

2018-19

Annual Report



Get in touch

Member feedback is important to us. To get in touch, you can contact us in a number of ways.

Email

Email us at australiansuper.com/email

Over-the-phone*

Call us on **1300 300 273**

Overseas callers: **+ 61 3 9067 2108**

We are available 8:00am to 8:00pm weekdays AEST/AEDT

Voice Chat

If you have a Google Home device, or Google Home app** on your mobile, you can access our Voice Bot ASH. All you need to do, when using your device or the app, is say “Okay Google, talk to AustralianSuper”. You’ll then be able to ask Ash things like:

- Help me find a form for...
- How can I make contributions to my account?
- How do I tell my employer about my account?
- What is AustralianSuper’s postal address?
- Connect me to the Contact Centre.

When you’re finished, just say ‘bye’.

Seminars

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

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.

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.

** You can download the Google Home app from the App Store (iPhone) or Google Play (Android phone). While the pilot will run on the Google Assistant platform, in the future, we may also consider extending this voice service to other voice platforms as well.

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Kings Cross redevelopment project

AustralianSuper members own more than two-thirds of the King's Cross estate redevelopment project in London. The estate is situated next to King's Cross Station – one of Europe's busiest train stations.

Message from the Chair, Heather Ridout



On behalf of the Board, the Executive and employees of AustralianSuper, I am pleased to present to all members of the Fund, AustralianSuper's 2018-2019 Annual Report.

An extraordinary year

The final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (RC), confirmed that some aspects of the financial system need urgent improvement.

Inquiries into the finance sector are not new. Since the Global Financial Crisis (GFC) Australia has seen more than 20 inquiries and reviews into various aspects of the financial system. However, for the first time, the Royal Commission has focused on the culture of the financial services industry as a root cause of misconduct and has identified regulatory, compliance and conduct risk as requiring necessary and urgent change. In fact, the Report includes a whole section devoted to organisational culture.

As Royal Commissioner Kenneth Hayne made clear in the final report,

"Culture, governance and remuneration. Each of those words can provoke a torrent of clichés. Each can provoke serious debate about definition. But there is no other vocabulary available to discuss issues that lie at the centre of what has happened in Australia's financial services entities and with which this Report must deal."

Indeed, culture can either fuel misconduct or prevent it.

As Chair of AustralianSuper, instilling the right culture around the Board table, and among the Executive and staff, has been a key area of focus.

The evidence of the right culture within the Fund was brought to light in the Commission's findings that AustralianSuper had not engaged in any incidences of misconduct, nor fallen short of community expectations in meeting its fiduciary obligations to members. A result of which I am extremely proud.

However, this is no time for complacency. We must always ensure we have in place robust governance practices that go beyond minimum regulatory requirements. We must also seek to meet the spirit and intent, and not just the letter, of prudential requirements. If we are to fulfill our responsibility as

an industry leader, we must ensure we remain resolute in rising to member and community expectations, complying with a new regulatory landscape, co-operating with well-resourced and fastidious regulators and of course, always acting in the best interests of members by putting their interests above all other considerations of the Fund.

The journey ahead

Despite the sobering background of much of last year, I believe we can approach the future with optimism. Notwithstanding the normal ebb and flow of investment cycles, in the next five years, member assets are expected to grow to around \$300 billion. And in the five years after that, to approximately \$500 billion. Bigger, yes. Different, no. Despite this growth, the members' first culture must remain the same. Our fiduciary duties to members remain the same. And our purpose of delivering each and every member their best retirement outcome remains the same.

While the AustralianSuper culture and belief system remain the same, there will be inevitable changes.

Farewell to Director Grahame Willis

After serving as an employer representative on the Board for 31 years and Chair of the Audit Committee, I regret that Grahame Willis will leave the Fund in December this year. Grahame's contributions to AustralianSuper have been invaluable.

I have valued his counsel and admired his commitment to the Fund's purpose and values. Grahame has been a true servant of the Fund and will be sorely missed.

On behalf of the Board, the executive and staff, a sincere thank you to Grahame Willis for his exceptional service.

Welcome to new independent Director Dr Don Russell

As we farewell Grahame Willis, we extend a warm welcome to new independent Director Dr Don Russell. As someone who was instrumental in the establishment of the Superannuation Guarantee, Don has a deep appreciation of the important role super plays in the lives of working Australians.

In addition to a deep understanding of the superannuation sector, Don brings a wealth of knowledge of both finance and public policy to AustralianSuper. The Fund is indeed fortunate to have someone of Don's calibre, standing and experience join the Board.

Thank you

Finally, I would like to advise all members that I will step down as Chair of AustralianSuper in September 2019, after 12 years on the Board. In my time as Chair, member assets have risen from \$65 billion to \$166 billion and total membership has increased from 1.9 million members to 2.2 million. The Fund has remained a top-decile performer across all time periods, and, is the country's most trusted superannuation brand. Of course, trustworthiness must be earned time and time again and is borne from action, not words.

As I vacate the role of Chair of AustralianSuper, there are so many people I would like to thank for their support, for their efforts and for their relentless commitment to serving the best interests of members.

Thank you to my fellow Directors of the AustralianSuper Board, the Executive team and all staff members. In particular, I wish to acknowledge the extraordinary leadership provided to your Fund by Chief Executive, Ian Silk and Chief Investment Officer, Mark Delaney.

Thank you to our stakeholders and most importantly, my sincerest thanks to all members – present and future – for entrusting your retirement savings with AustralianSuper.

Message from the Chief Executive, Ian Silk



I am pleased to introduce AustralianSuper's 2018-2019 Annual Report.

This is a report for all members on the work we have been doing on your behalf to help you achieve your best possible retirement. We are committed to ensuring you get a good outcome from your membership and we take very seriously, the faith you have placed in us at a time of significant upheaval in the superannuation sector.

Most members are invested in AustralianSuper's Balanced option, which ranks No. 1 over 10 and 15 years and has delivered top decile performance over all periods to 30 June 2019.

[READ MORE...](#)

We use our size, scale and skill to invest in quality assets that you can hold over a long period to achieve superior returns in order to build your super balance. A member who invested \$50,000 with the Balanced option in July 2009, would now have \$126,921 with AustralianSuper, without additional contributions.

I am also pleased to report that 413,390 new members have joined the Fund during the 2018-2019 year. Their arrival will continue to build the scale necessary to successfully navigate the future for the benefit of all members.

The past year has presented many complex challenges to navigate in investment markets. The implementation of changes in legislation, technology upgrades and the introduction of digital innovations such as the member app are just some of the projects we've been undertaking on your behalf. Information on the member services delivered through the year, is provided in this report.

Investment markets and performance

In this report, Jim Craig (Investment Committee Chair) and Mark Delaney (Chief Investment Officer) provide detail about investment markets, the Fund's investment performance and our future strategy.

It is important that you recognise the unusual economic and investment environment that we have experienced for many years, because these factors have had a significant effect on your superannuation savings.

Australia's economic resilience over the last 2 decades has been the envy of much of the world. We are entering our 28th consecutive year of economic growth. With half of the population being born after 1980, the majority of Australians have never experienced a recession in their working lives.

Based on long-run investment performance, we caution members that over a 20-year period the Balanced option can be expected to produce an average of 5 negative years of performance. To highlight the unusual nature of the last decade, AustralianSuper's Balanced option has produced a positive return in each of those years. In fact, AustralianSuper's Balanced option has produced positive returns in 30 years of the fund's 33-year life.

This is obviously very pleasing and the investment team at AustralianSuper have done an exceptional job, but the biggest contribution to this unusual run has been the sustained positive performance of most investment markets over that period.

In the period ahead, we expect that investment markets will not perform as well as they have in the recent past and you should expect that your superannuation savings will not grow as fast as they have in recent times – indeed one or more years of negative performance in the years ahead should be expected.

Super is a long-term investment and it is important to stick to your strategy and stay invested if you can. This includes when investment performance falls or turns negative.

Royal Commission

The Royal Commission into misconduct in the financial services industry highlighted many examples where superannuation trustees did not prioritise the interests of their members.

The revelations prompted a savage public reaction, with one positive outcome being that many people checked the performance and governance arrangements of their superannuation fund. The Royal Commission was a catalyst for all super funds (including AustralianSuper) to consider how they can perform better for members. The Royal Commission also called for the regulators and Government to play a more effective role in oversight of the system.

The Royal Commission found no misconduct by AustralianSuper and we were pleased that this followed an extensive examination of relevant Board and Executive decisions over the last decade.

AustralianSuper is strongly supporting measures recommended by the Royal Commission that will see the entire superannuation industry operate in the best interests of fund members.

The 12% Superannuation Guarantee (SG)

The purpose of super is to provide income in retirement to substitute or supplement the Government Age Pension. It follows that the rate of the SG should be set at a level that provides enough income to ensure a comfortable retirement for most Australians.

The federal parliament has legislated that the SG will increase steadily from 9.5% to 12% by 2025. Although there has been speculation that it might be overturned or removed, the Prime Minister and the Treasurer have both made a number of public assurances that the increase in super contributions will proceed as legislated.

The legislated increase to 12% SG is important for the retirement outcomes of millions of Australians. Without the increase, many workers will retire without adequate savings for a comfortable retirement.

Farewell to Heather Ridout

This year, we farewell Fund Chair – Heather Ridout. As some of you may recall, Heather joined the Board as a director in 2007 and was appointed to the role of Chair in 2013. Heather is stepping out of the role as a result of the 12-year director tenure limit that the Fund introduced last year.

We are delighted that Heather will continue to serve as a member of the Fund's Investment Committee – a role that she has performed for 2 years.

On behalf of the Executive team and all staff, I extend my sincerest thanks to Heather for her vision, her exceptional leadership, her generosity of spirit and her unwavering commitment to strong governance and a culture that is founded on the best interests of members.

Thank you to all members

To all members, I would like to thank you for your ongoing support over the past year.

As always, we welcome your comments or feedback to australiansuper.com/email

Thank you to Heather

Known for her intellect, commitment and passion over the past 12 years, Heather is retiring as Chair having led the Fund through unprecedented strong performance, change and growth, helping AustralianSuper to become the nation's largest and most trusted superannuation Fund.

Heather will be remembered as a champion of AustralianSuper's Members First culture who was determined that the Fund deliver excellent outcomes for members, including in the following areas;

Investment performance

As a member of the Investment Committee Heather has played a key role in helping the Fund deliver strong long-term investment performance for members. As Heather steps down as Fund Chair AustralianSuper is ranked the number one investment performer over 10 and 15 year periods.

Internalisation of investment management

In 2012 AustralianSuper embarked on a project to bring in-house much of the Fund's investment program, with the aim of driving down fees for the benefit of members. Today \$68 billion or 40% of the portfolio is managed internally and investment performance remains strong. This saved members more than \$100 million in 2018/19 alone. The Fund continues to work towards the goal of 50% of assets managed by the internal investment teams by June 2021.

Building the Fund's global presence

Heather's considerable international experience has led her to champion the Fund's offshore expansion. Over the past decade the Fund has established key international offices to deliver strong long-term investment returns for members.

Today, over \$75 billion or 45% of the Fund's assets are invested in global markets.

Transition of administration

Following the acquisition of Superpartners by the Link Group in 2016 AustralianSuper transitioned its administration function to Link with the aim of greatly improving the levels of service for members. This project involved the largest transfer of data in the Southern Hemisphere. The transition was a major milestone for the Fund and was completed successfully, on time and with minimal disruption to members.

Establishment of the Security Operations Centre (SOC)

Cyber threats are an ever-increasing risk across the globe. To ensure AustralianSuper can monitor, detect and respond appropriately to cyber events and incidents, in 2017 the Fund invested in a world class, on premise, Security Operations Centre (SOC). Staffed by a dedicated team of cyber security specialists, the SOC utilises world leading technology. This was a development advocated by Heather on the basis of her considerable commercial experience.



Championing financial inclusion

As Chair of Australia's largest super fund, Heather has always acknowledged our role in supporting an inclusive and diverse nation where the cultural backgrounds of all peoples are recognised and respected.

Heather was committed to looking for ways to lead and influence our industry in addressing some of the systemic issues within the financial services sector, as well as the more specific issues that Aboriginal and Torres Strait Islander people face in accessing and engaging with their super.

Advocating for better Environmental, Social and Governance (ESG) outcomes

The ability to influence better ESG outcomes is an important part of being a large asset owner in delivering better long-term returns to members. Heather has driven an ESG strategy at AustralianSuper which has been directed to enhancing the long-term investment performance of the Fund for members.

