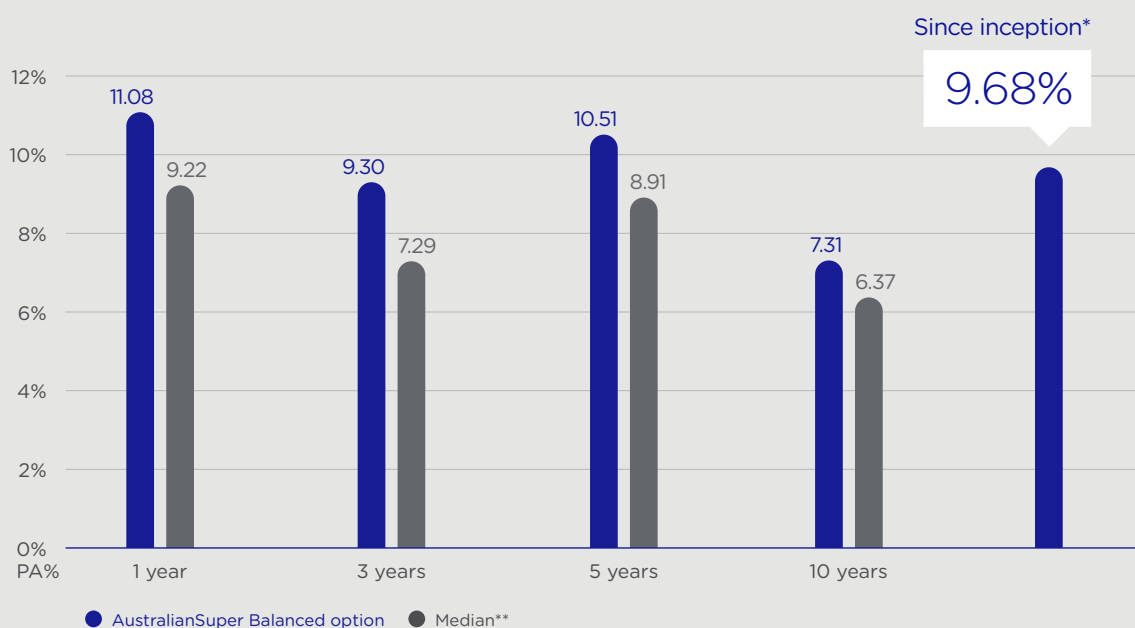
The key drivers of performance for the Balanced option were a high allocation to listed share markets and unlisted assets, such as infrastructure, along with a lower weighting to the poorer performing fixed interest and cash asset classes.

Highlights in investment performance

- International shares performed strongly, with synchronised growth in developed and emerging market economies and accommodative interest rates providing support. A lower Australian dollar added to international share returns for members.
- Australian shares also had a strong year, with the Australian share market (All Ordinaries) pushing through the 6000-point mark for the first time since the global financial crisis. The Resources sector benefited from a rebound in commodity prices, such as iron ore and oil, and small capitalisation stocks also performed well.
- The Fund's focus on investing in quality infrastructure assets that provide essential services such as roads, transport and electricity distribution, delivered strong income and capital growth. This approach is also helping to improve diversification and offset periods of share market volatility.
- Better global economic growth and higher interest rates in the US pushed bond yields higher and prices down, which had a negative impact on fixed interest returns. Cash returns are at historically low levels with interest rates in Australia remaining at 1.5%.

Balanced option performance to 30 June 2018

The Balanced option has delivered a return of 9.68% pa since its inception in August 1985 to 30 June 2018.



Why relative returns matter

AustralianSuper's Balanced option is a consistently top performing fund. This graph shows the value it has added above the median option for each period to 30 June 2018. This is important as an extra 1% a year in returns can add around \$100,000, on average, to a member's savings when they retire.***

AustralianSuper investment returns are net of investment related fees and costs and taxes, but do not include the impact of administration fees that are deducted from members' account balances.

* Source: AustralianSuper. Investment returns of the Balanced option from 1 August 1985 to 30 June 2018. 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 net of investment fees, costs and taxes, but do not include the impact of administration fees and insurance fees that are deducted from members' account balances.

** SuperRatings Fund Crediting Rate Survey - SR50 Balanced (60-76) Index, June 2018.

***Based on a member with average earnings who receives super guarantee contributions over a 45-year timeframe (assuming an inflation rate of 3.5%pa).

Investment outlook



Jim Craig

**Independent Director and Chair
of the Investment Committee**

Balancing risk and return in a changing economic environment

The aftermath of the global financial crisis (GFC) in 2007-2008, saw a world economy caught in a slow recovery phase for a number of years. In 2017, this started to change as we saw more synchronised growth across the major developed and emerging market economies, which was helped by record low interest rates.

This long growth phase has supported share markets, which is one of the reasons why superannuation returns have been so strong so far this decade. In fact, the returns for AustralianSuper's Balanced option have been above their long-term average for seven out of the last ten years.

The global economy grew faster than expected in 2017, and strengthened again in 2018, led by the US. Unemployment in the US is at its lowest level since the first landing on the moon in 1969.

The stronger economy has enabled the US Federal Reserve (Fed) to start increasing interest rates towards more normal levels with policymakers projecting another two interest rate increases by the end of 2018.

As a result, the Fed is set to withdraw around \$1.5 trillion from the financial system over the next two years, as it unwinds the emergency 'quantitative easing' measures it introduced during the GFC.

An evolving strategy

The largest weighting in the Balanced option is to international shares, which has been one of the strongest performing asset classes over the last five years.

The Fund remains positive towards global shares, and continues to hold an overweight position. This weighting will be monitored as the global economic cycle matures in order to identify and assess any change in conditions that might require us to pivot from this position.

As the economic cycle matures, share markets can become more volatile as inflation and interest rates start to rise. We know that at some point in the future, this will lead to more subdued investment returns.

We are closely monitoring key policy makers, particularly the US Federal Reserve in relation to interest rates while also monitoring any action in relation to tariffs or other measures which may impact global trade. While we don't think there will be a housing crash in Australia as some commentators predict, we are keeping an eye on national prices and tightening credit conditions.

Actively managing portfolios for better outcomes

As an active investor, our investment team constantly monitors a range of indicators to look for changes in the investment outlook.

The Fund's strategy is to actively manage investments across a broadly diversified portfolio, which includes listed shares, infrastructure, property, private equity, fixed interest and cash.

By adjusting the allocation to these asset classes, we can control the level of risk in the portfolio and reduce the impact of volatility on member returns.

Our size and strong cash flows enable us to dynamically manage asset allocation while staying focused on the future. AustralianSuper is a long-term investor so we look beyond the current economic cycle and market movements to strategies and assets that can deliver multi-decade earnings and long-term value for members.

Growing members' balances over the long term

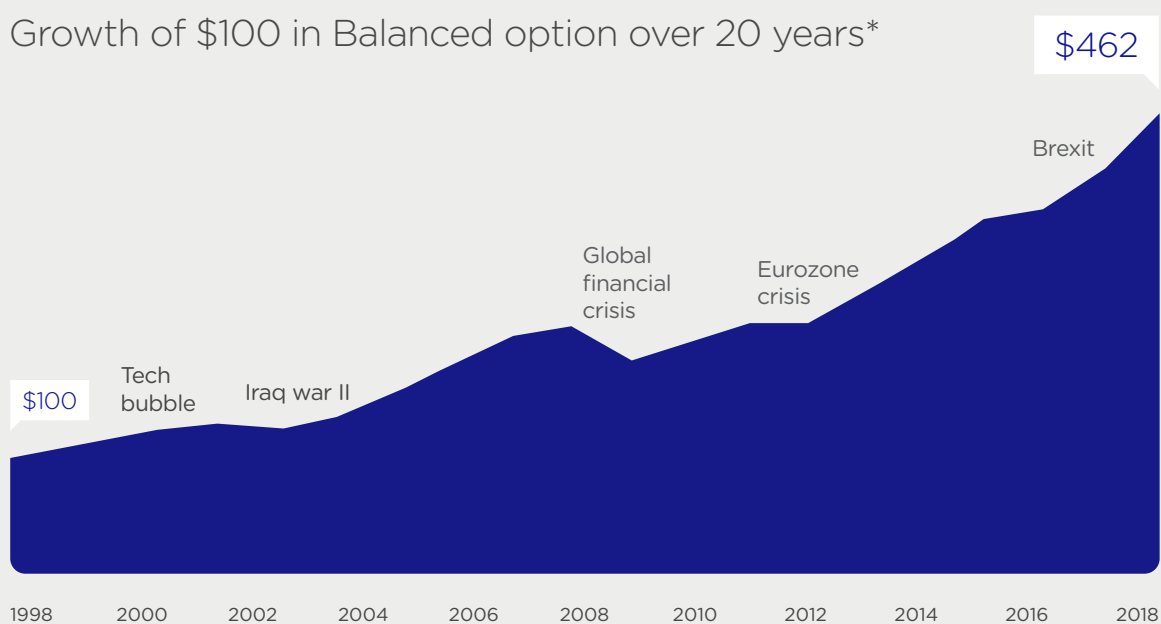
Around 90% of AustralianSuper members invest in the Balanced option.

This option is designed to generate the best risk-adjusted returns for members over the long term. The assets held in the Balanced option aim to strike a balance between growth and stability by delivering good long-term growth, without the highs and lows of a less diversified option.

Over the last 20 years, the investment returns of the Balanced option have increased members' retirement savings by more than four and a half times – every \$100 invested at the beginning of the 1998 financial year would be worth over \$460 at 30 June 2018*.

This is despite a number of negative events that caused fluctuations along the way – a tech bubble, the second Iraq war, global financial crisis, Brexit and more recently political uncertainty in the US and Europe.

Growth of \$100 in Balanced option over 20 years*



Source: AustralianSuper. Investment returns of the Balanced option from 1 July 1998 to 30 June 2018. 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 net of investment fees, costs and taxes, but do not include the impact of administration fees and insurance fees that are deducted from members' account balances.

The importance of net benefit in superannuation

At AustralianSuper there is an ongoing focus on keeping costs low. Generating strong long-term returns is also important.

An important way to measure the real value delivered to members, is to look at the 'net benefit.'

The net benefit is basically investment earnings delivered to members, after any fees and taxes have been taken out.

The net benefit calculation, gives members an indication of the real value their super fund is adding to their retirement savings. It is the total amount that will be added to their account balance to make it grow.

What is net benefit?

Investment
earnings on your
super savings



—

Fees and
government
taxes



=

Net benefit
to your super
balance



The higher the net benefit,
the bigger the super balance

For more information about net benefit, fees and performance results, visit:

australiansuper.com/superannuation/superannuation-articles/2020/03/net-benefit-and-your-super

Environmental, social and governance performance

With members' assets of around \$140 billion, AustralianSuper is a significant investor in Australian and international markets. The ability to influence better ESG outcomes is an important part of being a large asset owner and delivering better long-term returns to members.

Looking to the future means being active today

As long-term investors, we need to think ahead about the risks and issues that can impact the growth prospects of the investments we make today. After all, children born today can expect to retire in the 2080s and live into the next century.

Sustainable economic growth and financial systems, well functioning capital markets, and effectively governed companies are vital for the creation of long-term value for members and multi-generational wealth.

We recognise the positive connection between better company performance on Environmental, Social and Governance (ESG) issues¹ and better investment outcomes for members. We actively exercise the rights and responsibilities that come with being a large asset owner and integrate consideration of ESG issues when we invest.

We aspire to be best practice in our ESG integration and stewardship activities, and through our collaboration and engagement activities work hard to lift the standards across the industry. You can find out more about our ESG and stewardship policy at australiansuper.com/ESGpolicy



AustralianSuper's rating for
Responsible Investment
PRI Global Assessment Report 2018

A Leading Responsible
Investment Super Fund

Responsible Investment Association
Australasia's Leaders list 2018

Stewardship activities

AustralianSuper was one of the first super funds to sign up to the Australian Council of Superannuation Investors' asset ownership stewardship code. The code is designed to increase transparency around stewardship activities including how funds exercise their voting rights, engage with companies and asset managers and advocate on policy issues. You can view our stewardship statement at australiansuper.com/StewardshipCode

We believe that the effectiveness of a company's board is one of the most important drivers of future value. We also closely scrutinise remuneration frameworks to ensure they deliver appropriate pay for performance outcomes, pay levels are reasonable and disclosure is transparent.

During 2017-18 we:

- Voted against 9.6% of ASX company remuneration reports.
- Have been pro-actively engaging with the top four banks and AMP, including meeting with the Chairs/management in person, about governance and cultural concerns.
- Had around 115 direct engagement meetings with companies, and attended or supported 227 meetings with 152 companies across the ASX300 through our engagement partner, ACSI
- Voted on more than 1,400 resolutions for Australian companies, and 6,700 resolutions for international companies. The number of resolutions raised by shareholders continues to rise. AustralianSuper actively considers these and has voted in favour of 56% of shareholder resolutions globally.

¹ MSCI: Foundations of ESG Investing, How ESG Affects Equity Valuation, Risk and Performance – November 2017



Sustainable Development Goals

AustralianSuper is collaborating on a range of initiatives to advance the adoption, integration and reporting on the UN Sustainable Development Goals (SDGs) among the investment community and investee companies. The 17 SDGs contain 169 targets, which aim to address the world's most urgent sustainability challenges such as poverty, inequality and climate change by 2030.

The SDGs are important for investors as they provide a pathway to foster sustainable economic development and growth. Achieving the SDGs is estimated to add US\$12 trillion a year to global economic growth, with 50% in developing nations, and create 380 million jobs.²

At the industry and individual asset level, the SDGs can provide investment insights, economic themes and risks or opportunities that have the potential to impact long-term value.

AustralianSuper, in conjunction with industry peers, is participating in the SDG Baseline Project led by the Monash Sustainable Development Institute. This project aims to analyse how Australia is performing against the SDG targets, identify trends and drivers that will affect Australia's economy, society and environment, and establish a baseline for measuring future progress. We will be looking to integrate the insights from this research into our company engagement activities. Find out more at sdgtransformingaustralia.com

AustralianSuper has prioritised the goals and targets that are most relevant to our investment objectives. We're already contributing to some of these goals through our engagement and investment activities. We also participate in collaborative initiatives like the Principles for Responsible Investment (PRI) SDGs in active ownership working group.

² www.unglobalcompact.org/take-action/action-platforms/breakthrough-innovation



Gender diversity

Gender diversity at board level is an essential element of good corporate governance and can lead to better long-term returns³. Our policy of voting against some directors eligible for re-election in ASX 200 companies that have a single gender board has been in place since 1 January 2017. The policy is consistent with our expectation that ASX200 companies achieve at least 30% female board representation in the medium term.

- In 2016, we wrote to 17 ASX 200 companies with all male boards. As at June 2018, only two of these company boards remained without women on them.
- We voted against five director elections on the basis of our single gender board voting policy.
- We're expanding our gender diversity policy to cover ASX 300 companies – currently 26 companies in this category don't have women on their boards. We're also aiming to increase the representation of women on ASX 200 boards to at least two directors.

³ The 2016 Credit Suisse Gender 3000: Women in Senior Management report found that companies with at least one female director had generated a compound excess return per annum of 3.5% for investors since 2005, compared to companies where the boardroom is entirely male.



Climate change

As climate change has the potential to affect the longevity of assets and their valuations, we integrate climate change risks into our investment and engagement process.

We support the goals of the Paris Agreement on climate change and a smooth and just transition to a low carbon economy. We actively engage with companies on climate change risks and opportunities to ensure they have appropriate governance and management plans in place. We also advocate for the adoption of improved climate change reporting, such as the Taskforce on Climate-related Financial Disclosures frameworks (TCFD).

- AustralianSuper is a founding member of Climate Action 100+ and on its global steering committee. Joining 288 global investors across 29 countries who represent almost \$30 trillion in assets under management, this initiative is promoting change in the world's largest carbon emitters. It seeks to engage with companies to improve disclosure and governance in relation to management of climate change risks, and encourage emissions reductions consistent with the Paris climate change agreement. Since its launch in December 2017:
 - > 18% of focus companies officially support or have committed to implementing the TCFD recommendations, a threefold increase in corporate support for the recommendations since the launch.
 - > 21% of focus companies have set or committed to set a science-based target for reducing their greenhouse gas emissions or equivalent long-term target beyond 2030.
- AustralianSuper is a signatory to the Investor Group on Climate Change (IGCC) global investor letter to G7 and G20 governments. This initiative supports climate change policy frameworks such as the Paris Agreement targets for investment into the transition to low carbon and enhanced climate change related financial reporting frameworks.
- AustralianSuper continues to be a signatory to the Carbon Disclosure Project. This project seeks to improve the quality and disclosure of carbon emissions data and raise awareness of climate risks for relevant companies.



Carbon intensity

Our portfolios are less carbon intensive than their market benchmarks

-14.75%

Australian shares portfolio
vs S&P/ASX 300 Index

-21.53%

International shares portfolio
vs MSCI ACWI ex AUS Index

Trucost 30 September 2017



Labour supply chain

AustralianSuper advocates for, and engages with, companies to appropriately manage their domestic work force and labour supply chains and improve disclosures across industries.

- We're a signatory to the Workforce Disclosure Initiative, which aims to improve the quality of data companies disclose on their workforce and supply chain management. Ultimately, this initiative aims to improve the quality of jobs in the operation and supply chains of multinational companies.
- We support the Australian Modern Slavery Act and its reporting requirements which come into effect in 2019.

Cyber security

- AustralianSuper joined a PRI global engagement initiative on cyber security governance focusing on the consumer, healthcare and financial sectors. AustralianSuper was the leader or co-leader on engagements with some of the larger financial institutions in Australia, with the aim of encouraging enhanced corporate disclosure on cyber risks and to facilitate a better understanding of the underlying cyber risks and vulnerabilities.

Tobacco divestment

We've decided to exclude companies that manufacture tobacco products from our portfolios by the end of 2019. Tobacco is a unique product, and we believe investing in it is inconsistent with our purpose of helping members achieve their best possible retirement outcomes. There is no safe level of consumption; it's highly addictive and it is the largest preventable cause of death in the world. You can find out more about this decision at australiansuper.com/investments

Investment internalisation delivering benefits to members

The Fund's 'internalisation strategy' refers to the process of bringing investment capability in-house, and continues to be successfully implemented.

The Fund now manages 31% of the investment portfolio internally and is on track to increase this towards 50% by 2021. Increasing the proportion of the Fund managed by the internal investment teams has enabled us to leverage our size and scale to deliver better investment outcomes, including:

1) Enhanced performance

The internal investment teams have contributed to the Fund's outperformance since the commencement of direct investing in 2013.

2) Lower investment costs

The increase in the proportion of member assets managed internally has contributed to an ongoing reduction in investment costs, generating over \$100 million in annual savings for members.

3) Improvements in how we manage the portfolio

Investment in people, systems, processes and technology has contributed to increased returns through better evaluation of opportunities, more efficient management and reduced risk through greater oversight of the investment portfolio.

Expanding the Fund's global presence

The internal ability to source and manage global investments will be a key driver of investment performance and cost savings in coming years.

The Fund has leveraged the skills of the property, infrastructure and credit teams to further progress its direct investment in infrastructure and real estate debt program to provide loans backed by real assets in both the US and Europe.

To further support AustralianSuper's global presence, the Fund has appointed a Head of Investments in Europe to lead the growing London based investment team and accelerate direct investment capability in key markets.

This coincides with an expansion in global investment capability, with new global fixed-income resources augmenting the existing internal global property, infrastructure and international equities capabilities.

Investing in Australia

AustralianSuper continued to invest in a broad range of companies and assets, providing equity and debt capital to grow Australian businesses and investment in essential community infrastructure.

In the last 12 months, the internal Australian equities team was expanded to include a microcap investment capability. The microcap strategy is focused on investing in listed and unlisted smaller companies with favourable long-term prospects.

With the members of this team now in place, this additional capability will be a valuable step in broadening the Fund's access to the best Australian investment opportunities and supporting promising smaller Australian businesses.

Benefits of a collaborative approach

As the internal investment team has expanded, we have created an environment that supports collaboration across teams, with sharing of specialist skills and knowledge resulting in improvements to the way investment opportunities are evaluated.

Multiple member benefits

As well as strong investment returns, members are benefiting from a range of initiatives introduced in the past year. These include new products, tools and resources, as well as improvements in service delivery.

Greater data security

Now, more than ever, members expect us to protect the privacy of their information.

During the past year the Fund has invested in both technology and training to ensure we can better protect members' information now and in the future.

AustralianSuper continues to invest in new and leading technology solutions to enhance the level of security the Fund applies to information we share with our business partners.

Internally, AustralianSuper has strengthened digital storage controls and training to staff to help identify different information types and appropriate security controls. For physical information that is, paper, AustralianSuper operates a clean desk policy and employs a secure waste destruction provider to ensure member information is protected from receipt to destruction.

AustralianSuper continually benchmarks itself against industry best practice with the assistance of leading experts, to ensure our approach to information security highlights appropriate risks, applies effective mitigation strategies and addresses the ever-changing threat landscape. Results from this benchmarking were considered by the Board along with the actions we are taking to continue our vigilance regarding data security.

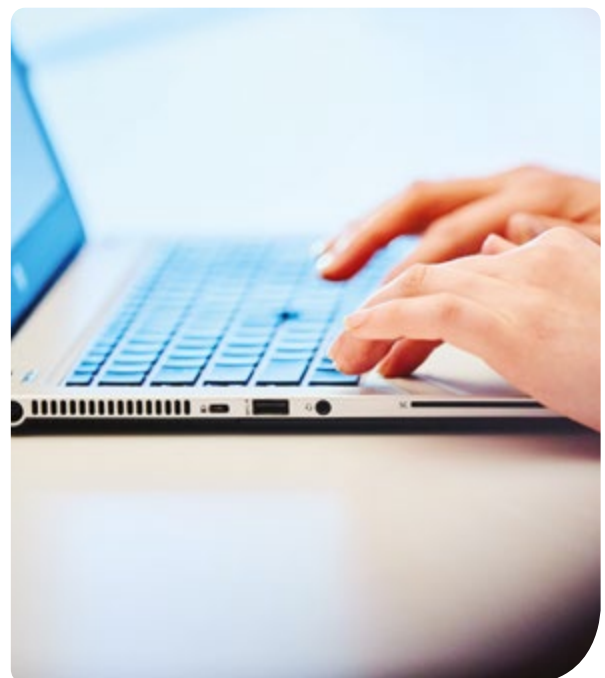
Cyber threats are an ever-increasing risk across the globe and Australia is not immune. To ensure AustralianSuper can monitor, detect and respond to cyber events and incidents we have invested in a Security Operations Centre (SOC). The SOC is an on premise, dedicated world class security operations centre, with leading security information and event management (SIEM) technology, and a dedicated team of cyber security specialists.

The SOC enables the Fund to analyse security event data in real time to monitor, detect and respond to cyber threats instantly.

AustralianSuper is a partner of a number of leading cooperative cyber security bodies that provide global information security intelligence and services to their members, who form a large global network of contacts from North America, United Kingdom, Europe and Asia.

Members can be confident that the information they share with the Fund is used, stored and protected in line with all legal and regulatory requirements.

AustralianSuper values the trust members place in the Fund, and we are working hard to ensure that trust is well placed.





Insurance

Simpler and faster claims processing

Feedback from members indicated that the process and paperwork required to lodge an insurance claim could be more streamlined.