AustralianSuper is committed to 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.

Heather leaves behind an exceptional legacy. We are immensely grateful for her invaluable contribution to AustralianSuper over the past 12 years and most importantly for her inspiring commitment to the best interests of members.

About AustralianSuper

AustralianSuper is an industry fund that is run only for members. There are no dividends paid to shareholders and the Fund's fees are set to cover the cost of operations.

Today, AustralianSuper is the largest superannuation fund in Australia, managing the retirement savings of one in ten working Australians – from Melbourne, Maroochydore, Mandurah and everywhere in between.

Key Statistics



2.155 million members



300,419 businesses



The average (mean) AustralianSuper member account balance is \$69.6K



The average age of an AustralianSuper member is 40 years



The net cash inflows of contributing AustralianSuper members were \$16.1 billion in FY19



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



Average annual return of the Balanced option since inception is 9.65%*

What matters to members matters to us

AustralianSuper is focussed on the things that are important to members:

Member interests come first – always

The best interests of members drive our culture and our decision making – from the investment decisions we make, the innovations we bring to life, the services we offer through to the way we recruit and recognise the achievements of our people. Living our purpose – to provide members with the best possible retirement – is the reason we exist.

Integrity

Maintaining the trust members have placed in us is paramount. This drives our commitment to ethical behaviour, accountability and transparency at all levels. AustralianSuper's culture, governance, policies and extensive member engagement demonstrate this commitment.

[READ MORE...](#)

Strong long-term returns

The Fund's strong long-term investment performance helps bring to life the retirement hopes and dreams of members. Through on-going research, we know that every member has different retirement aspirations – from spending more time with their grandchildren, retiring early, travelling overseas, paying off their home through to restoring a 1960s VW and driving around Australia. Helping members to realise their retirement dreams and hopes is what drives our performance.

[READ MORE...](#)

Affordable insurance

AustralianSuper uses its size and scale to provide the best possible insurance cover for members.

The Fund:

- reviews its insurance annually to ensure the needs to members are met
- works with the insurer to negotiate discounted bulk insurance rates for members
- runs only to profit members, so members only pay for what it costs to provide their insurance
- enables members to decrease, increase or cancel cover any time so it meets members' needs

AustralianSuper understands that making an insurance claim can be financially and emotionally challenging for claimants. With this in mind the Fund aims to:

- pay all legitimate claims as quickly as possible
- make it easy and be there to help at every step
- provide default level of cover that meets basic insurance needs without unduly eroding members' retirement balances

In the 2019 financial year, the Fund paid \$415 million in insurance claims to members and their families, representing 8,352 claims.

Voted most trusted super fund in Australia seventh year in a row*

*Readers Digest Most Trusted Brands – Superannuation category winner for six years running 2013–2019.

Financial advice members can trust

AustralianSuper is committed to helping members create the future they want. That starts with knowing what options are available, then getting the right financial advice.

Members can access help and advice about super, investment choice, insurance and retirement planning over the phone often at no additional cost, or they can choose to meet face to face with a financial adviser for more comprehensive personal financial advice.

Financial advisers who work with AustralianSuper members are guided by a set of principles to put member interests first. The Fund never pay advisers incentives, bonuses or commissions.

Almost 14,000 members contacted the Fund for help and advice in 2018-2019. 7,539 of these members received a personalised Statement of Advice helping them towards their financial goals.

[READ MORE...](#)

Access to education services

In addition to financial advice, AustralianSuper members benefit from access to a range of member education services – from in face to face seminars and presentations, online interactive webinars through to workplace education.

The topics are subject to member preferences and include – Financial Literacy, Superannuation and Insurance Basics, Estate Planning, How to save more super, Helping Your Retirement Savings Last Longer, Transitioning to Retirement and Mental and Physical Wellness In Retirement.

In 2018-2019, the Fund hosted over 2,080 education activities, benefiting over 55,800 members.

[READ MORE...](#)

* Annualised since inception return of the Balanced option (1 August 1985 to 30 June 2019).

About AustralianSuper continued

Engaging with members

Engaging with members is an on-going priority. Members are invited to connect with the Fund on any aspect of their super. This can be on the phone, in writing, through digital channels such as the website and the mobile app and in person through the many education seminars, advisor services and the annual member briefings that are held in each state – offering members the opportunity to engage with executives and members of the Board.

Risk management and data security

To ensure that member interests are protected, AustralianSuper is highly proactive in the management of risk and data security.

We continue to apply appropriate policies and procedures to manage internal and external risks and invest in leading technology solutions to enhance the level of security that the Fund applies to information.

Over the past year, the Investment team have been actively managing risks by introducing an enterprise wide investment management system. This has introduced greater size, scale and control around investment management activities and has provided AustralianSuper an advantage in investment decisions, with clear market and counterparty expectations being actively managed. This system will be the hub of our internalisation strategy and will reduce operating expenses and operational risk during expansion to new and emerging global markets.

The fast-evolving, sophisticated and increasingly global threat of financial crime is a key challenge for all financial services organisations. AustralianSuper has focused on improving information security activities by strengthening the existing security operations centre. This has included investment in active security monitoring, introduced improved fraud detection and analytic tools and further enhanced our technology environment. This has been accompanied with clear data security awareness information on the Fund's website and internal education.

Risks are a necessity in meeting member objectives however must be managed in a controlled and deliberate manner. Going forward AustralianSuper will continue to focus on improving its operating environment. This proactive step will also consider size and scale and will complement investment activities to provide greater returns without incurring undue risk.

Products and services that meet changing needs

The Fund's innovation efforts are guided by on-going member and employer research, ensuring that members and employers have access to the products, services and tools they want and need. Recent examples include:

SuperMatch 2

To help members consolidate multiple accounts and lost super with ease, the Fund introduced a new consolidation service. With a few clicks on the website or mobile app, members can easily consolidate all their super into the one AustralianSuper account.

Adviser Portal

To support the provision of financial advice to members, AustralianSuper introduced an Adviser Portal for use by the Fund's external network of advisers. This portal provides financial advisers with secure access to member-approved information.

Employer Portal

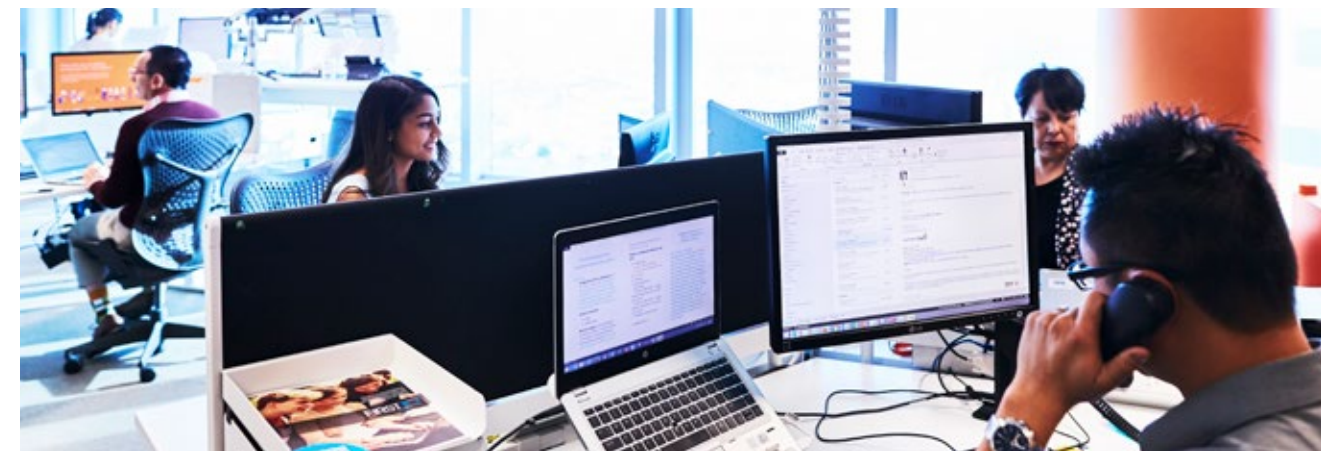
To help employers to better manage the superannuation needs of members, the Fund introduced an Employer Portal. This provides a secure digital experience for employers.

Advocacy that benefits members

As AustralianSuper increases its market share and consequently retirement balances for its members, its strategic policy focus has focussed on agitating for reforms that provide best retirement outcomes for members, rather than benefits for the financial services sector.

In the past financial year, the Fund has:

- made over twenty submissions to Government and Regulators, relating to matters of insurance, regulation, efficiencies in the superannuation system suggested by the Productivity



Commission, and legislative reforms suggested by Commissioner Hayne after the Royal Commission.

- appeared before the Senate Economics Legislation Committee and the Productivity Commission hearings regarding matters such as the 'Protecting your Super' legislation, and the Productivity Commission findings into the efficiency of the superannuation system, and
- met with people at all levels of Government and regulators to discuss how best to implement any reforms so that they actually improve retirement outcomes for superannuation fund members.

Financial inclusion

AustralianSuper continues to be a strong advocate of financial equality and inclusion - particularly among women and minority groups such as Aboriginal and Torres Strait Islanders (ATSI).

Making super and insurance more accessible for ATSI members

The Fund recognises that many ATSI members face challenges in accessing and engaging with superannuation and insurance, including verification of identity, language and different cultural practices.

To address these challenges, the Fund has introduced a number of programs as part of the Reflect Reconciliation Action Plan and continues to collaborate with stakeholders to bring about positive change.

Programs include the:

- implementation of Australia's first dedicated superannuation ATSI call line.

- development of a seven-part radio program with the Central Australian Aboriginal Agency that focussed on superannuation and insurance education and
- roll-out of the Schools Plus Financial Literacy program in remote Northern Territory.

AustralianSuper also continues to participate in the annual Big Day Out event – an indigenous outreach program hosted by First Nations Foundation. During the July 2018 events AustralianSuper staff were able to connect 195 ATSI members with approximately \$3.5 million in lost superannuation.

Positive Environmental, Social and Governance (ESG) outcomes

The ability to influence better environmental, social and governance (ESG) outcomes, is an important part of being a large asset owner and delivering strong long-term returns to 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.

[READ MORE...](#)

The journey to date

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NSW Ports

AustralianSuper is a 20% partner in the consortium which acquired a 99-year lease to operate NSW Ports from the NSW State Government in May 2013.

2018/19 Investment performance



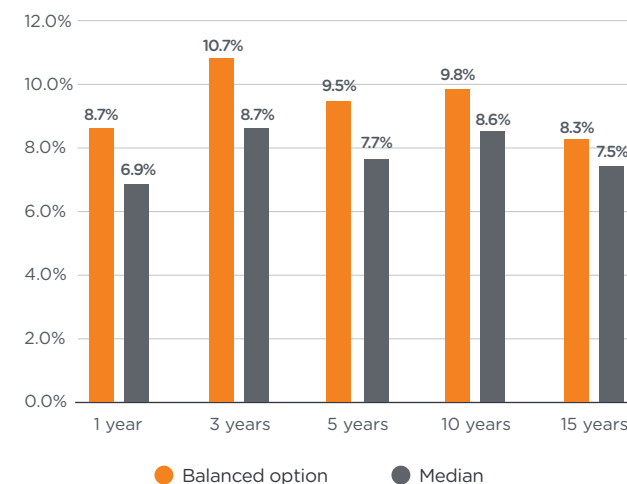
Mark Delaney
Deputy Chief Executive and Chief Investment Officer

After a strong finish to the year, AustralianSuper's Balanced option delivered a return of 8.67% for the year and 10.72% pa for the three years to 30 June 2019. The Balanced option for Choice Income accounts returned 9.47% for the year and 11.68% pa for the three years to 30 June 2019. All other AustralianSuper investment options also delivered positive results for the financial year.

This marks the tenth consecutive year of positive returns for the Balanced option, culminating in a 10 year return of 9.76% pa to 30 June 2019. Performance over the last ten years has been supported by a growing world economy and strong returns from Australian and international shares, infrastructure, property and private equity assets.

AustralianSuper's Balanced option was ranked No.1 over 10 and 15 years to 30 June 2019 by SuperRatings*. It outperformed the median option and was placed in the top four funds over all time periods to 30 June 2019 in the SuperRatings survey.

Balanced option returns to 30 June 2019



Year in review

The financial year was a story of two halves, with underlying global political and economic uncertainty creating a complex investing environment. Despite the share market falls in the first half of the financial year, infrastructure and property markets remained resilient while falling interest rates supported fixed interest returns.