To address this, in November 2017, we removed the requirement for a member claiming Total and Permanent Disablement and/or Income Protection, to have their employer complete an Employer Statement. In March this year, we removed the need for the member to complete a Member Statement.

Any information from the employer or member is sourced by a member's dedicated Claims Assessor directly from either the employer or member, and preferably by phone.

This approach will make the claims lodgement process much easier and faster for members. Early indications have shown that by removing the employer statement the average timeframe for the period between notifying the claim and lodging the documents has reduced from almost 2.5 months to just over 4 weeks.

Assistance with rehabilitation

In the unfortunate event that a member becomes disabled, the best possible outcome is that they recover and are able to earn their full income for the rest of their career. Getting back to some form of meaningful work is considered one of the best ways to assist the recovery process. Along with financial security, work also fosters many other health benefits – it makes us feel part of our community, helps develop a sense of personal identity and builds our confidence in a structured and purpose-driven setting.

That's why we're proud to provide claimants the opportunity to participate in the rehabilitation services offered by the Fund's insurer, TAL. This may include training, re-training or re-skilling to help members to return to work.

How it works

A dedicated assessor will work with the member to review their current health and functional capacity and help determine the level of support that will lead to an optimum recovery. We understand that members may not be able to return to their previous role or occupation and support can be offered through career redirection or upskilling.

How members benefit

We have supported in excess of 1000 members in the last year and helped more than 380 of these members to return to work.

Insurance made easier

In October 2017 the Fund simplified its insurance by changing it to age-based cover. This makes it easier for members to understand how much cover they have and how much it costs.

When designing insurance for members we recognise that income, super balance and insurance needs differ from one member to another. To provide the best possible value for members, we balance typical insurance needs with the cost of cover and how it may impact retirement balances.

That's why automatic aged-based insurance provides members with only a default level of cover. If members need more or less cover, or none at all, they have the flexibility to adjust their levels of cover to suit their individual needs.

Lower insurance premiums

Each year the Fund reviews the cost of insurance cover to ensure members receive the best possible value. AustralianSuper uses its size to negotiate lower rates, while the insurer takes into account the number and type of claims made over past years. In May 2018, the cost of cover decreased for most members, which means more money in their accounts to grow their super for retirement.

Super Only

In December 2017, we launched Super Only – a super product without the automatic insurance cover. This product was introduced to address the issue of small super contributions being eroded by insurance premiums.

With the launch of Super Only, we're working with employers and government agencies to protect the accounts of people employed under the Supported Employment Services Award, and short-term, seasonal or intermittent employees working less than six months.

Faster response to member queries

AustralianSuper Help or 'Ash' is an automated chat-bot that uses artificial intelligence to respond to members' questions.

Ash is powered by an automated software system within the Fund's live chat service and is able to answer hundreds of questions at a time. Ash's conversations are overseen by our contact centre consultants and where Ash cannot provide an answer, it offers to transfer the conversation to a live chat consultant.

How members benefit

Rather than replacing the need for contact centre consultants, Ash helps them devote more time to resolving more complex member queries.

Ash triages the chat first so that if it needs to transfer the chat to a person, they can see the conversation that has already taken place, without having to repeat the same questions again. This results in a seamless member experience and it also frees up our contact centre team to speak with members about the more complicated aspects of super and account administration.

Convenient mobile app enhancements

With more and more people using mobile devices to engage with their service providers, having a highly functional mobile app is essential.

Downloads of the AustralianSuper mobile app this year topped 200,000 and its popularity continues to grow. Every day more than 10,000 members use the App to manage their super, which is why this year we invested in new features for the app including live messaging, comprehensive investment switch capability, a quick contribution function and digital member card.

The new 'quick contributions' feature provides members with the ability to conveniently transfer money from their everyday bank account to their super account, all at the touch of a button.

Enhancements to the 'investment switch' feature give members greater freedom to make changes to their investment choice. The improved functionality allows members to change or 'switch' investment options, to view existing and pending switches, as well as options to edit or delete switches. Already, more than 10,000 investment switches have been made using the app.

The introduction of the 'live messaging' function has been hugely popular with members, allowing them to 'chat' directly with a customer service consultant and have their questions answered in real time. The service has held more than 8,000 conversations in only a few months.

The same is true for the digital member card which makes accessing super account and Fund details easy. When moving jobs, members can opt to send the digital member card directly to their new employer. To date the digital member card has been downloaded more than 9,000 times.

A more holistic view of retirement

The traditional view of withdrawing from the workforce has changed. People no longer work for 30 or 40 years and then stop all forms of work and sit at home. Most people retire out of a full-time working environment into other new environments. Retirement is no longer the final stage in a career. Some choose to take up part-time work, some work as a volunteer (bridge employment) and some return to work after a period of retirement.

In fact, research shows that nearly half of retirees follow a non-traditional retirement path or partial retirement and or return to work. Periods of change, or transitions, can sometimes place heavy demands on a person's ability to adapt. However, the Australian Psychological Society Position Paper on Ageing (2000) concluded that retirement can also create great opportunities to overcome earlier difficulties and make a new beginning in life.

Most of us understand the importance of financial planning for retirement, however money is only one part of the equation for a healthy retirement. Sorting out finances will certainly help relieve some stress but may not be enough to address some of the other stresses members may face. And these other stresses can greatly affect how happy and healthy members are after full-time work. Planning to stay physically and mentally well is just as important.

To help members achieve a better, healthier retirement, AustralianSuper partnered with Superfriend, a not for profit mental health foundation, to look at retirement more holistically. This resulted in the accreditation of the Fund's Education Managers, to conduct seminars that help members plan for and take practical steps toward a mentally healthy retirement.

Information on these seminars is available on the Fund's website.

Easy to understand product information

We've introduced a new online education module to help members understand the benefits of transition to retirement (TTR), and how TTR Income account works.

TTR Income, is a low cost retirement income account that allows members to access some of their super while they're still working. In the years before retirement, members can grow their super faster or start winding down by working less, without reducing their take-home pay.

How members benefit

- Receiving a regular income from their super
- Growing more savings, because the money in their account stays invested
- Enjoying the flexibility to set up their account to suit their needs
- Receiving tax-free payments from age 60

The Fund's research has shown that many pre-retirees do not understand transition to retirement and the opportunities that Save More or Work Less strategies can provide. This education module provides information in a way that builds confidence to take the next step in opening a TTR Income account.

The education module features interactive screens that take the user through the benefits of TTR and how it works. There are case studies that provide examples of how Work Less and Save More strategies could work.

Members can view the TTR education module at australiansuper.com/ttr



Improved access to super and insurance for ATSI members

AustralianSuper is proud to have a relatively large number of Aboriginal and Torres Strait Islander (ATSI) members. We recognise that some ATSI members face particular challenges in accessing and engaging with superannuation, including verification of identity and different cultural practices.

The past year has seen the introduction of a number of initiatives to address some of these challenges and assist ATSI members achieve their best possible retirement outcome. These include the introduction of an interactive voice response system and a member identification form.

Since the introduction, both initiatives have surpassed usage expectations.

A boost in super balance

AustralianSuper's Balance Booster has been in development for the past year. Balance Booster is a tax saving that will be automatically credited to the super balance of eligible new Choice Income members.

How has the tax saving come about?

When a member has a super account or TTR Income account, AustralianSuper sets money aside to pay for future capital gains tax that would be applicable when their investment assets are sold at a profit.

When a member moves from super or TTR Income to Choice Income, their balance is transferred to a tax-free environment. As tax isn't required to be paid when assets are sold in retirement phase, the amount that was set aside in super or TTR Income to cover a future tax liability can be forwarded to members as a credit.

Who is eligible to receive a Balance Booster payment?

From 2 July 2018 onward, members may be eligible* for a Balance Booster if they:

- move their existing AustralianSuper account or TTR Income Account to Choice Income
- have been a super or TTR Income member for a full calendar month or more, and
- are invested in one of the following investment options:
 - > High Growth
 - > Balanced
 - > Socially Aware
 - > Indexed Diversified
 - > Conservative Balanced
 - > Stable
 - > Australian Shares
 - > International Shares
 - > Property

*Depending on market performance, the Balance Booster may reduce to zero, but it will never be negative.

Balance Booster will be different for each investment option. Members can access an online tool which they can use to estimate how much they will receive.

Full details on Balance Booster, including eligibility criteria, as well as the online calculator, are available at australiansuper.com/BalanceBooster



Improving public policy in superannuation

Changes to superannuation law are a feature of today's political landscape.

Over the course of 2017-18, AustralianSuper continued to advocate for sustainable and equitable public policy in superannuation and financial services.

Advocacy efforts have focused on the following questions/matters:

- How efficient is the default superannuation system and is it working for our members?
- Does regulation stand in the way of how we want to provide insurance for our members?
- Do we need legislative reform so that we can provide more product options for our members when they retire?
- Are our members really able to compare fees between super funds on a like for like basis?
- Will our members get super when they change jobs to less permanent jobs in the new gig economy?
- Equitable access to default insurance in superannuation, especially for low income earners.

There have been a number of submissions on these issues. These include submissions to the Productivity Commission on the default super system, to ASIC's expert review on fees in super and to the Department of Treasury on comprehensive income products in retirement (CIPRs).

AustralianSuper has also appeared before a Senate Committee to speak about the future of work and how it affects super as well as access to default insurance for low income earners. The Fund has also participated in Productivity Commission hearings to speak about insurance offers available to members.

As always, the focus has been on the outcomes for members as a result of government reforms.



Life's challenges led Doug to seek financial advice

Doug and Cheryl chose AustralianSuper when it came time to get advice on their finances.

An unexpected redundancy led Doug to start writing a book he'd been thinking about for years. One part memoir, one part self-help, the book details Doug's love for the land, his battle with depression and ultimately coping with the loss of their daughter Rebecca to a brain tumour.

Dealing with the emotional fallout of losing a child got Doug and Cheryl thinking about their future. With retirement approaching, they didn't want to worry about their finances every day. So they met with Kevin, a financial adviser from AustralianSuper.

To read Doug's story visit:
australiansuper.com/tools-and-advice

The year ahead

- 32 The external environment
- 34 Strategic plan overview
- 35 2018-19 initiatives

The external environment

There are many external factors that impact AustralianSuper and the broader superannuation sector. Whether it's changes in the labour market, changes stemming from technology or changes to superannuation legislation, there is little doubt that the Fund operates in a highly complex and dynamic environment.



Legislative and regulatory change

The potential legislative and regulatory changes to the superannuation sector are extensive. These include:

- The abolition of automatic insurance for those under 25 years of age
- Funding of the ATO to help find lost super and have it re-directed to active superannuation accounts, thereby reducing the number of multiple accounts and reducing the fee impost on members
- A ban on exit fees on all super accounts, and a 3% pa cap on fees on super accounts with balances below \$6000
- Prevention of the proliferation of multiple super accounts
- The provision of consumer information that allows a comparison of super options



Industry disruption

The Australian compulsory superannuation system came into effect in 1992. After 26 years of operation, there are a number of factors that are increasingly demanding the industry's attention. These factors will require new thinking and actions to support success:

- Many banks exiting wealth management
- Emerging niche players
- The expected growth in the number of retirees over the coming decade and the implications of this including on the liquidity of funds
- The need for greater member engagement with superannuation
- The disparity in average balances between men and women
- Privacy and security challenges
- Industry consolidation



Economic change

On-going shifts in the domestic economic landscape present diverse challenges, including:

- Tax reform
- Slow wage growth
- Growth in infrastructure investment
- Growing housing market risks
- International trade policy impacts
- 2019 Federal election outcomes



Technological change

Technology has rapidly transformed the way we live and how businesses function. Technology related change will continue to accelerate and shape the ways that members and employers engage with super. Impacts include:

- Greater mobility
- Continued growth in cloud computing
- Ongoing automation
- Increased use of artificial intelligence
- Big Data/Customer analytics
- Social networking
- Cyber security



Market movements

After a long period of strong investment returns, market signals suggest that double digit performance is expected to moderate in the year ahead. Potential impacts in the investment space include:

- Softening equity markets – domestic and international
- Rising interest rates
- International trade policy challenges
- Brexit



Social and labour market impacts

As with technology, there are significant social and labour market movements giving rise to changes within the superannuation sector. Notable movements include:

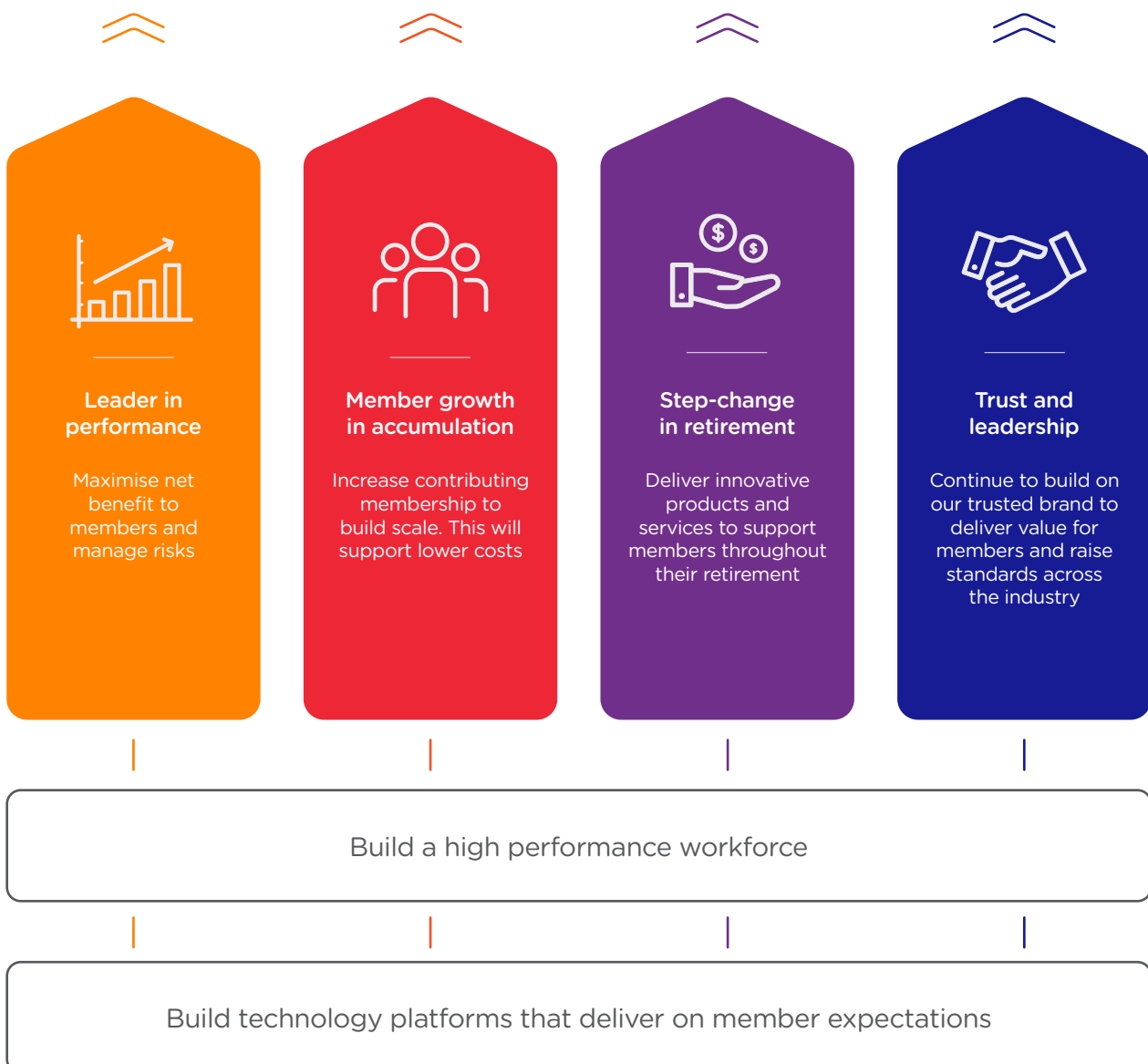
- The rapidly rising gig economy with increased numbers of freelancers, contractors and consultants
- Growing workforce globalisation – aided by technological advancement
- Ageing population along with a growing number of retirees
- Shifting community expectations in relation to climate change, ethical investments and social licence
- Growing activism and social agitation

Strategic plan overview

Maintaining performance momentum in a complex and ever-changing environment, requires experience, skill, agility and a strong strategic direction. The Fund's five-year strategic plan will continue to direct the efforts of staff in 2018-19.

OUR OBJECTIVE

To help members achieve their best possible retirement outcome



2018-19 Initiatives

In line with the Fund's strategic plan, a number of initiatives will be delivered in 2018-19, to help members achieve their best possible retirement.

Internalisation of investment function

The process of bringing investment capability in-house will continue to progress.

As indicated earlier in this report, the Fund now manages 31% of the investment portfolio internally and is targeting to increase this toward 50% by 2021.

Increasing the proportion of the Fund managed by the internal investment team allows us to deliver strong investment performance at a lower cost to members.

Internal capability in most asset classes also means the Fund is better placed to identify and leverage investment opportunities.

Delivery of a single investment management platform

The Fund is investing in new systems to migrate the investment management functions to a single platform that will support teams locally and globally. This project has been a significant investment on behalf of members and is critical to the Fund's capability to deliver long-term performance.

More improvements in insurance

Over the past year, insurance in super has received attention in the 2018 Federal Budget, the Productivity Commission into Superannuation and the Financial Services Royal Commission.

The Fund acknowledges that there are some issues with insurance in super, such as account erosion from the cost of cover for young people. However, providing members with simple and affordable cover to protect their income and the future of those who matter most to them, is important.

Without insurance in super, some members may not be able to afford or obtain cover – ultimately exacerbating any issues of underinsurance in Australia.

In 2018-19 AustralianSuper is set to deliver more improvements to insurance to increase financial security for members.

Same cover, lower prices

Each year the Fund reviews the cost of insurance to ensure members receive the best possible value. AustralianSuper uses its size to negotiate lower rates, while the insurer takes into account the number and type of claims made over the past years.

It is expected that around \$100 million in premium savings in insurance will be delivered to AustralianSuper members* in 2018-19.

* For our largest division, the AustralianSuper Industry Plan



On 26 May 2018, the cost of cover decreased by an average of 14% for Death cover, 6% for Total & Permanent Disablement (TPD) cover and 20% for Income Protection with a two-year benefit payment period.

This will result in more money in members' accounts to help their retirement savings grow.

Protecting super savings for under 25s

In October 2018, ahead of the proposed Federal Budget changes, AustralianSuper will be changing its basic automatic insurance cover to start at age 25.

This initiative has been in progress for more than a year, to help address the issue of account erosion for young people. With the cost of cover removed during their formative years, their accounts will have the chance to grow faster.

Members who need cover for themselves or their dependants can still apply for cover on an 'opt in' basis. Members who don't opt in will receive automatic Death, TPD and Income Protection cover once they turn 25.

Fund size makes a big difference

AustralianSuper will continue to maintain its focus on growing the size and scale of the Fund in order to maintain competitive advantage and deliver even greater value to members. We plan to meet growth objectives by increasing Fund membership and introducing new innovative products.

Policy and advocacy

The Fund's advocacy efforts will continue to focus on the Productivity Commission's findings on default superannuation arrangements, retirement products for members, and better fee disclosure, plus relevant findings when the report of the Royal Commission into the Banking, Superannuation and Financial Services industries is released.

Other matters that will be elevated on the advocacy agenda include:

- Advocating that all super funds complete a disclosure of their portfolio holdings. AustralianSuper has completed its disclosure of portfolio holdings for all investment options so that members are aware of where their money is invested
- Bringing forward an increase in compulsory employer contributions into super to 12%, so that members can accumulate a larger retirement amount
- Ensuring that all employees can get access to compulsory super
- Addressing how women can achieve economic equality in retirement.

The Fund will also consider how it invests in the context of the United Nations Sustainable Development Goals (SDGs).





Insurance in Superannuation Voluntary Code of Practice

AustralianSuper is committed to helping Fund members better understand and manage the insurance cover available through their super.

For this reason, on 1 July, 2018 AustralianSuper started implementing the *Insurance in Superannuation Voluntary Code of Practice (the Code)*.

The Code is the superannuation industry's commitment to high standards when providing insurance to members of superannuation funds.

It was released in December 2017 and is designed to provide greater transparency and consistency across the industry, making it easier for each fund's members to:

- access information about insurance and their options
- cancel or change their cover
- read about the claims process and philosophy.

AustralianSuper already meets many of the Code's standards and is developing a transition plan that will detail how and when the remaining requirements will be implemented. One of the actions the Fund will be undertaking is making significant improvements in the timeframes for managing complaints.

Faster, easier access to information

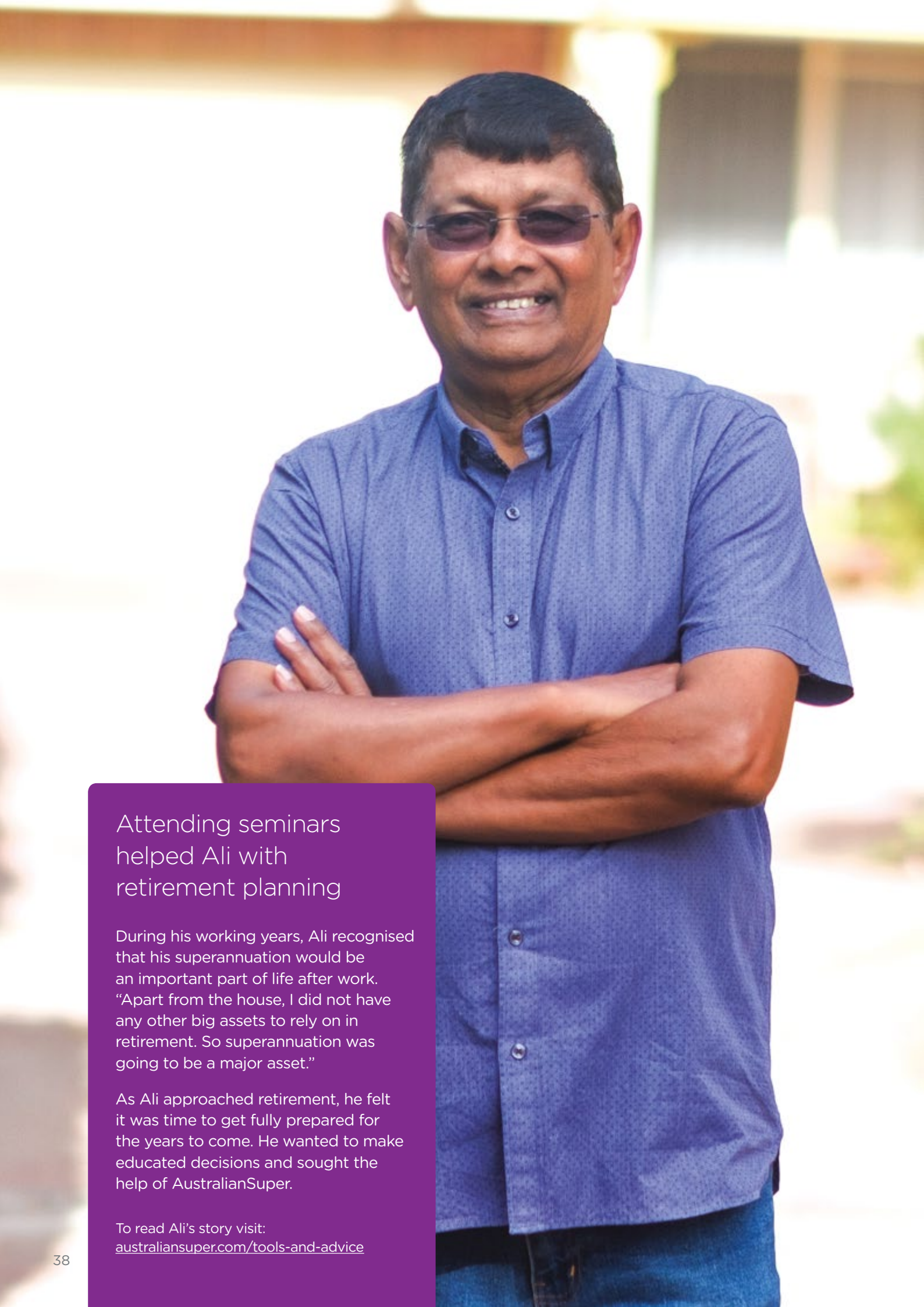
Technology is quickly transforming the way we live, how businesses function and how members are engaging with their super.