Australian and international shares rebounded to finish the financial year strongly, with the lower Australian dollar helping to boost returns from international assets.

There is no doubt that investment volatility has increased, which has been masked to a certain extent by the recent share market highs. Concerns that have played on investor's minds during the financial year include:

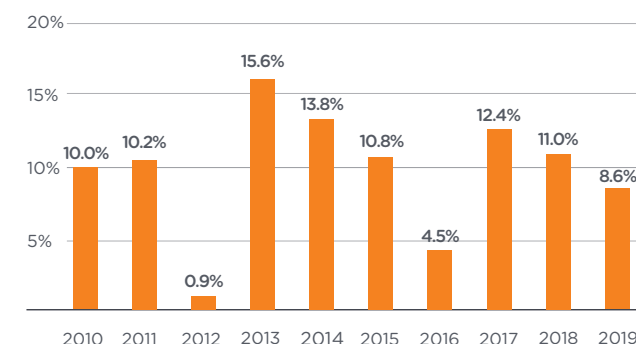
- Expectations of higher interest rates: concerns over the impact of higher interest rates on the US economy dissipated half-way through the year, as the US Federal Reserve shifted to a more supportive stance. Other central banks have also shown their commitment to supporting economic growth through lower interest rates.

- US/China trade tensions: despite continuing trade negotiations the US and China have been imposing higher tariffs on each other's goods since mid-2018. There have been ongoing concerns about the impact this will have on the global economy and company profits, particularly in the technology sector.
- Weaker global growth: economic growth is expected to slow in developed markets. In China, growth has fallen to its lowest level in three decades although early indications are that this might be bottoming following government stimulus measures.
- Falling Australian house prices: house prices in capital cities have fallen around 10% since their peak in 2017, although we're starting to see signs of prices levelling out following the Reserve Bank of Australia's rate cuts.
- Australian election: local markets responded positively to the re-election of the Coalition government.
- US - Iranian relationship: new tensions arose in June, after the Gulf nation brought down an unmanned US drone in late June and markets responded to a possible conflict.

AustralianSuper Balanced option

Annual Returns to 30 June 2019

Ten consecutive years of positive returns for the Balanced option.



Performance highlights

The investment team are constantly monitoring a range of indicators to look for changes in the investment outlook. This enables us to adjust the Fund's investment strategy and position portfolios to make the most of the current and future environment and maximise members' long-term returns.

Late last year the Fund increased the weighting to more defensive assets like fixed interest in our PreMixed options. Holding unlisted assets like infrastructure has also helped to protect members' returns from the impact of volatility and contributed to our strong long-term performance.

Other highlights for the financial year include:

- The Fund's strategy of maintaining a diversified portfolio has added to returns, particularly the relatively high weightings to unlisted assets and international shares. The best performing asset classes in the portfolio for the year were Infrastructure, Private Equity and International Shares.
- The change in interest rate direction signalled by the US Federal Reserve was positive for bonds. Record low bond yields pushed up prices, as expectations for lower global growth and inflation failed to materialise. Cash delivered the lowest returns, with interest rates in Australia falling to a new low in June.
- A lower Australian dollar (which fell 5% against the US dollar for the year to 30 June 2019) contributed to positive international share returns for members. Australian shares also had a strong year, with communications, industrials, property trusts and information technology the best performers. Mining companies also did well, aided by stronger iron ore prices.

* SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2019. Returns from equivalent investment options of ARF and STA are used in calculating returns for periods that begin before 1 July 2006. Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

Strategic investments

Australia

AustralianSuper plays a significant role in Australian investment markets, and continues to invest new capital to support the growth of Australian companies and the creation of essential community infrastructure.

In the 2019 financial year AustralianSuper invested over \$590 million of new equity into Australian company capital raisings, acquired a \$1.7 billion stake in the WestConnex road network, and committed to loans of over \$860 million to fund Australian property developments and businesses. Today, the Fund's Australian investment portfolio totals \$89 billion in assets.

Below are some examples of Australian investments made during the financial year. Each example demonstrates our long-term focus and ability to source a diverse range of investment opportunities across public and private markets that can generate long-term returns for members.

WestConnex

AustralianSuper members became part-owners of the recently opened WestConnex motorway in September 2018.

WestConnex is the largest road infrastructure project underway in Australia, and is one of the single largest investments AustralianSuper has made on behalf of members. This investment is helping to boost economic growth and create jobs – employing around 10,000 people in direct and indirect jobs during its construction.

The project also represents a major investment in critical infrastructure, to the long-term benefit of the broader NSW community. WestConnex is funding a range of improvements to Sydney's road transport network, including road widening, extending the M4 motorway and connecting the M4 and M5 to provide a western bypass of the Sydney CBD. A large part of the 33 kilometre road network is in underground motorway tunnels, and the project will also deliver more than 18 hectares of new recreational green space for local communities.

AustralianSuper has been investing in infrastructure assets for more than 20 years with a current portfolio valued in excess of \$16.5 billion. Infrastructure assets play an important role in a diversified portfolio as they can provide steady investment returns across economic cycles.

Prospera

AustralianSuper participated in the initial public offering (IPO) of online small business lender, Prospera during the year. Prospera listed on the Australian Securities Exchange (ASX) in June 2019 and was one of the largest IPO's in the 2019 financial year. Prospera is Australia's largest online lender to small business and has lent more than \$1 billion to over 19,000 businesses.

While this new investment was made directly by the Fund's in-house equity team, AustralianSuper members have been investing in Prospera since March 2017 through a private equity fund managed by AirTree Ventures. AirTree is one of Australia's largest venture capital managers. It helps local entrepreneurs bring their ideas to life and turn them into profitable enterprises. At the same time, it gives investors, like AustralianSuper, access to innovative products and industries that can be difficult to access elsewhere.

This early relationship with Prospera enabled AustralianSuper to confidently support the company in its journey to listing on the ASX – by directly investing in a convertible note issue in October 2018 to provide capital to further grow the business. Following the note conversion to equity and the IPO investment, AustralianSuper now holds over 5% of the company.

Australian Venture Capital

Australia's venture capital ecosystem has demonstrated strong recent growth with a number of billion dollar startups created by Australian entrepreneurs. AustralianSuper is a large investor in Australian venture capital with over \$300 million invested or committed with Brandon Capital Partners – which supports the development and commercialisation of medical discoveries in Australia – and AirTree Ventures which supports Australian startups in the technology sector. Over

the past year, a number of successful technology companies have emerged from our Australian venture capital portfolio including, Athena, Canva, Pet Circle and Prospera.

Late-stage venture capital backed companies are staying private for longer. Our strong relationships with Australian venture capital managers provides us privileged access to many of these high-growth companies that are seeking additional capital. This enables us to form long-term relationships with startups and to capture a larger portion of their growth prior to an IPO or sale. We plan to expand our presence in the Australian venture capital market, combining external manager relationships with our internal investment capabilities to tap into the growth of Australian startups.

Global

One Crown Place, London

During the year AustralianSuper committed approximately \$405 million in debt capital to partially fund the development of One Crown Place, a large-scale mixed use development in Eastern London. Once complete, One Crown Place will include a retail precinct, office space, a boutique hotel and 246 luxury residential units.

This investment is part of our real asset alternative debt (RAAD) portfolio, which to date has committed \$1.4 billion in loans to fund property and infrastructure assets in the UK and North America. The RAAD strategy complements the existing property and infrastructure equity strategies, enabling the Fund to participate in a range of opportunities at the point in the capital structure where the long-term risk-reward outlook is most favourable.

This was the Fund's first real estate debt investment in the UK, and highlights the benefit to members of having investment teams located on the ground in major global markets. The Fund's in-house property and legal expertise in London worked alongside our UK investment manager and our Australian based team to quickly and efficiently assess the investment opportunity, negotiate the investment terms and manage execution of the transaction.



One Crown Place is AustralianSuper's first real estate debt investment in the United Kingdom.

To view a list of all the assets we invest in for each investment option:

[CLICK HERE...](#)

Strengthening investment capability



Jim Craig
Chair - Investment
Committee

As the custodian of the retirement savings of over 2.2 million Australians, we are focussed on building an investment capability that is able to generate strong investment returns both now and into the future.

With this long-term focus, and against a backdrop of an increasingly complex and global investment environment, the Fund's investment model continues to evolve.

As we expand our investment capability into new sectors and markets, our core focus remains on leveraging our competitive advantages – namely our size and scale and long-term investment horizon – to continue to maximise the long-term performance of our investment program for members.

Expanding our internal investment capability

With strong performance outcomes and lower implementation costs, the internalisation strategy is a key driver of the ongoing net benefit the Fund delivers to members.

Over the past 12 months, we have continued to bring in house the management of a number of core investment strategies, to take advantage of the Fund's scale and internal investment expertise to deliver superior investment returns for members. Having a larger proportion of the portfolio managed internally also enhances the Fund's operating efficiency, increases collaboration opportunities and provides greater oversight of investment activity.

Today, \$68 billion or 40% of the portfolio is managed internally, up from 31% this time last year. One of the key contributors to this increase is the ongoing transition of the active Australian equities portfolio to the internal investment team. Across the entire \$89 billion listed equities portfolio, almost half is now managed internally. This is a significant milestone, and reflects the confidence we have in the internal investment teams and processes to deliver positive long-term returns for members.

In the 2019 financial year the internalisation program delivered over \$156 million in savings to members. We continue to work towards our goal of 50% of assets managed by the internal investment management teams by June 2021.

Building the Fund's global presence

Last year we signalled an intention to accelerate the expansion of the Fund's global investment capability.

This decision reflected the growing importance of the global investment portfolio to achieving strong long-term performance returns for members. Today, over \$75 billion or 45% of the Fund's assets are already invested in global markets.

A core focus of the global offices is to support the Fund's growing investment in unlisted assets, namely infrastructure, property, debt and private equity. The Fund's ability to invest in these types of unlisted assets for the longer term provides portfolio diversification benefits as we move through investment cycles. As member assets continue to grow, the Fund's ability to source and invest in new high quality unlisted assets globally will play an important role in generating strong long-term investment returns for members.

The expansion of the Fund's global office footprint is now underway. It includes a broadening of the investment capabilities within the Fund's London office, the opening of a New York office in early 2020, and the creation of a second office in Asia over the medium term.

Having a local market presence will deliver a number of benefits.

In London, the Fund will shortly be licenced to operate a trading desk. This is a first for an Australian superannuation fund, and will enable the investment team to directly execute trades in equities, bonds, currency and cash across markets and time zones – significantly increasing the efficiency of the Fund's trading activity.

Across the global offices, the team will be expanding the Fund's networks and continuing to build strategic relationships with world class investment partners, managers and intermediaries. This will assist in both gathering market intelligence and identifying attractive investment opportunities. Having investment teams on the ground will enable the Fund to respond quickly and efficiently to these opportunities, and allow greater oversight of the investment portfolio, particularly the large-scale direct investments in property and infrastructure.

Across the Fund our teams have worked to build the foundations of a robust global operating model to support implementation of the Fund's investment strategy. Maintaining the member first culture as the Fund's global footprint expands is at the forefront of our minds. We are focussed on building high performing teams globally that are united by the Fund's values and common purpose to deliver the best possible retirement outcomes for members.

Product and service innovations

A number of new product and service initiatives were introduced in 2018-2019 to benefit members.

Balance Booster

Balance Booster is a tax saving that is automatically credited to the super balance of eligible Choice Income members.

How does it work?

When members have a super account or to transition To Retirement (TTR) Income account, AustralianSuper sets money aside to pay for future capital gains tax that would be applicable when the investment assets are sold. The balance booster occurs if members move from super or TTR income accounts to a Choice Income account, as 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 capital gains tax liability can be passed to members as a credit.

Since its introduction in June 2018, Balance Booster has resulted in millions of dollars in benefits to thousands of AustralianSuper members.

[READ MORE...](#)

SuperMatch 2

Super in multiple accounts isn't just messy – it's expensive for members. By consolidating super into one account members benefit from only one set of fees as well as easier account management. To help members consolidate multiple accounts, the Fund introduced a consolidation tool. With a few clicks on the website or mobile app, members can easily consolidate all their super into the one AustralianSuper account.

Since the introduction of SuperMatch 2, in December 2018, a total of 56,626 individual members have consolidated their super into the one account.

Unpaid super recovery program

Most employers in Australia comply with their superannuation obligations and their employees benefit from savings for their retirement. The problem is, some employers do not comply with their superannuation obligations resulting in approximately 2.85 million Australians being short-changed \$5.94 billion in super entitlements, in 2016-2017. There was on average, a 50 percent difference in the super balance of a person underpaid compared to a person of similar age and income who received their correct super entitlements*. Across most age and income groups, this difference adds up to tens of thousands of dollars less in their super nest eggs.

To help address this important issue, a number of enhancements have been made to the Fund's arrears program. These include improved detection tools, proactively reminding businesses of their obligations and early intervention for repeat offenders. The arrears program has delivered positive results in 2018-2019 – with over \$33.9 million in unpaid super contributions recovered.

To deliver additional improvements, in the 2019-2020 financial year, the Fund will engage with members who have unpaid super, to further enhance the arrears methodology as well as communication with businesses.

* Industry Super Australia, Unpaid Super Guarantee in 2016-17



Product and service innovations

Changes to insurance for those under 25 years of age

Effective 27 October 2018, AustralianSuper changed the age that basic age-based Death and Total & Permanent Disablement (TPD) cover automatically starts from 20 to 25 years old. This aligns with the age that basic age-based Income Protection automatically starts.

This is consistent with our research that most AustralianSuper members under the age of 25 are at greater risk of super balance erosion and generally have lesser insurance needs. Younger members generally have low super balances and their working patterns may be casual or part time. So there is the likelihood that they will earn significantly lower salaries than older members. Younger members are also less likely to have children or other dependants or significant debt.

Younger members are generally better served by devoting all of their super savings to their retirement – while still having the option to apply for cover if they need it before they turn 25.

Member education on insurance

AustralianSuper continues to improve member education on insurance in superannuation. The Fund hosted over 150 formal, informal and webinar education sessions during the year where insurance cover was included as a topic.

This year AustralianSuper worked with the Central Australian Aboriginal Media Agency (CAAMA) to create a seven-part radio series. The aim of the series was to assist Aboriginal and Torres Strait Islander peoples to engage with the superannuation system by offering accessible content on the fundamentals of super.

Episode 4 delved into the theme of insurance through super, covering:

- An explanation of what insurance is
- How insurance through super works
- How people can find out if they have cover
- The importance of insurance.

READ MORE...

Episode 5 featured insurance claims and covered the following:

- Beneficiaries
- Death and TPD benefits
- Income Protection payments
- How to claim.

READ MORE...

Return to work and wellness support

Income Protection claims

We believe the best outcome for Income Protection claimants is to return to meaningful work – work that’s a source of productive engagement, economic stability and personal interaction.

Returning to work not only allows members to get back to earning a regular income, but it’s also the best outcome for the claimant in terms of psychological wellbeing, self-esteem and longer term health, benefits demonstrated through research.

From July 2018 the Fund fully embedded our rehabilitation program for Income Protection claimants. All Income Protection claims are now reviewed at the start of the claim to identify suitability for rehabilitation support.

The Fund supported 2,374 members over the past financial year with return to work support and 1,437 members have returned to the workforce.

Total & Permanent Disablement claims

In April 2019 AustralianSuper introduced an initiative for TPD claims that focuses on returning to good health. Members who are permanently disabled are unlikely to be in a position where they can return to work which is why the focus is on returning to good health instead. This initiative leverages community organisations and support groups to assist members.

Initial claim experience (disability claims)

Feedback was obtained from claimants indicating the initial stage of the process was overwhelming due to the amount of paperwork required – and that this caused a lot of uncertainty.

The Fund has now removed the Member Statement and Employer Statement forms for all new claims. This means members aren’t providing unnecessary information and we’re utilising tele-claim techniques to obtain only the information needed based on each claimant’s circumstances. This allows us to gain a better understanding of circumstances at the start of the claim, and helps us determine accurate requirements appropriate to each claimant. It’s also reduced the amount of information a claimant must provide, improving overall claim timeframes, as shown here:

Time taken between...	Previous timeframe (months)	New timeframe (months)
Member first notifying us of the claim through to returning forms	2.6	1.2
AustralianSuper receiving forms through to admitting the claim	2.1	1.9
Member first notifying us of the claim through to the claim being admitted	4.5	2

Insurance in Superannuation Code Compliance

AustralianSuper participates in the Insurance in Superannuation Voluntary Code of Practice (the Code).

The Code has a number of requirements covering the member journey from joining to exiting as a result of a claim. The Fund has been steadily implementing each of the Code requirements with a view to completion by February 2020.

More information about the Code and the Fund’s transition plan can be found here:

READ MORE...

Member stories

Magesh

Starting a family made Magesh realise how important it is to be in a top-performing super fund that puts its members first. He shares the simple steps he took to improve his super balance to get on top of his finances.

[SEE FULL STORY...](#)


Lynnsy

When reviewing her finances for a home renovation, Lynnsy came to realise her super balance wasn't up to scratch. She discusses why fund performance matters and how AustralianSuper helped her get back on track.

[SEE FULL STORY...](#)


Kiran

Kiran migrated from India to Australia and discusses the important role super plays for her and her family.

[SEE FULL STORY...](#)


Felix

Felix migrated from China to Australia and explains why being with a top performing super fund matters to him.

[SEE FULL STORY...](#)


Caroline

Health concerns and a career change drove Caroline to better understand the benefits provided through super, and prioritise a plan for the future.

[SEE FULL STORY...](#)


Continuous improvement

While there were many positives to report on with respect to 2018-2019, there were some areas where further work was required to improve member experience and enhance our internal processes:

Call centre response times

Following the introduction of the Protecting Your Super regulatory change, a number of members experienced prolonged delays in call centre wait periods.

In this instance, we had underestimated the response rate from members. The response rate that the Fund resourced for was based on response rates from historical changes of a similar nature.

However, the awareness of the regulatory change combined with public awareness post-Royal Commission meant we received 12 times as many calls than had been planned, resulting in unacceptable wait times for members. Our apologies to members who were inconvenienced during this period.

To address this issue, forecasting and resourcing models have been adjusted.

Risk governance

At APRA's request AustralianSuper undertook a self-assessment of its risk governance practices in 2018.

While the review found that the Fund's risk governance was generally strong, there is still work required to further enhance our practices.

It was noted that there has been considerable uplift in risk and compliance processes in recent years. However, we recognise that this is an area where further work is required as we continue to develop our 3 Lines of Defence model. This model will assist us to meet the growing expectations of members, regulators and the community.

Finally, in expanding our international offices, we are considering learnings from the risk governance review, especially regarding clarity of accountabilities for risk and compliance.

The journey ahead

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New York office

AustralianSuper is expanding its global footprint with the opening of a New York office in 2020, to support execution of the global investment program for members.

Investment outlook

Investing in a low interest rate, low growth world.

For some-time now, the Fund has indicated that members need to be prepared for the end of the economic growth cycle, and yet share markets have continued to reach new heights.

How long can the economic growth cycle last?

Investment markets are showing signs that they're edging towards the end of the economic growth cycle. Share markets have been primarily driven by higher valuations in the face of lacklustre earnings growth and have rallied on the perception of central banks pursuing more supportive policy. Similarly, bond markets have rallied with yields falling in part due to expected rate cuts from central banks.

A significant point of debate will be for how long and to what extent the world's central banks will be able to prolong and support the economic cycle.

Lower interest rates are here to stay

The messages from the US Federal Reserve and European Central Bank have certainly breathed some life back into the short term outlook. In Australia, the Reserve Bank reduced interest rates in June and July 2019, pushing the official cash rate down to a new low of 1%.

Market expectations are that as long as inflation remains subdued then central banks will continue to implement monetary policies designed to boost economic growth. This has reduced the risk and expected severity of a recession and potentially extended the economic cycle.

In Australia, this stimulus has been combined with the government passing tax cuts and the easing of mortgage serviceability requirements by regulators. These policies will be important stabilisers for both the housing market and the broader economy.

Overall, the outlook is for continued moderate growth with spare capacity in the Australian labour market being an important driver of low inflation. The lower A\$ will also help support the Australian economy.

The outlook remains stable in the US. Despite the strong labour market, the US Federal Reserve is now alert to any risk of slower economic growth, for example the risks from political developments such as trade barriers, and it can be expected that US official interest rates will be lowered as necessary.

The same can be said for Europe where the European Central Bank will take active measures to support an economic recovery. The big uncertainty in Europe is Brexit. Brexit tensions are continuing in the UK, after the government's inability to pass a deal through parliament ultimately led to the resignation of Prime Minister Theresa May and the subsequent appointment of Boris Johnson.

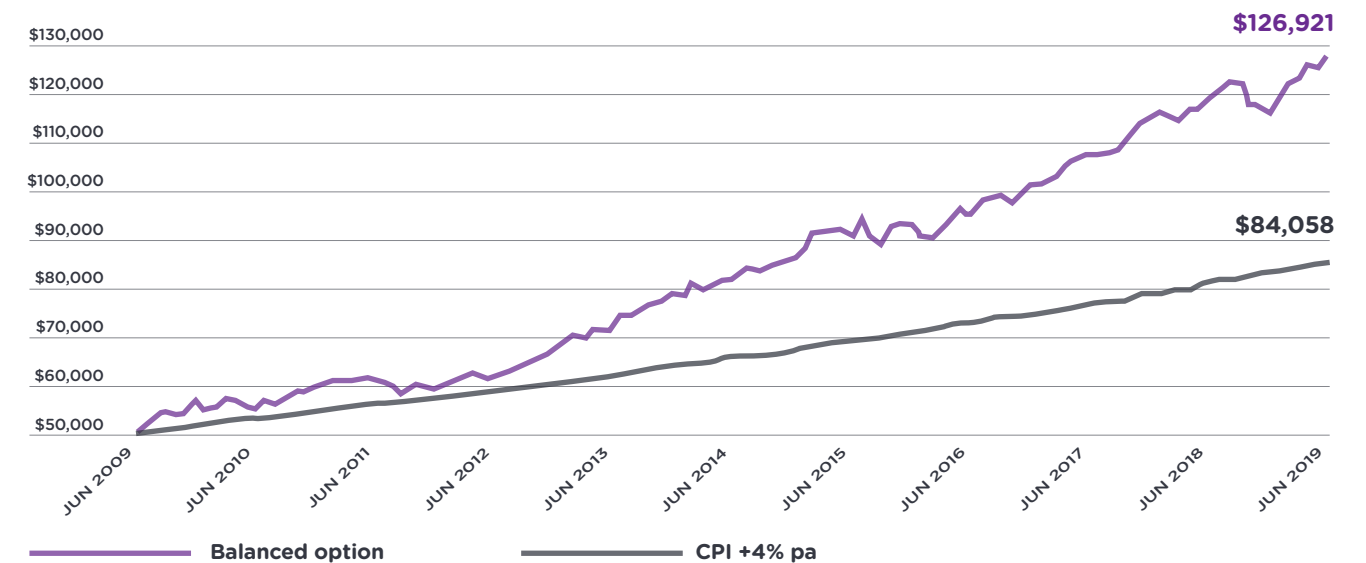
Boris Johnson's government says it is determined to leave the European Union by 31 October 2019 but so far there is no agreement on the terms of this withdrawal. This could be very disruptive for economies and financial markets implying that the central banks of Europe and the UK will have to err on the side of greater monetary stimulus.

The global growth outlook, the stimulatory stance of central banks and the resolution of important political risks are key questions as we head into the new financial year.

AustralianSuper will continue to monitor the risks of an economic downturn, and the actions central banks and governments are taking to manage those risks.

Balanced option vs CPI +4% pa

Real returns, after you take inflation into account, have been strong and well above the Balanced option's long-term objective of beating the Consumer Price Index (CPI) (a standard measure of inflation) by 4% pa.



Preparing for uncertain times

We understand that it is difficult for members to stay focused on the long term when they see news headlines about volatile markets reducing their super balance in the short term. The important thing for members is not to panic, and to follow their investment strategy providing it is appropriate for their circumstances.

To best manage uncertain times, we encourage members to:

Stay invested

While we may experience times where returns are lower or even negative, we expect it and plan for it. The most important thing is that members stay invested, so they can benefit from market rebounds and future growth. The Fund's research shows that on average more members who change their investment options lose money, than make gains.

[READ MORE...](#)

Focus on the long term

Market volatility is a normal part of investing. The Balanced option has a risk of delivering a negative return about five years in every twenty, and yet we have just experienced 10 consecutive years of positive returns.