To provide AustralianSuper members with the best possible experiences, the Fund is putting in place leading systems and processes. Members can expect technology solutions that deliver more relevant communications that are tailored to their specific needs as well as tools that help make decisions easier. The deployment of technologies will help drive internal efficiencies as well as improvements in the speed of service to members.

Specifically, over the next 12 months, AustralianSuper will:

- Make the transition to retirement (TTR) process easier for our members. We are progressively revamping most of our current paper-like forms with a member experience focus to make it even easier to engage with the Fund for services when needed.
- Launch a new Employer Portal providing a digital experience that supports employer management of their employee superannuation needs with AustralianSuper.
- Release a new Adviser Portal in late 2018 which will provide support for our many financial advisers in providing secure, member-approved digital access to member details supporting the provision of financial advice to our members.
- Introduce new features on the mobile app, based on member feedback, including content and new security features.
- Extend the assistance provided to members through our chat service. ASH (AustralianSuper Help) – our “helpbot”, will be available around the clock, to assist members when they need it, no matter where they are.





Attending seminars helped Ali with retirement planning

During his working years, Ali recognised that his superannuation would be an important part of life after work. “Apart from the house, I did not have any other big assets to rely on in retirement. So superannuation was going to be a major asset.”

As Ali approached retirement, he felt it was time to get fully prepared for the years to come. He wanted to make educated decisions and sought the help of AustralianSuper.

To read Ali’s story visit:
australiansuper.com/tools-and-advice



Governance & Financial statements

- 40 Board of directors
- 42 Board and committee membership
- 42 Board and committee attendance
- 43 Remuneration
- 47 Financial statements

Board of directors

Fund governance and strategic direction are key responsibilities of the Board of AustralianSuper.

It's the Board's role to ensure that the Fund meets its obligations to members and employers – and complies with super related legislation.

The Board ensures that an appropriate governance framework is in place, and is well maintained.

The Board is currently comprised of five member representative directors, five employer representative directors, and one independent director.

Governance

The Trustee of the Fund is AustralianSuper Pty Ltd, which is governed by a Board of Directors. All Directors are non-executive and independent of management. Directors are appointed by the Trustee's shareholders – Member Directors are appointed by ACTU Super Shareholding Pty Ltd and Employer Directors are appointed by the Australian Industry Group. The Trustee shareholders jointly appoint Independent Directors.

All Director appointments are subject to ratification by the Board.

Many matters are delegated to Committees for decision and oversight. The Board is covered by indemnity insurance.

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 seven 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.

For further information on the Board and governance of AustralianSuper, visit australiansuper.com/about-us



Heather Ridout
Chair – Employer Director



Dave Oliver
Deputy Chair – Member Director



Julia Angrisano
Member Director



Paul Bastian
Member Director



Gabrielle Coyne
Employer Director



Jim Craig
Independent Director



Brian Daley
Member Director



Lucio Di Bartolomeo
Employer Director



Daniel Walton
Member Director



Innes Willox
Employer Director



Grahame Willis
Employer Director

Board and Committee membership as at 30 June 2018

Audit Compliance Risk Management Committee	Investment	Member and Employer Services	Nomination and Remuneration	Budget Review
Paul Bastian	Nixon Apple	Brian Daley (Chair)	Brian Daley	Bob Lewtas
Brad Crofts	Peter Burn	Gabrielle Coyne	Dave Oliver	Dave Oliver (Chair)
Anne Flanagan	Jim Craig (Chair)	Lucio Di Bartolomeo	Heather Ridout	Grahame Willis
Sheena Kay	Brad Crofts	Mike Nicolaides	Innes Willox (Chair)	Innes Willox
Warren Kensett-Smith	Brian Daley	Michele O'Neil		
Grahame Willis (Chair)	Russell Maddox	George Stamas		
	Heather Ridout			
	Stephanie Weston			

Board and Committee attendance 2017-18

	Board		ACRMC		BRC		IC		MESCC		NRC	
	A	B	A	B	A	B	A	B	A	B	A	B
Directors												
Julia Angrisano	3	5	-	-	-	-	-	-	-	-	-	-
Paul Bastian	4	6	2	5	-	-	-	-	-	-	-	-
Gabrielle Coyne	5	5	-	-	-	-	-	-	3	3	-	-
Jim Craig	6	6	-	-	-	-	5	6	-	-	-	-
Brian Daley	6	6	-	-	-	-	6	6	4	4	4	4
Lucio Di Bartolomeo	6	6	-	-	-	-	-	-	4	4	-	-
Dave Oliver	6	6	-	-	3	3	-	-	-	-	4	4
Heather Ridout	6	6	-	-	-	-	6	6	1	1	4	4
Daniel Walton	6	6	-	-	-	-	-	-	-	-	-	-
Grahame Willis	6	6	5	5	3	3	-	-	-	-	-	-
Innes Willox	6	6	-	-	3	3	-	-	-	-	4	4
Alternate Directors												
Nixon Apple	2	2	-	-	-	-	6	6	-	-	-	-
Peter Burn	-	-	-	-	-	-	6	6	-	-	-	-
Brad Crofts	-	-	5	5	-	-	6	6	-	-	-	-
Anne Flanagan	-	-	5	5	-	-	-	-	-	-	-	-
Sheena Kay	-	-	2	2	-	-	-	-	-	-	-	-
Warren Kensett-Smith	-	-	5	5	-	-	-	-	-	-	-	-
Robert (Bob) Lewtas	-	-	-	-	3	3	-	-	-	-	-	-
Michele O'Neil	-	-	-	-	-	-	-	-	3	4	-	-
Carmen Pace	-	-	-	-	-	-	-	-	-	-	-	-
George Stamas	-	-	-	-	-	-	-	-	4	4	-	-
Committee Members												
Russell Maddox	-	-	-	-	-	-	6	6	-	-	-	-
Mike Nicolaides	-	-	-	-	-	-	-	-	4	4	-	-
Stephanie Weston	-	-	-	-	-	-	6	6	-	-	-	-

A = number of meetings attended

B = number of meetings held during the time the Director held office or was a member of the committee

Remuneration

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.

The Fund's 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
- drive the Fund's five-year strategy of achieving a higher performance workforce
- ensure the members-first orientation of the Fund.

AustralianSuper's People & Culture Committee (formerly 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 Committee is primarily responsible for making recommendations to the Board on:

- fees to be paid to Directors, Alternate Directors and 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 Responsible Persons.

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 2018	Chair \$	Member \$	Board Deputy Chair \$
Board	148,100	37,100	54,500
Investment Committee *	138,800	55,500	
Member & Employer Services Committee	32,300	18,400	
Audit, Compliance & Risk Management Committee **	57,000	22,200	
People and Culture Committee	19,000	10,900	
Budget Review Committee	15,400	8,800	

A per meeting fee of \$1,800 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 member fee is \$72,700 per annum.

**Specialist Audit, Compliance and Risk Management Committee member fee is \$39,400 per annum.

Directors' remuneration

Directors and Alternate Directors	2018			2017		
	Cash fees \$	Superannuation \$	Total \$	Cash fees \$	Superannuation \$	Total \$
J. Angrisano ¹	30,950	2,940	33,891	-	-	-
N. Apple	62,700	5,957	68,657	92,000	8,740	100,740
P. Bastian ²	59,300	5,634	64,934	58,200	5,529	63,729
P. Burn ³	55,500	5,273	60,773	54,500	5,178	59,678
G. Coyne ⁴	46,300	4,399	50,699	-	-	-
J. Craig	175,900	16,711	192,611	104,806	9,957	114,763
B. Crofts ⁵	79,500	7,553	87,053	78,100	7,420	85,520
B. Daley	135,800	12,901	148,701	134,689	12,796	147,485
L. Di Bartolomeo	80,700	7,667	88,367	79,300	7,534	86,834
A. Flanagan	39,400	3,743	43,143	38,700	3,677	42,377
J. Ingram ⁶	-	-	-	80,867	7,682	88,549
S. Kay ⁷	9,620	914	10,534	-	-	-
W. Kensett-Smith ⁸	22,200	2,109	24,309	21,800	2,071	23,871
R. Lewtas ⁹	8,800	836	9,636	4,674	444	5,118
R. Maddox	72,700	6,907	79,607	71,400	6,783	78,183
S. McDine ¹⁰	-	-	-	17,919	1,702	19,621
M. Nicolaides ¹¹	18,400	1,748	20,148	18,100	1,720	19,820
D. Oliver ¹²	78,612	7,468	86,080	62,831	5,969	68,800
M. O'Neil ¹³	18,400	1,748	20,148	14,362	1,364	15,726
G. Pinnell ¹⁴	-	-	-	42,235	4,012	46,247
H. Ridout	216,950	20,610	237,560	175,495	16,672	192,167
G. Stamas	18,400	1,748	20,148	18,100	1,720	19,820
D. Walton ¹⁵	37,100	3,525	40,625	19,783	1,879	21,662
S. Weston	72,700	6,907	79,607	71,400	6,783	78,183
G. Willis	102,900	9,776	112,676	101,000	9,595	110,595
I. Willox ¹⁶	64,900	6,166	71,066	54,204	5,149	59,353

The following Alternate Directors did not receive any compensation during the year ended 30 June 2018: C. Pace who commenced as Alternate Director for J. Angrisano on 31 August 2017.

The following Alternate Directors did not receive any compensation during the year ended 30 June 2017: J. Angrisano, F. Jordan and M. Boyd.

1. These fees are paid to FSU. Commenced as Director on 31 August 2017.

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

3. These fees are paid to the Ai Group.

4. Commenced as Director on 31 August 2017.

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

6. Ceased as Director on 1 March 2017.

7. Commenced as Alternate Director for G. Coyne on 25 January 2018.

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

9. These fees were paid to United Voice (to R. Lewtas from 24 March 2018).

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

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

12. These fees were paid to ACTU up to 31 January 2017.

13. These fees are paid to the Textile, Clothing and Footwear Union.

14. These fees were paid to the Australian Council of Trade Unions. Ceased as Director on 5 May 2017.

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

16. These fees are paid to the Ai Group.

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 staff 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 over a rolling three-year period;
- the management of costs of the Balanced option (accumulation) on an annual basis; and
- an individual's performance with respect to personal objectives in their role in the Fund.

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

- investment performance of the AustralianSuper Balanced option is positive over a rolling three-year period;
- investment performance of the AustralianSuper Balanced option is above inflation over a rolling three-year period;
- investment performance of the AustralianSuper Balanced option is above the median performance of the SuperRatings SR50 Median Balanced Option over a rolling three-year period; and
- the participant achieves an individual performance and behaviours assessment rating of at least 'Meets Expectations' in their annual performance assessment.