Returns over the last ten years have given a significant boost to members' retirement savings. A member invested in the Balanced option from July 2009 to June 2019 would have more than doubled their retirement savings*.

Diversify

Investing across a range of different assets (like shares, infrastructure, property, fixed interest and cash) helps to manage market fluctuations, while maximising long-term returns.

More than 85% of AustralianSuper members invest in the Balanced option. The option is designed to generate the best risk-adjusted returns for members over the long term. Its assets 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.

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

The external environment

In addition to movements in investment markets, there are a number of external factors that will impact the Fund as well as the broader industry. As always, the Fund will monitor key external issues and trends and take action when needed, to protect the interests of members.



Legislative and regulatory change

The superannuation sector continues to be subject to extensive regulatory change. The Protecting Your Super Package Act came into effect on 1 July 2019, and includes:

- A 3% cap on administration and investment fees on accounts with balances below \$6,000, and a ban on exit fees, and
- The transfer of inactive low-balance accounts to the Australian Tax Office

The outcomes of the Royal Commission and the Productivity Commission's review of the superannuation system are likely to lead to additional future regulatory changes and increased regulatory scrutiny and oversight. Potential future regulatory changes could include the abolition of automatic insurance for those under 25 years of age and low balance members, as well as steps to prevent the proliferation of multiple superannuation accounts.

Economic impacts

Ongoing shifts in the domestic and international economic landscapes present a range of challenges for the superannuation sector.

Economic factors currently include:

- Low wage growth, and slower domestic economic growth
- On-going housing market risks
- Growth in infrastructure investment
- Ongoing international trade policy risks

Competitive landscape / industry disruption

The competitive landscape in which we operate is changing rapidly. We are currently seeing:

- Increased engagement from members, and rising community expectations
- The ageing population leading to an increase in the expected number of retirees over the coming decade
- Many banks looking to exit wealth management
- Niche players emerging, targeting particular segments
- Industry consolidation, with poor performing funds under increasing pressure from regulators

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

Social and Labour market

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

A focus on the big picture

Navigating the growing and complex challenges in the external landscape, requires skill, agility and a well-conceived strategy to ensure successful outcomes for members.

In addition to building the Fund's global presence, other key components of the Fund's bigger picture are supporting the legislated 12% Superannuation Guarantee (SG), active Environmental, Social and Governance management and to driving Fund growth.

Supporting the 12% Superannuation Guarantee (SG)

We now have a superannuation system that is among the best in the world and it is starting to really deliver for members in terms of providing them with their best possible retirement.

And it is only going to get better for the people that it serves – you the members.

On July 1 2021, the government legislated gradual increase in the Superannuation Guarantee to 12 per cent will begin. This is a major milestone that must be celebrated as it will increase a member's retirement savings and therefore have a direct impact in improving retirement outcomes for members.

The increases will result in the average AustralianSuper member being around \$40,000 better off in retirement, based on the conservative projections of the Fund. And for someone new to the workforce and the Fund, it could mean an additional \$90,000.

The delivery of this agreed and legislated increase, which will see the SG rise from its current level of 9.5 per cent to 12 per cent by 2025, is vital to ensuring members' can have the best possible retirement.

Without this planned and promised increase in the compulsory component of superannuation to 12 per cent by 2025, the government's core objective of increasing the funding of retirement incomes via superannuation will not be met.

AustralianSuper is delighted as the increase of the SG from its legislated start date of 1 July 2021 will leave Australian workers in a much better situation. Retiring with more money increases the likelihood of a comfortable and dignified retirement and these are key indicators of a good retirement outcome.

Lifting the rate from 9.5 per cent to 12 per cent is the game changer many members have been waiting for as it will improve the equity of the system for the majority of the people in the system.

AustralianSuper believes any further delays in the timetable to SG 12 per cent would have a particularly damaging impact on the retirement outcomes of millions of women and lower income workers.

As the community ages, the increase in the SG to 12 per cent will also increase the savings of members in retirement helping to take some of the pressure off the broader government budget and the overall economy.

It was strong public policy leadership in the 1980s and 90s that led to the introduction of compulsory superannuation over the protests of those who complained that the country couldn't afford it.

But the super naysayers have long been rejected and we now have a super system that is regarded as one of the best in the world for workers, businesses and retirees.

The superannuation system has also played a key role in the significant drop on the financial call on the Government Age Pension over the long-term, the reduction in the current account deficit and the availability of capital to inject into the economy.

And let's not forget the system is still maturing – a 65-year-old retiring today has only had SG payments (starting at 3 per cent) since they were about 35 years. The system must be supported and allowed to continue to flourish.

Public policy leadership demands no further delays, and AustralianSuper will advocate strongly on behalf of this outcome for members.

Little wonder that according to CoreData, 90 per cent of people support compulsory super, and 80 per cent support lifting the SG to 12 per cent.

The gradual increase in the SG to 12 per cent has been legislated for, it is affordable for the economy and most of all it is a key plank in assisting members to have their best possible retirement.

In advocating for the best possible outcome for members, AustralianSuper supports the push towards 12 per cent by 2025.

Legislated Government Timetable for rise in the Superannuation Guarantee.

Legislated government timetable for rise in the superannuation guarantee

Currently	9.5%
1 July 2021	10%
July 2022	10.5%
July 2023	11%
July 2024	11.5%
July 2025	12%

A focus on the big picture continued

Environmental, Social and Governance (ESG)

With members' assets of more than \$160 billion, AustralianSuper is a significant investor in Australian and international markets. We are an active investor and manage diversified portfolios that touch most areas of the Australian and global economies.

Achieving better ESG outcomes is an important part of being a large, responsible asset owner and creating long-term value. If we are to meet our obligations to members we need to ensure that the assets we manage today, are capable of delivering strong returns in decades to come.

A+

Our ESG and Stewardship program is globally recognised and we have been awarded an A+ rating for our Overarching Approach to Responsible Investment in the United Nation's Principles for Responsible Investment (PRI) Global Assessment Report 2019

We're an active owner

A growing volume of research demonstrates the positive connection between better ESG outcomes and sustainable long-term performance. As ESG issues are a source of financial return and risk, we believe consideration of them must be integrated across our investment decision making processes.

We often get asked by members and other stakeholders why we invest in certain industries and companies. We believe we can make a bigger, more lasting impact by working with companies and other asset owners for positive change.

AustralianSuper collaborates on a number of investor initiatives to influence the management of ESG issues and lift standards across the industry. We also recognise that members have different social and ethical views. We offer members a choice of investment options so they can avoid investing in industries and companies that don't align with their values.

Focus areas 2018-2019

Environmental	Social	Governance
Climate change	Workforce issues	Board effectiveness Remuneration Board gender diversity

Stewardship activities

As an active investor we exercise the rights and responsibilities of being a large asset owner and shareholder. Direct engagement enables us to influence the make-up of company boards and encourage positive behaviour on issues that can impact members' investment outcomes. We also influence companies by voting on company and shareholder resolutions.

In 2018-2019, we:

- Voted against 12.5% of votes against company remuneration reports
- Conducted 79 engagement meetings - the majority with the top 20 ASX listed companies

- Attended or supported 264 meetings with 190 companies across the ASX300 through Australian Council of Superannuation Investors (ACSI)
- Voted on more than 1,500 resolutions for Australian companies
- Voted on more than 11,000 resolutions for international companies
- Voted in favour of 65% of shareholder resolutions for Australian and international companies on ESG issues
- Sought the elimination of single gender boards on the ASX200 and broadened our policy to require at least two female directors on ASX200 boards. There are now only six companies in the ASX200 without a woman on their Boards
- Conducted ESG reviews of three of our largest infrastructure assets: Transurban Queensland, Ausgrid and NSW Ports
- Supported various investor initiatives including the Global Investor Statement on Climate Change (IGCC) to G7 and G20 governments, the Investor Agenda, Just Transition to Climate Change, Australian Sustainable Finance Initiative, Bangladesh Accord on Fire & Building Safety and a safety initiative supporting greater disclosure from mining companies on tailing dams.

A global response to climate change

Pressures on governments, businesses and investors to act on climate change are increasing. As the world experiences more frequent extreme weather events, rising temperatures and sea levels and ecological degeneration, some cities and councils have declared a climate emergency.

In Australia, APRA has identified climate change as a material risk for the financial services organisations it regulates. "Climate change and society's responses to it are now widely recognised as foundational drivers of risk and opportunity within the global economy¹." APRA Executive Board Member Geoff Summerhayes

also warned there were no excuses for inaction on climate change and that it would be "embedding the assessment of climate change risks into its ongoing supervisory activities²."

Climate related risks are systemic and will impact economies, asset classes and industries, whether directly or indirectly. Research estimates climate change represents a \$US20 trillion systemic risk to the global economy over the next 80 years, based on current emissions³.

In a recent speech, Deputy Reserve Bank of Australia governor Guy Debelle, highlighted the impact climate change is having on the economy as we see a shift in extreme weather events from being temporary or "cyclical" in nature to permanent ongoing "trends". He said: "Both the physical impact of climate change and the transition [required to contain climate change] are likely to have first-order economic effects⁴."

APRA, ASIC and the RBA acknowledge there is a requirement for better data to measure and fully understand the potential impact these physical risks and transition costs will have on companies, investments and the global economy.

As a large investor in a diversified portfolio of assets, we believe improving the transparency and consistency of climate change reporting is fundamental to measuring and monitoring the impact of climate change risks. We endorse the adoption of the Taskforce on Climate-related Financial Disclosure frameworks (TCFD) recommendations by companies and investors and believe it will help support this objective.

We have conducted climate change related exposure analysis in our equity portfolios, which we will continue to develop as tools and data evolve. We are also using physical risk data to assess the exposure and potential impacts within our equities and unlisted portfolios, which will be added to our engagement toolkit with companies.

¹ https://www.apra.gov.au/sites/default/files/climate_change_awareness_to_action_march_2019.pdf

² <https://www.apra.gov.au/media-centre/speeches/buy-now-or-pay-later>

³ <https://phys.org/news/2018-08-trillion-lost-temperatures-degrees.html>, & <https://uk.reuters.com/article/us-climate-change-un/global-temperatures-on-track-for-3-5-degree-rise-by-2100-u-n-idUKKCN1NY186>

⁴ <https://www.rba.gov.au/speeches/2019/sp-dg-2019-03-12.html>

A focus on the big picture continued

Collaborating with the world's largest investors for a bigger impact

AustralianSuper believes investors have an important role to play in driving the low-carbon transition across the global economy, and is an active supporter of collaborative engagement. We're a founding member of Climate Action 100+ (CA100+), a group of global investors representing around US \$34 trillion, which represents more than a third of all global assets under management.

CA 100+ is promoting change in the world's largest carbon emitters. Its goals are consistent with how we manage climate change risks and cover:

- Reducing carbon emissions consistent with the Paris Agreement of limiting global warming to well below 2 degrees;
- Improving governance on the management of climate change risks and opportunities;
- Improving climate change disclosures (including TCFD reporting).

CA100+ is a five year initiative, which is helping to establish a common language on climate change investment risk and metrics. A benchmarking tool has been developed to help investors measure each company's performance and identify priority issues for engagement.

Since its launch in December 2017, CA100+ has met some significant milestones including:

- Almost 20% of focus companies have set or committed to set a science-based target for reducing their greenhouse gas emissions¹.
- 11 shareholder resolutions where companies have agreed to actions aligned to the CA100+ goals
- 40% of focus companies have conducted climate scenario analysis
- 77% of focus companies have assigned responsibility for climate policy at board level

Find out more about CA100+'s progress at climateaction100.org

Tackling modern slavery in the labour supply chain

The Federal Government passed the Australian Modern Slavery Act in December 2018, which requires organisations with more than AUD\$100 million in revenue to lodge their first annual statement within six months after the end of their 2020 financial year.

Modern slavery practices can be hidden from consumers and investors due to the complexity of the global supply chain, and can exist in Australian and international companies alike. They can be most prominent in industries with large migrant or low skilled workforces, where labour hire companies or contractors are used to source workers or where operations are based in unstable political or economic regions. In 2016, there were estimated to be more than 40 million victims of slavery globally* with an estimated 15,000 living in Australia in 2018**.

Companies can be exposed to a range of operational, financial and reputational risks arising from inadequate management of their labour supply-chains. Issues can include child or forced labour, debt bondage, inequality, discrimination and poor working conditions.

AustralianSuper has been working with the Australian Council of Superannuation Investors (ACSI) to develop a set of workforce indicators to help measure and report on workforce issues at the operations and supply chains of the companies we invest in. A key focus this year will be the development of AustralianSuper's own Modern Slavery statement and engagement with companies on modern slavery risks, domestic work force issues and labour supply chain management.

We are a signatory to the Workforce Disclosure Initiative, which aims to improve the quality and consistency of data companies disclose on workforce issues and their supply chain management. We also support the PRI Know The Chain investor statement on forced labour risks in apparel and footwear companies.

Governance in a post Royal Commission world

The Royal Commission uncovered a number of instances of unethical, and in some cases illegal, behaviour which fell short of community standards and expectations.

The Royal Commission opened up an important debate around trust and a company's social licence to operate and whether directors' responsibilities should extend beyond their shareholders, to other stakeholders including their customers and the broader community. We believe fair treatment of stakeholders is important in maintaining a company's social licence and creating sustainable long-term value.

As part of our ESG and Stewardship program, we regularly engage with the boards of ASX companies about their company's governance, culture and conduct issues. We've been pro-actively engaging with the top four banks, including meeting with their Chairs, about our concerns on these issues. For the year ended 30 June 2019, we had a total of 26 meetings with the Big four banks and AMP either directly or with our engagement partner ACSI.

Remuneration has been an important issue this year, as well, and we voted against some of the banks' remuneration and bonus structures, particularly those with insufficiently challenging hurdles and where pay outcomes have not been sufficiently justified.

Since the release of the Royal Commission report, the banks have taken some actions towards remediation with some renewal of personnel at board and executive level, remuneration reviews, strengthening of governance frameworks and cultural reviews of their organisations.

However, there is still some way to go and we will continue to monitor developments closely and engage with companies on our concerns and exercise our shareholder rights, until we believe a satisfactory outcome has been achieved for members.

Driving Fund growth

Fund scale supports both competitive advantage and cost-efficiencies, for example, the acquisition of significant investment assets and the delivery of lower administration expenses due to economies of scale.

To continue to provide members with the products, benefits and services they expect from AustralianSuper, in March this year, the administration fee was increased for the first time, since 2009. The fee changed from \$1.50 to \$2.25 per week, which is an additional \$39 a year.

Even with the increase in the administration fee, members are now paying less than they were in 2009, because we've been able to reduce investment costs by using our size and scale and our fees remain among the lowest in the sector.

[READ MORE...](#)

For these reasons, AustralianSuper will continue to maintain its focus on growing the size and scale of the Fund to deliver even greater value to members. We plan to meet growth objectives by increasing Fund membership, retaining existing members through Choice Income – AustralianSuper's pension product and through potential partnerships with other superannuation funds.

* International Labour Organization, Global Estimates of Modern Slavery: Forced Labour and Forced Marriage (2017)

** Walk Free Foundation, Global Slavery Index (2018)

In safe hands

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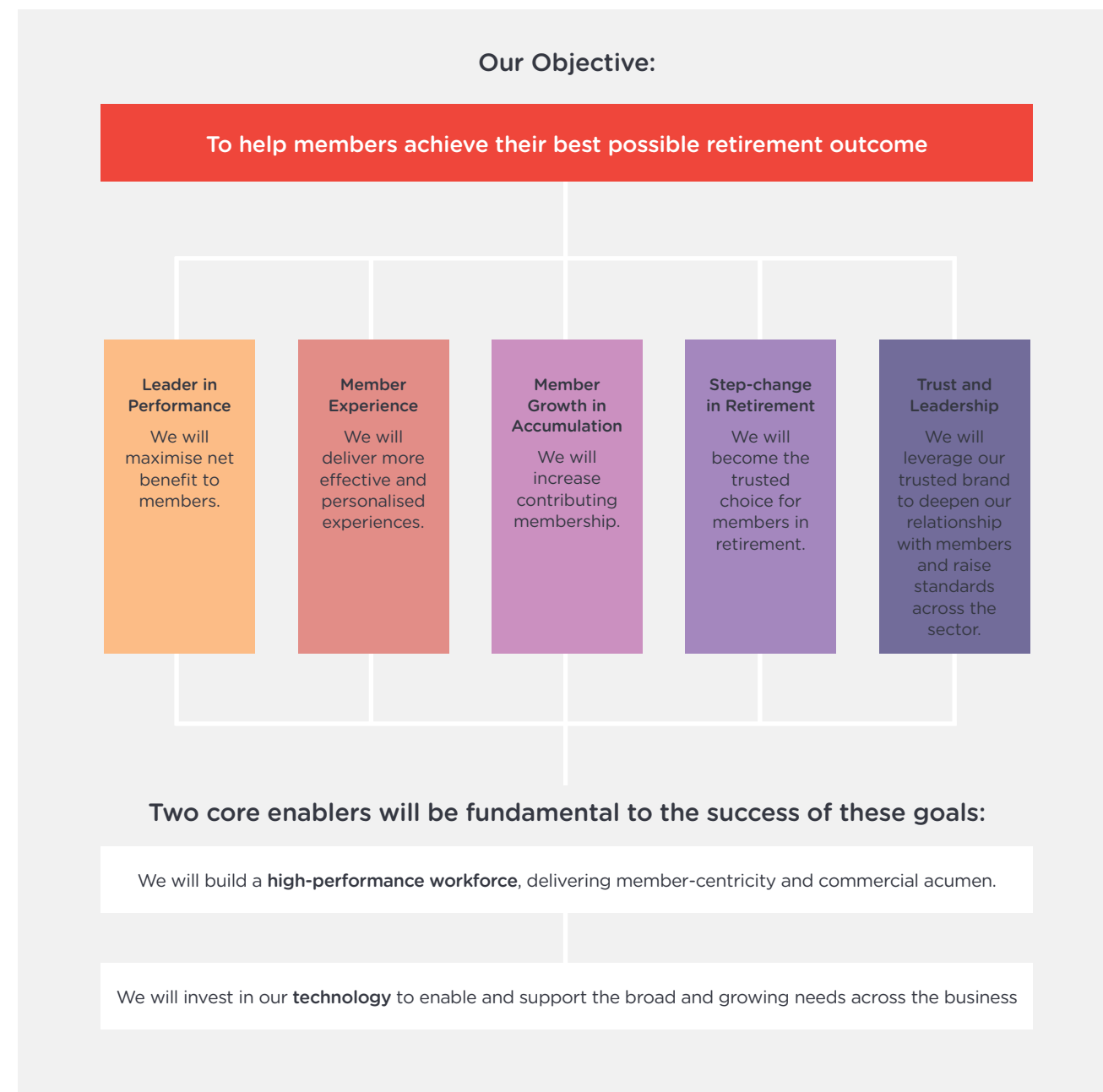
WestConnex

WestConnex is the largest road infrastructure project underway in Australia, and is one of the single largest investments AustralianSuper has made on behalf of members.

Strategy overview

Our five-year strategy continues to direct the efforts of the Fund in 2019-20 to ensure we can achieve our objective of helping members achieve their best possible retirement outcome.

In 2019, a fifth strategic pillar ('Member Experience') was added to the four existing strategic priorities, which reflects the increased focus required to enhance member experiences within the Fund.



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.

As at 30 June 2019, the Board comprised five representative directors, five employer representative directors and two independent directors - as shown on the next page.

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.

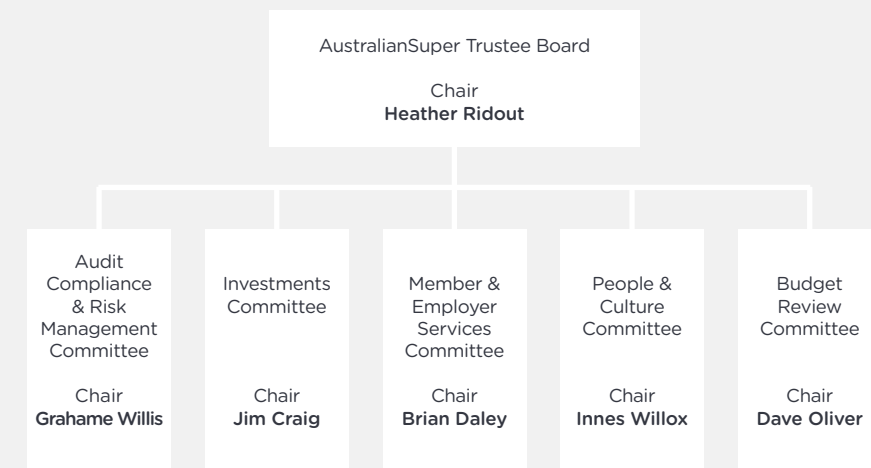
The Chief Executive has seven direct reports who have responsibility for different business areas.

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.

[Click here for further information on the Board and governance of AustralianSuper](#)

[READ MORE...](#)

AustralianSuper Trustee Board Structure



AustralianSuper Management Structure





People and culture

Securing, developing and retaining skilled and culturally aligned people is an on-going priority for the Fund.

Growing our global investment portfolio and presence

As AustralianSuper's member assets continue to grow, performance of the global investment portfolio is increasingly important. Over the course of the next financial year, AustralianSuper will continue the roll out of its International Offices Program. The program aims to expand AustralianSuper's existing international offices as well as establishing new offices over the short and medium term. Having an on the ground presence in key global investment markets will enhance the Fund's ability to manage and oversight the investment portfolio directly, and to source evaluate and transact on new investment opportunities. It will also benefit members by achieving stronger international relationships, and supporting best practice pension industry research and benchmarking initiatives.

AustralianSuper's global expansion plan will take us through to financial year 2023.

Resourcing our global offices

As the Fund builds its global presence, a number of new roles will be created, which will be filled through a combination of local hires and also by providing.

Global colleague exchanges

Relationships have been established with two global pension Funds to exchange talent. Ontario Municipal Employees Retirement System (OMERS) and British Columbia Investment Management Corporation (BCI) host a colleague each for six months at a time. In turn AustralianSuper hosts an employee from each organisation for a six-month period. The exchanges enable the Fund to develop our people, build relationships and deliver great outcomes for our members.

Diversity & inclusion

Embracing diversity in thought and perspective helps introduce new and better ways of doing business for the benefit of members. This is why AustralianSuper values diversity in all its forms, both within the organisation as well as the companies and communities it invests in.

The FY21 Diversity & Inclusion Strategy continues to be a core focus, guiding People & Culture practices through recruitment and retention, performance, talent and succession, gender pay equity and colleague development. Progress of the strategy is measured against a comprehensive scorecard.

AustralianSuper is proud of the work undertaken to ensure that the Fund maintains a workforce that reflects the members that we serve. The colleague engagement survey confirms this, with a diversity index score of 91%, demonstrating that our colleagues believe we live up to our commitment to embracing a diverse and inclusive workforce.

The Fund reports annually to the Workplace Gender Equality Agency (WGEA). AustralianSuper's 2018-19 Compliance Report has been submitted to the WGEA and a copy of the report is available on our website.

[READ MORE...](#)

Female colleagues make up 49% of our workforce, and hold 44% of management positions, which is a 17.5% increase from last financial year. AustralianSuper has also been awarded the WGEA Employer of Choice citation for the seventh consecutive year, highlighting the Fund's commitment to gender equality in the workplace.

People and culture

Leadership development

AustralianSuper supports the development of people leaders through a series of leadership development programs. These programs are designed to equip our leaders with the knowledge and skills to be successful at leading their team at the Fund. The Thrive program is targeted at emerging female leaders. The Developing Leader program is targeted towards those new to people leadership. The Management Excellence program is targeted at middle level leaders. Each of the programs provide feedback on the people leader's style, a development program, support materials and in some instances coaching. For future executives we conduct an annual assessment and development program to help prepare them for future roles.

Members' first culture

AustralianSuper continues to invest in its people through formal training and coaching by people leaders and peers and on the job development. The focus has been on sustaining the Fund's Members' First culture through six monthly assessments and feedback on values and behaviours of all colleagues across the Fund.

People and core processes

To support the projected growth of the Fund, a new HR Information System (HRIS) was implemented over the course of 2018-2019. The HRIS provides an integrated Finance, Procurement and HR system and provides many benefits, including:

- The ability to replace manual processes and enable more efficient financial management of the Fund, including system-based budgeting and reporting. It also provides a single source of truth for colleague data that can be accessed anywhere, including on various devices thereby supporting flexible working arrangements.
- Facilitating our global expansion
- Streamlining the financial management of projects
- Enabling strategic procurement decision-making

Colleague engagement

The Fund recorded its highest ever response rate of 97% to the annual engagement survey. The survey provides feedback on AustralianSuper's performance as an employer against key metrics. An overall favourable engagement score of 78% was achieved, which is 5% above the Australian norm.