The Investment Performance Payment Plan is based on:

Role	Fund Performance (Balanced Option) Measure Weighting	Portfolio Performance Measure Weighting	Cost Management Measure Weighting
CIO	80%	0%	20%
All other participants	70%	15%*	15%

Participants may be awarded a payment of between 20%-100% of their fixed annual remuneration, dependent on their role. Payments under the payment plan are made in cash.

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

* Where a participant does not have specific portfolio responsibility, an additional 15% is allocated to fund performance in determining the weightings for performance payments.

Performance of the Fund in 2017-18 in relation to the Investment Performance Payment Plan

Investment performance measures	Benchmark	Performance	Result
Investment performance of the AustralianSuper Balanced option is positive over a rolling three-year period	Positive	Positive	Achieved
Investment performance of the AustralianSuper Balanced option is above inflation over a rolling three-year period	1.67%	9.19%	Achieved
Investment performance of the AustralianSuper Balanced option is above that of the median Balanced fund in the relevant SuperRatings SR50 survey over a rolling three-year period	7.29% pa	9.19% pa	Achieved

Executive remuneration at 30 June 2018

	Salary ^(A) \$	Superannuation \$	Fixed remuneration \$	Performance payment \$	Non-monetary benefits ^(B) \$	Total \$
I. Silk	941,500	25,000	966,500	-	28,322	994,822
M. Delaney	711,350	25,000	736,350	736,350	-	1,472,700
P. Curtis	515,750	25,000	540,750	432,600	-	973,350
J. Peasley	515,750	25,000	540,750	432,600	-	973,350
I. McKeand	517,535	25,000	542,535	393,514	-	936,049

(A) Represents 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 and parking benefits and any associated fringe benefits tax.

(C) The movement in the annual leave accrual for each person for the financial year was as follows: I. Silk \$4,285, M. Delaney -\$43,367, P. Curtis \$12,346, J. Peasley -\$11,374, I. McKeand \$13,393.

(D) The movement in the long service entitlements accrued but not taken during the year as required to be recognised under legislation were I. Silk \$93,543, M. Delaney \$30,629, P. Curtis \$19,773, J. Peasley \$16,854, I. McKeand \$17,108.

Executive remuneration at 30 June 2017

	Salary ^(A) \$	Superannuation \$	Fixed remuneration \$	Performance payment \$	Non-monetary benefits ^(B) \$	Total \$
I. Silk	824,100	35,000	859,100	-	28,042	887,142
M. Delaney	680,890	35,000	715,890	714,890	-	1,430,780
P. Curtis	482,834	35,000	517,834	420,000	-	937,834
J. Peasley	477,136	30,000	507,136	420,000	-	927,136
I. McKeand	491,732	35,000	526,732	388,466	-	915,198

(A) Represents 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 and parking benefits and any associated fringe benefits tax.

(C) The movement in the annual leave accrual for each person for the financial year was as follows: I. Silk \$20,904, M. Delaney \$8,272, P. Curtis \$12,186, J. Peasley \$28,029, I. McKeand \$28,464.

(D) The movement in the long service entitlements accrued but not taken during the year as required to be recognised under legislation were I. Silk \$58,043, M. Delaney \$21,494, P. Curtis \$17,755, J. Peasley \$19,373, I. McKeand \$13,523.

Non-management staff

AustralianSuper staff are employed under the AustralianSuper Enterprise Agreement 2016-19. 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
- the Fund continues to attract and retain quality staff to run and operate the Fund efficiently and expertly
- the Fund's remuneration is consistent with AustralianSuper's core tenet of being a members-first fund.

Financial statements

Audited financial statements

The Fund's audited financial statements will be available in September, along with the auditor's report, at australiansuper.com/about-us or by calling **1300 300 273**.

Statement of financial position as at 30 June 2018

	2018 \$m	2017 \$m
Assets		
Investments	142,835	121,661
Other assets	956	627
Total assets	143,791	122,288
Liabilities		
Tax payable	2,321	2,216
Other payables	1,338	552
Total liabilities	3,659	2,768
Net assets available for members' benefits	140,132	119,520
Members' benefits	139,406	118,992
Net assets	726	528
Equity - Reserves		
Operational risk reserve	347	295
Other reserves	379	233
Total reserves	726	528

Income statement for the year ended 30 June 2018

	2018 \$m	2017 \$m
Revenue		
Investment income	14,203	13,146
Other income	92	152
Total revenue	14,295	13,298
Expenses		
Investments	(465)	(408)
Trustee service fee	(296)	(297)
Total expenses	(761)	(705)
Operating result	13,534	12,593
Less net benefits allocated to members	(12,695)	(11,703)
Operating result before income tax	839	890
Income tax (expense)/benefit	(641)	(791)
Operating result after income tax	198	99

Statement of changes in members' benefits for the year ended 30 June 2018

	2018 \$m	2017 \$m
Opening balance of members' benefits	118,992	100,215
Contributions received	8,972	9,464
Transfers from other superannuation plans	7,652	6,275
Income tax on contributions	(1,042)	(976)
After tax contributions	15,582	14,763
Benefits paid and payable	(7,611)	(7,637)
Insurance premiums charged to members	(614)	(661)
Death and disability benefits credited to members	362	362
Net benefits allocated to members' accounts	12,695	11,950
Closing balance of members' benefits	139,406	118,992

Statement of changes in reserves for the year ended 30 June 2018

	Operational risk reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve ¹ \$m	Total reserves \$m
Balance as at 30 June 2016	245	275	65	90	675
Net transfers to/from reserve	40	(26)	(13)	0	1
Transfers to members' accounts ²	0	(247)	0	0	(247)
Operating result	10	9	0	80	99
Balance as at 30 June 2017	295	11	52	170	528
Net transfers to/from reserve	34	(24)	(10)	0	0
Operating result	18	147	10	23	198
Balance as at 30 June 2018	347	134	52	193	726

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. The policy sets out how the level of the reserves is maintained and replenished through investment earnings and operational surplus. It also outlines under what circumstances payments are made from the reserves. 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).

¹ Insurance reserve – AustralianSuper operates a Premium Adjustment Model (PAM) with its primary life insurer (TAL). It covers all the current insurance arrangements and members within the Fund. Under the PAM, premiums paid to the insurer increase (within limits) or decrease depending on the amount of claims in previous years. Premiums charged to members, through deductions from their accounts, reflect:

- Premiums expected to be paid to the insurer to provide insurance cover and meet the costs incurred by the trustee in managing the insurance business
- An allowance for potential increases in insurer premiums if more claims emerge than expected
- Downward (or upward) adjustments to allow for any reductions (increases) in insurer premiums that have occurred due to favourable past claims experience.


Because claims often emerge a long time after the event that gave rise to them, premium adjustments can relate to a number of different historical periods. Premium adjustments for each historical period are recalculated each year for several years, with the insurer retaining the risk that claims emerging subsequently exceed those expected. The Fund maintains an Insurance Reserve that is managed in accordance with the Fund's Insurance Reserve Policy. Under the Insurance Reserve Policy:

- If insurer premiums are adjusted downwards as a result of the PAM, the amount of that reduction must be paid into the Insurance Reserve.
- If insurer premiums are adjusted upwards as a result of the PAM, the amount of that increase may be funded via payments from the Insurance Reserve.
- Allowances in member premium for potential increases in insurer premiums if more claims emerge than expected are transferred to the Insurance Reserve.
- Investment income less associated investment costs and tax are credited to Reserve.
- Payments from the Insurance Reserve are used exclusively for the benefit of insured members of the Fund through reductions in members' insurance premiums and meeting insurance administration costs.

The Insurance Reserve is subject to a formal annual review which considers the adequacy of the reserve, any release that may be possible from the reserve and the impact on future member premiums. The recommendations in the review are subject to approval by the Group Executive, Corporate Services. The Insurance Reserve Policy itself is reviewed every two years.

In summary, the Insurance Reserve is used to cover timing differences between the charging of insurance premiums to members' accounts and the use of those premiums to meet the cost of premiums due to the insurer under the insurance contract and the operations of the insurance business.

² As a result of AASB 1056 implementation, the measurement of investments changed from "net market value" to fair value resulting in the write back of disposal costs.



Everyone's journey to retirement is different

For Dale, a member of AustralianSuper for 30 years, retirement came earlier than expected.

Following his wife's cancer diagnosis, Dale made the decision to care for his wife full-time. This meant giving up work. "It was scary at first, I wondered where's the money going to come from? What's going to happen?"

Dale turned to AustralianSuper for help. To help him prepare for a seamless transition to retirement, Dale switched to a retirement income account. This has given Dale and his wife much needed peace of mind.

To read Dale's story visit:
australiansuper.com/tools-and-advice



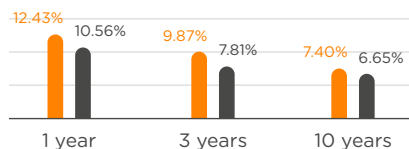
Investment data

- 52 Investment performance and asset allocation
- 56 Strategic asset allocation 2018-19
- 57 Major shareholdings
- 58 International shares
- 59 Investment managers

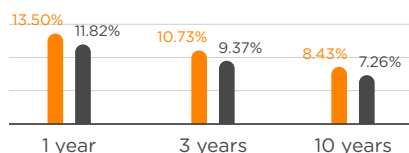
Investment performance and asset allocation as at 30 June 2018

High Growth

Superannuation returns pa



Retirement returns pa



● AustralianSuper ● Benchmark

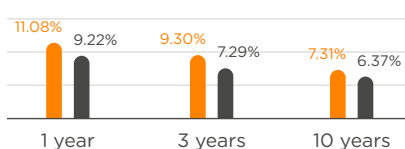
Investment aims

- To outperform CPI + 4.5% pa over the medium to longer term
- To outperform the median growth fund over the medium to longer term

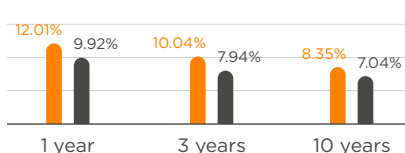
Minimum investment timeframe: At least 12 years

Balanced

Superannuation returns pa



Retirement returns pa



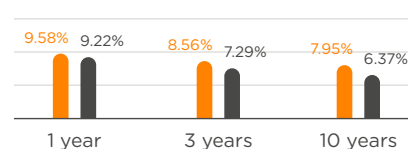
Investment aims

- To outperform CPI + 4% pa over the medium to longer term
- To outperform the median balanced fund over the medium to longer term

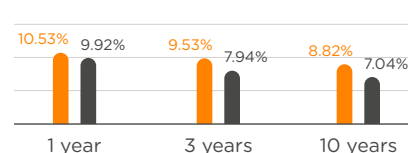
Minimum investment timeframe: At least 10 years

Socially Aware

Superannuation returns pa



Retirement returns pa

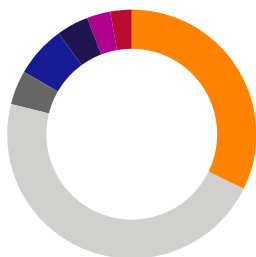


Investment aims

- To outperform CPI + 4% pa over the medium to longer term
- To outperform the median balanced fund over the medium to longer term

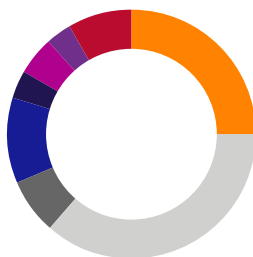
Minimum investment timeframe: At least 10 years

Asset Allocation as at 30 June 2018



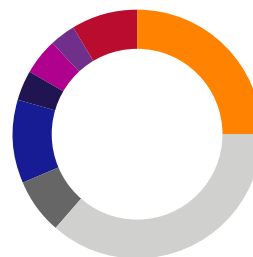
Australian shares	32.4%
International shares	46.6%
Direct property	4.4%
Infrastructure	6.6%
Private equity	4.4%
Credit	3.0%
Cash	2.6%

Asset Allocation as at 30 June 2018



Australian shares	25.2%
International shares	36.4%
Direct property	7.1%
Infrastructure	11.1%
Private equity	3.8%
Credit	4.8%
Fixed interest	3.3%
Cash	8.3%

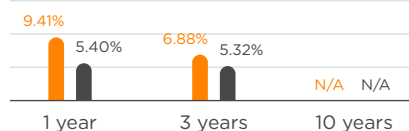
Asset Allocation as at 30 June 2018



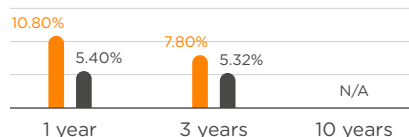
Australian shares	25.2%
International shares	36.3%
Direct property	7.2%
Infrastructure	11.0%
Private equity	3.7%
Credit	4.8%
Fixed interest	3.3%
Cash	8.5%

Indexed Diversified

Superannuation returns pa



Retirement returns pa



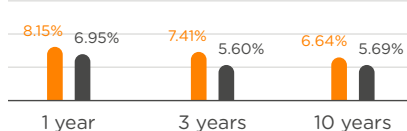
Investment aims

- To achieve an average annual return from July 1, 2018, of CPI + 3.0% pa over the medium to longer term*

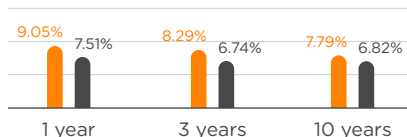
Minimum investment timeframe: At least 10 years

Conservative Balanced

Superannuation returns pa



Retirement returns pa



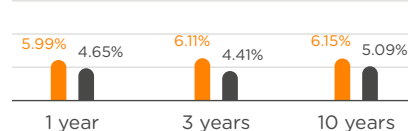
Investment aims

- To outperform CPI + 2.5% pa, over the medium term
- To outperform the median conservative balanced fund, over the medium term.