Volunteer, donate and participate

Throughout the year, our colleague-led Sustainability and Community Group organised activities focused around people, the environment, fundraising and community volunteering.

AustralianSuper's management team by gender and age as at 30 June 2019

	Female	Male	Age under 30	Age 30-50	Age 50+
Board	3	9	0	2	10
Executive	3	5	0	2	6
Management	67	99	0	126	40
Total	73	113	0	130	56

AustralianSuper's workforce by gender and working arrangements as at 30 June 2019*

	Full-time Female	Male	Total	Part-time Female	Male	Total	End Total
Asia	1	0	1	0	0	0	1
UK	2	4	6	0	0	0	6
ACT (Canberra)	2	0	2	0	0	0	2
NSW (Sydney)	7	18	25	5	1	6	31
NT (Darwin)	0	1	1	0	0	0	1
QLD (Brisbane)	2	5	7	2	0	2	9
SA (Adelaide)	2	1	3	1	0	1	4
TAS (Hobart)	1	1	2	0	0	0	2
VIC	263	330	593	61	6	67	660
WA (Perth)	7	5	12	1	0	1	13
Sub-total	287	365	652	70	7	77	729

New hires 2018-19 (1 July 2018 – 30 June 2019)*

Total	Female	Male	Age under 30	Age 30-50	Age 51+
234	134	100	38	166	30

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Board and Board Committee membership as at 30 June 2019

Directors	Alternate Directors	ACRMC	IC	MESC	PCC	BRC
Heather Ridout			Heather Ridout		Heather Ridout	
Julia Angrisano	Carmen Pace					
Lucio Di Bartolomeo	Anne Flanagan	Anne Flanagan		Lucio Di Bartolomeo		
Paul Bastian	Nixon Apple	Paul Bastian	Nixon Apple			
Gabrielle Coyne	Sheena Kay	Sheena Kay		Gabrielle Coyne		
Jim Craig			Jim Craig			
Brian Daley	Bob Lewtas		Brian Daley	Brian Daley	Brian Daley	Bob Lewtas
Dave Oliver	Michele O'Neil			Michele O'Neil	Dave Oliver	Dave Oliver
Don Russell						
Daniel Walton	Brad Crofts	Brad Crofts	Brad Crofts			
Grahame Willis	George Stamas	Grahame Willis		George Stamas		Grahame Willis
Innes Willox	Peter Burn		Peter Burn		Innes Willox	Innes Willox
			Russell Maddox*	Mike Nicolaides*		
			Stephanie Weston*			

*Committee members

ACRMC: Audit, compliance and risk management committee

IC: Investment committee

MESC: Member and employer services committee

PCC: People and culture committee

BRC: Budget review committee

Board and Board Committee attendance 2018-2019

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

*Commenced as a Director effective 2 May 2019

A – meetings attended B – number of meeting held

Remuneration

AustralianSuper engages qualified and experienced colleagues 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 colleagues 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 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 colleagues.

The People & Culture Committee is primarily responsible for making recommendations to the Board on:

- fees to be paid to Directors, Alternate Directors and Non-Director Committee Members (Directors);
- major changes to conditions of employment for colleagues (including Enterprise Agreement negotiations);
- the remuneration framework for management and colleagues; and
- determining the remuneration for the Chief Executive and 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 2019	Chair \$	Member \$	Board Deputy Chair \$
Board	159,900	40,100	58,900
Investment Committee *	149,900	59,900	
Member & Employer Services Committee	34,900	19,900	
Audit, Compliance & Risk Management Committee **	61,600	24,000	
People and Culture Committee	20,500	11,800	
Budget Review Committee	16,600	9,500	

A per meeting fee of \$1,900 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 \$78,500 per annum.

**Independent Audit, Compliance and Risk Management Committee member fee is \$42,600 per annum.

Directors remuneration

Directors and Alternate Directors	2019			2018		
	Cash Fees \$	Superannuation \$	Total \$	Cash Fees \$	Superannuation \$	Total \$
J. Angrisano ¹	40,100	3,810	43,910	30,950	2,940	33,890
N. Apple	61,800	5,871	67,671	62,700	5,957	68,657
P. Bastian ²	64,100	6,090	70,190	59,300	5,634	64,934
P. Burn ³	59,900	5,691	65,591	55,500	5,273	60,773
G. Coyne	60,000	5,700	65,700	46,300	4,399	50,699
J. Craig	190,000	18,050	208,050	175,900	16,711	192,611
B. Crofts ⁴	85,800	8,151	93,951	79,500	7,553	87,053
B. Daley	146,700	13,937	160,637	135,800	12,901	148,701
L. Di Bartolomeo	85,700	8,142	93,842	80,700	7,667	88,367
A. Flanagan	42,600	4,047	46,647	39,400	3,743	43,143
S. Kay	24,000	2,280	26,280	9,620	914	10,534
W. Kensett-Smith ⁵	9,600	912	10,512	22,200	2,109	24,309
R. Lewtas	9,500	903	10,403	8,800	836	9,636
R. Maddox	78,500	7,458	85,958	72,700	6,907	79,607
M. Nicolaidis ²	19,900	1,891	21,791	18,400	1,748	20,148
D. Oliver	87,300	8,294	95,594	78,612	7,468	86,080
M. O'Neil ⁶	19,900	1,891	21,791	18,400	1,748	20,148
H. Ridout	231,600	22,002	253,602	216,950	20,610	237,560
D. Russell ⁷	6,610	628	7,238	-	-	-
G. Stamas	19,900	1,891	21,791	18,400	1,748	20,148
D. Walton ⁸	40,100	3,810	43,910	37,100	3,525	40,625
S. Weston	78,500	7,458	85,958	72,700	6,907	79,607
G. Willis	111,200	10,564	121,764	102,900	9,776	112,676
I. Willox ³	70,100	6,660	76,760	64,900	6,166	71,066

Notes

The following Alternate Director did not receive any compensation during the year ended 30 June 2019 or the year ended 30 June 2018: C. Pace.

1. These fees are paid to Financial Services Union.

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

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

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

5. These fees are paid to the Australian Worker's Union. Ceased as an Alternate Director on 23 November 2018.

6. These fees were paid to the Textile, Clothing and Footwear Union until 16 July 2018 and the ACTU from 17 July 2018.

7. Commenced as a Director on 2 May 2019

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

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 colleagues 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 number of investment colleagues.

The level of performance pay is set with reference to levels necessary to recruit and retain colleagues 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 individual performance and behaviours assessment ratings of at least 'Meets Expectations' in their annual performance assessment.

Effective 1 July 2018, some amendments to the plan were approved by the Board which included:

- Eligibility for the IPPP plan was extended to better align with market practice, such that all Investments Asset Class roles were included;
- The variable pay opportunity was increased for some roles to better align with market practice; and
- Introduction of a deferral mechanism for roles deemed to be Material Risk Takers (i.e. the Chief Investment Officer and Heads of Asset classes) whereby 40% of any IPPP payment for Material Risk Takers is deferred for 2 years, subject to the following transition:
 - In the first year of operation (FY19), 20% of the IPPP payment to be awarded in September 2019 will be deferred for 12 months; and
 - In the second year of operation (FY20 onwards), 40% of the IPPP payment will be deferred, and will vest in two equal tranches:
 - 50% of deferred amount to vest after one year; and
 - 50% of deferred amount to vest after two years.

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 10% - 125% 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.

Performance of the Fund in 2018-19 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*	1.87% pa	10.61% pa	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**	9.93% pa	10.61% pa	Achieved

*Inflation calculated on rolling three year basis (annualised) is 1.87%: June 2017: 1.9%; June 2018: 2.1%; June 2019: 1.6%. Source: ABS Cat. No. 6401.0 - Consumer Price Index, Australia, Jun 2017, 2018 & 2019

**Balanced Option median outperformance objective has a 1.2% above median component. The final 3-year median return for the Balanced option was 8.73%, and adding 1.2% gives a benchmark of 9.93%

Executive remuneration at 30 June 2019

	Salary (A)	Superannuation	Fixed Remuneration	Performance Payment	Deferred Performance Payment (B)	Non-monetary benefits (C)	Total
M. Delaney	740,800	25,000	765,800	861,525	172,305	-	1,627,325
J. Peasley	540,000	25,000	565,000	565,000	113,000	-	1,130,000
I. McKeand	540,000	25,000	565,000	505,110	101,022	-	1,070,110
P. Curtis	532,000	25,000	557,000	501,300	100,260	-	1,058,300
I. Silk	1,009,155	25,000	1,034,155	-	-	21,840	1,055,995

(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) In accordance with changes made to the Investment Performance Payment Plan, Material Risk Takers have 20% of their Performance Payment deferred for 12 months.

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

The movement in the annual leave accrual for each person for the financial year was as follows: I. Silk -\$49,238, M.Delaney \$17,078, P.Curtis -\$405, J. Peasley \$7,586, I. McKeand \$32,094.

The movement in the long service leave entitlements accrued but not taken during the year were: I. Silk \$66,468, M.Delaney \$31,438, P.Curtis \$18,041, J. Peasley \$18,085, I. McKeand \$17,531.

Executive remuneration at 30 June 2018

	Salary ^(A)	Superannuation	Fixed Remuneration (A)	Performance Payment	Non-monetary benefits ^(B)	Total
M. Delaney	711,350	25,000	736,350	736,350	-	1,472,700
I. Silk	941,500	25,000	966,500	-	28,322	994,822
I. McKeand	515,750	25,000	540,750	432,600	-	973,350
J. Peasley	515,750	25,000	540,750	432,600	-	973,350
P. Curtis	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.

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.

The movement in the long service leave 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.

Non-management colleagues

AustralianSuper colleagues are employed under the AustralianSuper Enterprise Agreement 2016-19. Colleagues whose salaries are set under the Agreement received annual increases to their remuneration. At the time of writing, the AustralianSuper Enterprise Agreement applicable from 1 July 2019 was under negotiation with the Financial Services Union (FSU).

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 2019

	2019 \$m	2018 \$m
Assets		
Investments	170,577	142,835
Other assets	976	956
Total assets	171,553	143,791
Liabilities		
Tax payable	3,200	2,321
Other payables	1,559	1,338
Total liabilities	4,769	3,659
Net assets available for members' benefits	166,784	140,132
Members' benefits	166,150	139,406
Net assets	634	726
Equity - Reserves		
Operational risk reserve	400	347
Other reserves	234	379
Total reserves	634	726

Income statement for the year ended 30 June 2019

	2019 \$m	2018 \$m
Revenue		
Investment income	13,817	14,203
Other income	-	92
Total revenue	13,817	14,295
Expenses		
Investments	(538)	(465)
Trustee service fee	(313)	(296)
Sundry expenses	(47)	-
Total expenses	(898)	(761)
Operating result	12,919	13,534
Less net benefits allocated to members'	(12,390)	(12,695)
Operating result before income tax	529	839
Income tax (expense)/benefit	(621)	(641)
Operating result after income tax	(92)	198

Statement of changes in members' benefits for the year ended 30 June 2019

	2019 \$m	2018 \$m
Opening balance of members' benefits	139,406	118,992
Contributions received	10,428	8,972
Transfers from other superannuation plans	13,064	7,652
Income tax on contributions	(1,222)	(1,042)
After tax contributions	22,270	15,582
Benefits paid and payable	(7,674)	(7,611)
Insurance premiums charged to members	(550)	(614)
Death and disability benefits credited to members	308	362
Net benefits allocated to members' accounts	12,390	12,695
Closing balance of members' benefits	166,150	139,406

Statement of changes in reserves for the year ended 30 June 2019

	Operational risk reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
Balance as at 30 June 2017	295	11	52	170	528
Balance as at 30 June 2018	347	134	52	193	726
Net transfers to/from reserve	35	(24)	(11)	-	-
Operating result	18	(40)	14	(84)	(92)
Balance as at 30 June 2019	400	70	55	109	634

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).

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 (unfavourable) 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.