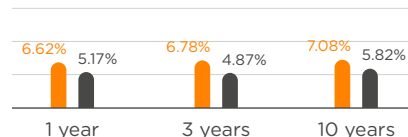
Minimum investment timeframe: At least 5 years

Stable

Superannuation returns pa



Retirement returns pa



Investment aims

- To outperform CPI + 1.5% pa over the medium term
- To outperform the median capital stable fund over the medium term

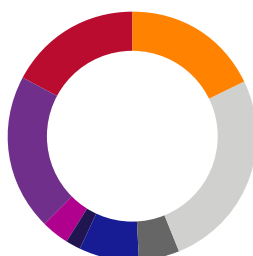
Minimum investment timeframe: At least 3 years

Asset Allocation as at 30 June 2018



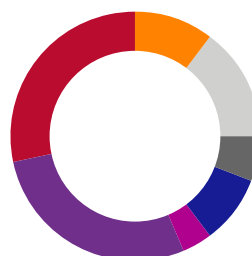
Australian shares	33.5%
International shares	35.5%
Fixed interest	17.9%
Cash	13.1%

Asset Allocation as at 30 June 2018



Australian shares	17.9%
International shares	26.0%
Direct property	5.4%
Infrastructure	7.9%
Private equity	1.9%
Credit	3.6%
Fixed interest	20.3%
Cash	17.0%

Asset Allocation as at 30 June 2018



Australian shares	10.3%
International shares	14.8%
Direct property	5.9%
Infrastructure	8.8%
Credit	3.9%
Fixed interest	28.2%
Cash	28.1%

* Previously 3.5%

Investment performance and asset allocation as at 30 June 2018

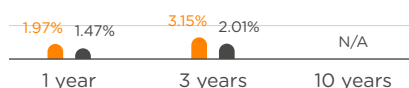
Capital Guaranteed

(closed 30/9/2017)

Superannuation returns pa to 30/9/2017



Retirement returns pa to 30/9/2017



● AustralianSuper ● Benchmark

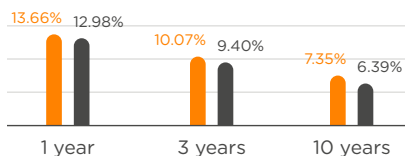
Investment aims

- To guarantee a member's capital
- To outperform the return of the RBA Cash Rate Index each year adjusted for tax

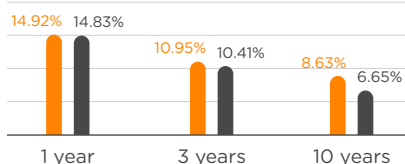
Minimum investment timeframe: At least 1 year

Australian Shares

Superannuation returns pa



Retirement returns pa

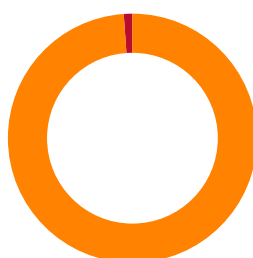


Investment aims

- To outperform the S&P/ASX 300 Accumulation Index** over the medium to long term

Minimum investment timeframe: At least 12 years

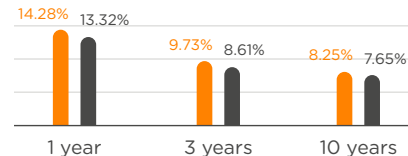
Asset Allocation as at 30 June 2018



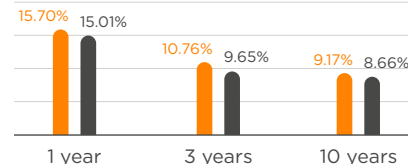
● Australian shares 98.9%
● Cash 1.1%

International Shares

Superannuation returns pa



Retirement returns pa

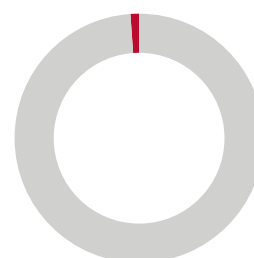


Investment aims

- To outperform the MSCI World All Countries (ex Australia) Unhedged Index** over the medium to long term adjusted for tax

Minimum investment timeframe: At least 12 years

Asset Allocation as at 30 June 2018

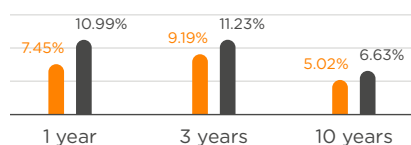


● International shares 98.9%
● Cash 1.1%

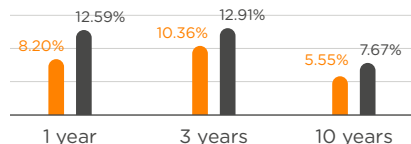
** Index level returns, which are only adjusted for implied superannuation tax.

Property

Superannuation returns pa



Retirement returns pa



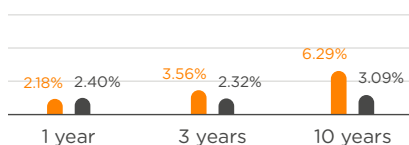
Investment aims

- To outperform CPI + 3% pa and the Mercer / IPD Australia Unlisted Wholesale Property Fund Index*** over the medium term

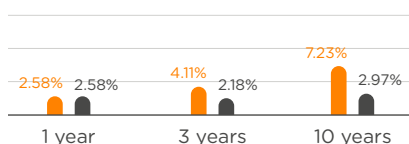
Minimum investment timeframe: At least 5 years

Diversified Fixed Interest

Superannuation returns pa



Retirement returns pa



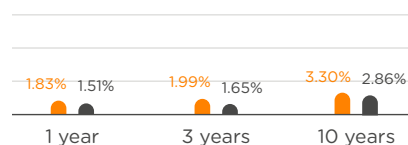
Investment aims

- To outperform CPI + 0.5% pa over the short to medium term

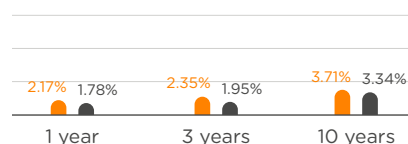
Minimum investment timeframe: At least 3 years

Cash

Superannuation returns pa



Retirement returns pa

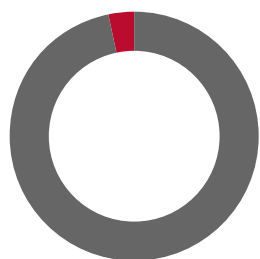


Investment aims

- To outperform the return of the Bloomberg Ausbond Bank Bill Index** each year
- To outperform the annual return of CPI

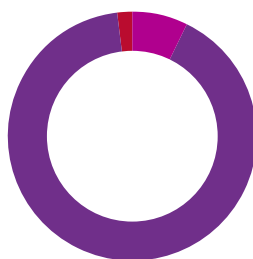
Minimum investment timeframe: At least 1 year

Asset Allocation as at 30 June 2018



● Direct property 96.9%
● Cash 3.1%

Asset Allocation as at 30 June 2018



● Credit 7.4%
● Fixed interest 90.6%
● Cash 1.9%

Asset Allocation as at 30 June 2018

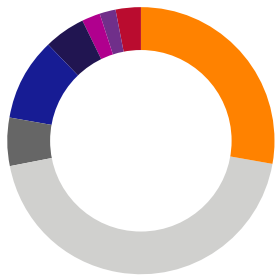


● Cash 100.0%

*** The Mercer / IPD Australia Unlisted Wholesale Property Fund Index is gross of fees.

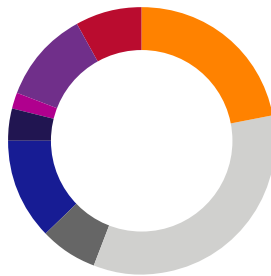
Strategic asset allocation 2018-19

Asset allocation ranges are shown in brackets



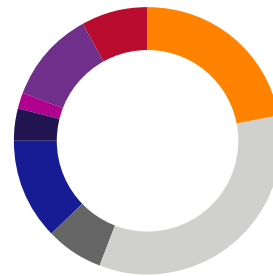
High Growth

Australian shares	28.0% (20-50%)
International shares	44.0% (20-50%)
Direct property	6.0% (0-30%)
Infrastructure	10.0% (0-30%)
Private equity	5.0% (0-10%)
Credit	2.0% (0-20%)
Fixed interest	2.0% (0-20%)
Cash	3.0% (0-15%)
Other	0% (0-5%)



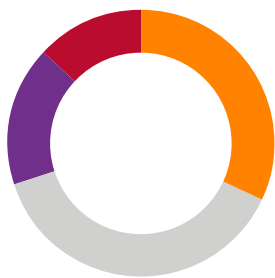
Balanced

Australian shares	22.0% (10-45%)
International shares	34.0% (10-45%)
Direct property	7.0% (0-30%)
Infrastructure	12.0% (0-30%)
Private equity	4.0% (0-10%)
Credit	2.0% (0-20%)
Fixed interest	11.0% (0-25%)
Cash	8.0% (0-20%)
Other	0% (0-5%)



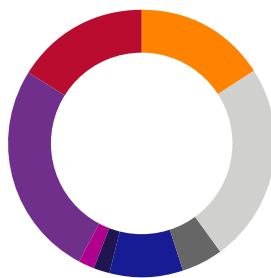
Socially Aware

Australian shares	22.0% (10-45%)
International shares	34.0% (10-45%)
Direct property	7.0% (0-30%)
Infrastructure	12.0% (0-30%)
Private equity	4.0% (0-10%)
Credit	2.0% (0-20%)
Fixed interest	11.0% (0-25%)
Cash	8.0% (0-20%)



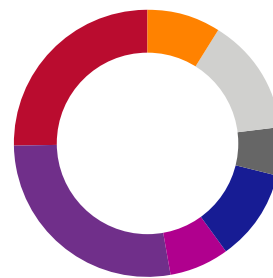
Indexed Diversified

Australian shares	32.0% (20-50%)
International shares	38.0% (20-50%)
Listed property	0% (0-10%)
Fixed interest	17.0% (0-30%)
Cash	13.0% (0-30%)



Conservative Balanced

Australian shares	16.0% (5-35%)
International shares	24.0% (5-35%)
Direct property	5.0% (0-25%)
Infrastructure	9.0% (0-25%)
Private equity	2.0% (0-5%)
Credit	2.0% (0-25%)
Fixed interest	26.0% (0-40%)
Cash	16.0% (0-30%)
Other	0% (0-5%)



Stable

Australian shares	9.0% (0-20%)
International shares	14.0% (0-20%)
Direct property	6.0% (0-15%)
Infrastructure	11.0% (0-20%)
Private equity	0% (0-3%)
Credit	7.0% (0-25%)
Fixed interest	27.5% (0-45%)
Cash	25.0% (0-50%)
Other	0% (0-5%)

Major shareholdings and total fund exposure

Top 20 Australian Shareholdings as at 30 June 2018

Australian Shares	% of total portfolio
Commonwealth Bank of Australia	7.40%
BHP Billiton Ltd	6.45%
Westpac Banking Corp	6.01%
CSL Ltd	5.09%
Australia & New Zealand Banking Group Ltd	4.80%
National Australia Bank	4.24%
Wesfarmers Ltd	3.62%
Woolworths Group Ltd	3.19%
Macquarie Group Ltd	2.70%
Rio Tinto Ltd	2.42%
Woodside Petroleum Ltd	2.00%
Suncorp Group Ltd	1.82%
Transurban Group	1.76%
Tabcorp Holdings Ltd	1.66%
Insurance Australia Group Ltd	1.54%
Healthscope Ltd	1.51%
Telstra Corp Ltd	1.48%
Origin Energy Ltd	1.40%
Sydney Airport	1.20%
Computershare Ltd	1.13%

Top 20 International Shareholdings as at 30 June 2018

International Shares	Country listed in	% of total portfolio
Amazon.com Inc	United States	2.31%
Facebook Inc	United States	1.93%
Alphabet Inc	United States	1.87%
Microsoft Corp	United States	1.81%
Visa Inc	United States	1.77%
Tencent Holdings Ltd	Hong Kong	1.50%
Thermo Fisher Scientific Inc	United States	1.43%
Alibaba Group Holding Ltd	United States	1.41%
Baidu Inc	United States	1.38%
Illumina Inc	United States	1.38%
Diageo Plc	United Kingdom	1.23%
Linde Ag	Germany	1.23%
Reckitt Benckiser Group Plc	United Kingdom	1.15%
Citigroup Inc	United States	1.14%
Oracle Corp	United States	1.11%
Accenture Plc	United States	1.07%
Tesla Inc	United States	1.01%
Unitedhealth Group Inc	United States	0.98%
Intuitive Surgical Inc	United States	0.95%
Kering Sa	France	0.93%

International shares

AustralianSuper invests in more than 50 global share markets. The table below provides information on the countries in the AustralianSuper international shares portfolio, and their approximate weighting.

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

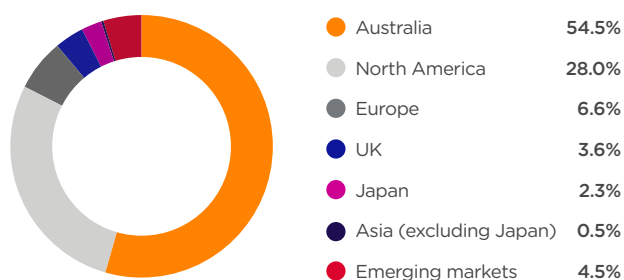
International Equity Country Holdings as at 30 June 2018

Country	Actual weights %
Argentina	0.033%
Austria	0.027%
Belgium	0.422%
Brazil	0.392%
Canada	0.974%
Chile	0.020%
China	5.535%
Colombia	0.018%
Denmark	0.193%
Egypt	0.036%
Finland	0.013%
France	3.215%
Germany	4.865%
Hong Kong	1.036%
Hungary	0.071%
India	1.037%
Indonesia	0.228%
Ireland	0.002%
Israel	0.082%
Italy	0.494%
Japan	9.430%
Korea	1.210%

Country	Actual weights %
Malaysia	0.116%
Mexico	0.342%
Netherlands	2.347%
New Zealand	0.551%
Norway	0.044%
Pakistan	0.001%
Peru	0.024%
Philippines	0.011%
Portugal	0.001%
Russia	0.321%
Singapore	0.066%
South Africa	0.523%
South Korea	0.057%
Spain	0.851%
Sweden	0.130%
Switzerland	3.590%
Taiwan	0.773%
Thailand	0.285%
Tunisia	0.000%
Turkey	0.088%
United Kingdom	4.953%
United States	55.601%

Total Fund Exposure as at 30 June 2018

AustralianSuper invests about A\$140 billion across a range of asset classes. As we grow, the funds we invest on behalf of members in overseas countries will increase. As at 30 June 2018, we have more than \$76 billion invested in domestic assets and approximately \$64 billion in international assets as seen in the chart right.



Investment Managers

As at 30 June 2018, the following combination of investments represented more than 5% of total Fund assets: IMF Investments: 23.42%

Investment Managers as at 30 June 2018

Investment Managers	Sector	Value \$'000
Alphinity Investment Management Pty Ltd	Australian Equities	2,274,144
AustralianSuper Internal Investments	Australian Equities	17,982,026
Celeste Funds Management Ltd	Australian Equities	235,941
Eley Griffiths Group Ltd	Australian Equities	540,192
FIL Ltd	Australian Equities	3,782,212
Industry Funds Management Pty Ltd	Australian Equities	9,303,155
Member Direct	Australian Equities	1,181,533
Paradise Investment Management Pty Ltd	Australian Equities	302,012
Perpetual Investment Management Ltd	Australian Equities	1,651,779
Industry Funds Management Pty Ltd	Cash	15,510,099
AustralianSuper Internal Investments	Currency Overlays	-193,565
AustralianSuper Internal Investments	Fixed interest	6,267,068
Barings LLC	Fixed interest	721,892
BCA Mezzanine Debt Trust	Fixed interest	181
Bentham Asset Management Pty Ltd	Fixed interest	1,567,737
Brandywine Global Investment Management LLC	Fixed interest	2,016,687
Bridgewater Associates, LP	Fixed interest	330,295
Fidante Partners	Fixed interest	205,339
Henderson Global Investors (Australia)	Fixed interest	1,492,875
Industry Funds Management Pty Ltd	Fixed interest	1,798,014
JamiesonCoote Bonds Pty. Ltd.	Fixed interest	500,632
Marathon Asset Management	Fixed interest	1,098,779
MaxCap Group Pty Ltd	Fixed interest	58,633
ME Portfolio Management Limited	Fixed interest	28,116
Oak Hill Advisors L.P.	Fixed interest	1,007,956
The Putnam Advisory Company, LLC	Fixed interest	1,056,302
Western Asset Management Australia Pty Ltd	Fixed interest	1,307,856
Vanguard Investments Australia Ltd	Indexed Diversified	340,261
AustralianSuper Internal Investments	Infrastructure	6,320,049
Industry Funds Management Pty Ltd	Infrastructure	7,183,135
Macquarie Specialist Asset Management Limited	Infrastructure	4,725
Alphinity Investment Management Pty Ltd	International Equities	1,033,087
AustralianSuper Internal Investments	International Equities	10,798,486
Baillie Gifford Overseas Ltd	International Equities	6,787,716
Causeway Capital Management LLC	International Equities	4,014,770
GQG Partners LLC	International Equities	1,007,052
Harris Associates L.P.	International Equities	3,412,059
Independent Franchise Partners LLP	International Equities	2,589,958
Jackson Square Partners, LLC	International Equities	3,550,097

Investment Managers

Investment Managers	Sector	Value \$'000
LSV Asset Management	International Equities	1,541,011
MFS Institutional Advisors Inc	International Equities	4,943,538
Orbis Investment Management Limited	International Equities	3,586,582
Westwood Management Corp	International Equities	805,665
Airtree Ventures Pty Ltd	Private Equity	50,347
AustralianSuper Internal Investments	Private Equity	3,777,819
Brandon Capital Partners	Private Equity	36,322
Frontier Investment Consulting Pty Ltd	Private Equity	1,300
Industry Funds Management Pty Ltd	Private Equity	326,851
Industry Super Holdings Pty Ltd	Private Equity	171,689
Members Equity Bank Pty Limited	Private Equity	243,132
Quay Partners Pty Ltd	Private Equity	10,449
AgCAP Pty Ltd	Property	145
AMP Investment Funds	Property	4,089
AustralianSuper Internal Investments	Property	4,477,142
Eureka Funds Management Ltd	Property	12
Franklin Templeton Investments Australia Limited	Property	8,990
ISPT Pty Ltd	Property	3,868,848
Macquarie Specialist Asset Management Limited	Property	327
Primewest Industrial Income Trust	Property	1,883
QIC Property Funds Pty Ltd	Property	2,151,783
Russell Real Estate Advisors Inc.	Property	9,445
Sandbourne Holdings Pty Ltd	Property	250
AustralianSuper Internal Investments	Reserves	631,734

This annual report was issued in 2018 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.

Calculating performance

AustralianSuper calculates performance for each investment option daily using crediting rates. A crediting rate is the rate of investment return paid to account balances, after fees and tax. They can be positive or negative depending on investment markets. Investment returns from relevant investment option(s) are applied to members' accounts effective 30 June each year or earlier if a member's balance is moved between investment options, or when a member leaves AustralianSuper.

Derivatives

Derivatives are instruments which enable the Fund to get exposure to a particular asset or asset class – without physically owning it. The cost of derivatives can be lower in some instances than holding the actual asset.

AustralianSuper uses derivatives to efficiently target the Fund's desired position in asset classes such as bonds and shares and/or individual assets. Derivatives are also used for currency hedging. The Fund is not allowed to use derivatives for gearing or speculative purposes. AustralianSuper may directly invest in derivatives (futures, options and swaps) to manage investment risk and enhance returns.

Our investment managers may also 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 Derivative Risk Management Statement (DRMS), and receives regular reports of the investment manager's compliance with their DRMS.

The Derivative Risk Management 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.

Transfer of account

AustralianSuper may transfer your account if you have less than \$700 in your account and we have not received employer contributions for you for at least 13 months (or less than \$6000 if you are considered to meet the Australian Taxation Office definition of Unclaimed Super). AustralianSuper may transfer your account to AUSfund or to the ATO.

AUSfund is an eligible rollover fund into which lost super fund members or members with small inactive accounts may be transferred. If your accounts 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, visit ausfund.com.au or call 1300 361 798 or write to Locked Bag 5132, Parramatta, NSW, 2124.

By law, AustralianSuper must transfer lost super accounts with balances under \$6,000 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

Privacy and compliance

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.

Temporary residents permanently leaving

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

Related parties

Related party disclosures are contained in the Fund's audited financial statements available in September, along with the auditor's report, at australiansuper.com/about-us or by calling 1300 300 273.

Benchmarks

For the Superannuation options, the Benchmarks are adjusted for the implied superannuation tax. For the Retirement options, there is no adjustment for tax.

- High Growth: SR50/SRP50 Growth (77-90) Index
- Balanced: SR50/SRP50 Balanced (60-76) Index
- Socially Aware: SR50/SRP50 Balanced (60-76) Index
- Indexed Diversified: Average annual return of CPI + 3% pa (previously 3.5%)
- Conservative Balanced: SR25/SRP25 Conservative Balanced (41-59) Index
- Stable: SR50/SRP50 Capital Stable (20-40) Index
- Australian Shares: S&P/ASX300 Accumulation Index
- International Shares: MSCI AC World ex Australia (in \$A) Index
- Property: Mercer/IPD Australia Unlisted Wholesale Property Fund Index (NAV weighted Post Fee)
- Diversified Fixed Interest: CPI+0.5% (Prior to 1 July 2015, the benchmark for the option was CPI+1%)
- Cash: Bloomberg AusBond Bank Bill Index