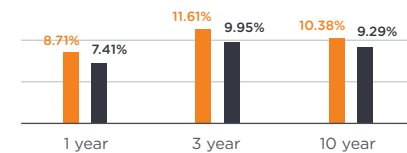
The Insurance Reserve is subject to a formal annual review which considers the adequacy of the reserve, any release that may be possible from the reserve and the impact on future member premiums. The recommendations in the review are subject to approval by the Group Executive, Corporate Services. The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

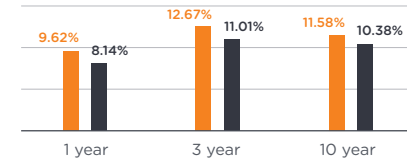
Investment performance and asset allocations as at 30 June 2019

High Growth

Superannuation returns pa



Retirement returns pa



● AustralianSuper ● Benchmark

Investment aims

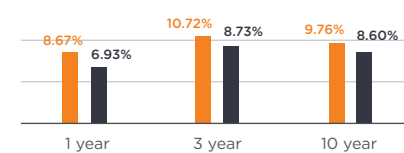
- To outperform CPI + 4.5% pa over the medium to longer term
- To outperform the median growth fund over the medium to longer term

Minimum investment

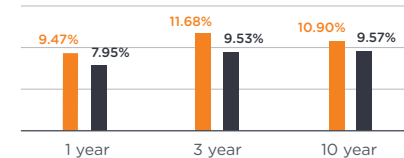
timeframe: At least 12 years

Balanced

Superannuation returns pa



Retirement returns pa



Investment aims

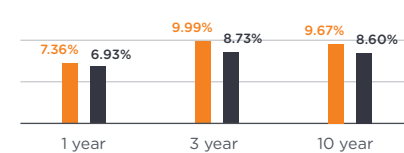
- To outperform CPI + 4% pa over the medium to longer term
- To outperform the median balanced fund over the medium to longer term

Minimum investment

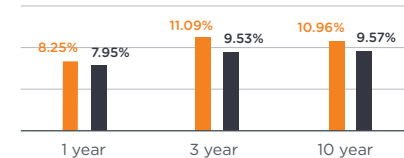
timeframe: At least 10 years

Socially Aware

Superannuation returns pa



Retirement returns pa



Investment aims

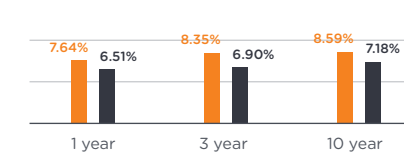
- To outperform CPI + 4% pa over the medium to longer term
- To outperform the median balanced fund over the medium to longer term

Minimum investment

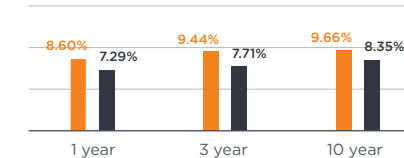
timeframe: At least 10 years

Conservative Balanced

Superannuation returns pa



Retirement returns pa



Investment aims

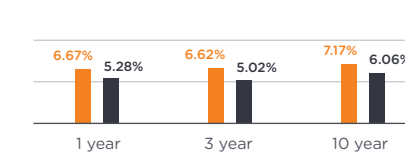
- To outperform CPI + 2.5% pa over the medium term
- To outperform the median conservative balanced fund over the medium term

Minimum investment

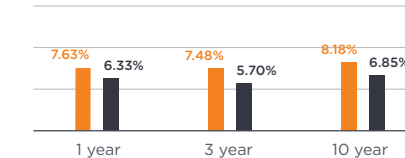
timeframe: At least 5 years

Stable

Superannuation returns pa



Retirement returns pa



Investment aims

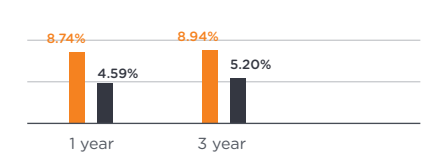
- To outperform CPI + 1.5% pa over the medium term
- To outperform the median capital stable fund over the medium term

Minimum investment

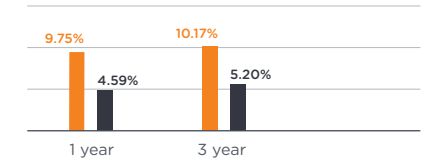
timeframe: At least 3 years

Indexed Diversified

Superannuation returns pa



Retirement returns pa



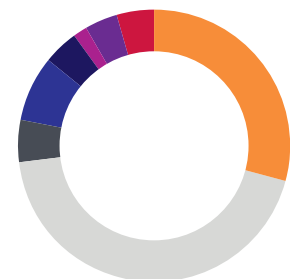
Investment aims

- To beat CPI by more than 3% pa over the medium to longer term

Minimum investment

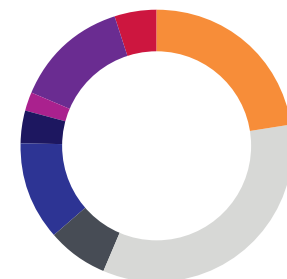
timeframe: At least 10 years

Asset Allocation as at 30 June 2019



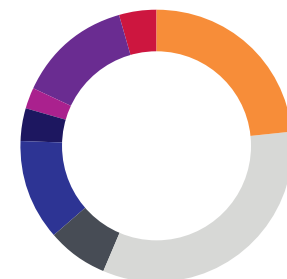
Australian shares	29.4%
International shares	43.9%
Direct property	5.1%
Infrastructure	7.6%
Private equity	4.2%
Credit	1.7%
Fixed interest	3.8%
Cash	4.4%

Asset Allocation as at 30 June 2019



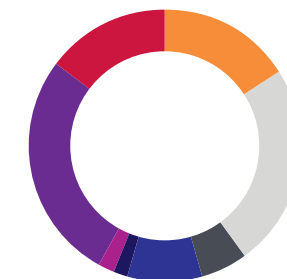
Australian shares	22.7%
International shares	33.9%
Direct property	7.2%
Infrastructure	11.7%
Private equity	3.8%
Credit	2.4%
Fixed interest	13.6%
Cash	4.8%

Asset Allocation as at 30 June 2019



Australian shares	23.5%
International shares	33.0%
Direct property	7.3%
Infrastructure	11.8%
Private equity	3.9%
Credit	2.4%
Fixed interest	13.6%
Cash	4.4%

Asset Allocation as at 30 June 2019



Australian shares	16.1%
International shares	24.1%
Direct property	5.6%
Infrastructure	8.7%
Private equity	1.8%
Credit	1.9%
Fixed interest	27.3%
Cash	14.5%

Asset Allocation as at 30 June 2019



Australian shares	9.2%
International shares	13.8%
Direct property	5.8%
Infrastructure	9.2%
Private equity	1.9%
Credit	32.3%
Fixed interest	27.8%

Asset Allocation as at 30 June 2019

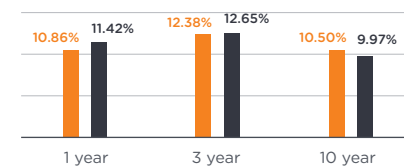


Australian shares	31.7%
International shares	38.2%
Direct property	16.9%
Fixed interest	13.2%

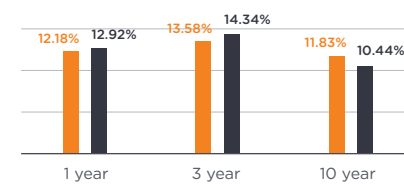
Investment performance and asset allocations as at 30 June 2019

Australian Shares

Superannuation returns pa



Retirement returns pa



● AustralianSuper ● Benchmark

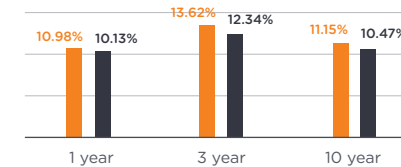
Investment aims

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

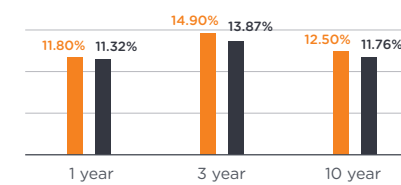
Minimum investment timeframe: At least 12 years

International Shares

Superannuation returns pa



Retirement returns pa



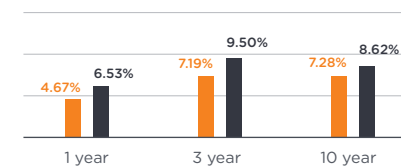
Investment aims

- To outperform the MSCI World All Countries (ex Australia) Unhedged Index* over the medium to longer term

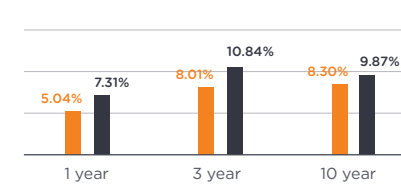
Minimum investment timeframe: At least 12 years

Property

Superannuation returns pa



Retirement returns pa



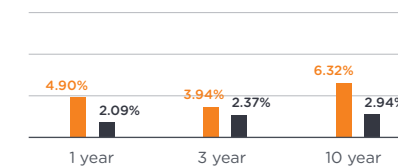
Investment aims

- To outperform CPI +3% pa and a composite of Australian and International Property Indices** over the medium term

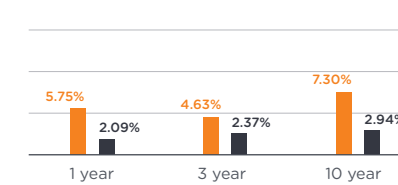
Minimum investment timeframe: At least 5 years

Diversified Fixed Interest

Superannuation returns pa



Retirement returns pa



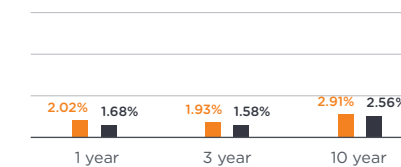
Investment aims

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

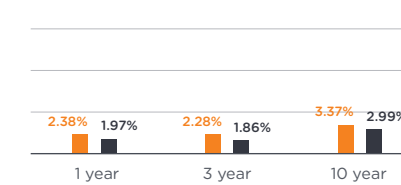
Minimum investment timeframe: At least 3 years

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

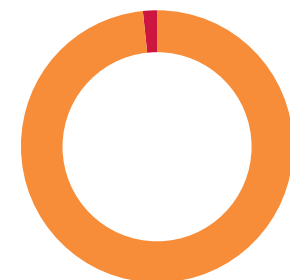
Footnotes

AustralianSuper returns are net of investment fees and taxes.

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

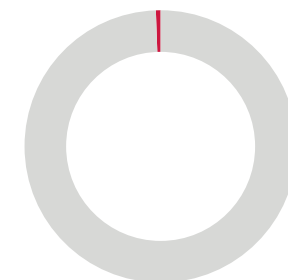
Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

Asset Allocation as at 30 June 2019



● Australian shares **98.4%**
● Cash **1.6%**

Asset Allocation as at 30 June 2019



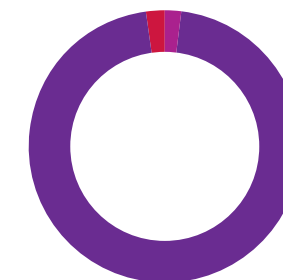
● International shares **99.5%**
● Cash **0.5%**

Asset Allocation as at 30 June 2019



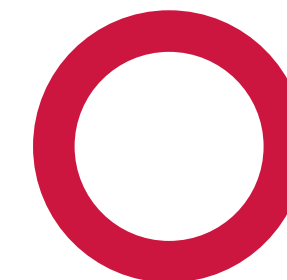
● Direct property **97.5%**
● Cash **2.5%**

Asset Allocation as at 30 June 2019



● Credit **2.0%**
● Fixed interest **95.9%**
● Cash **2.1%**

Asset Allocation as at 30 June 2019



● Cash **100.0%**

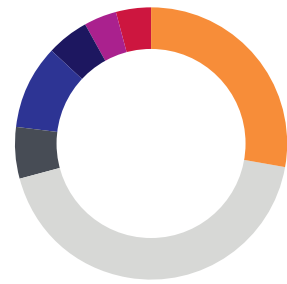
* Index level returns adjusted for tax

** Gross of investment expenses and adjusted for tax where the Composite consists of:
60% MSCI / Mercer Australia Core Wholesale Monthly Property Fund Index,
20% MSCI / AREF UK Quarterly Property Fund Index hedged to AUD^ and
20% NCREIF Fund Index - Open End Diversified Core Equity hedged to AUD^

^ Hedging is performed by AustralianSuper.

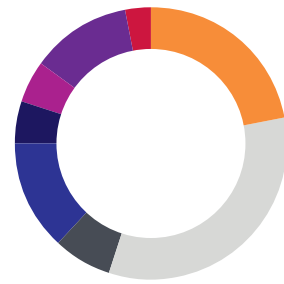
Strategic Asset Allocation 2019-2020

Asset allocation ranges are shown in brackets



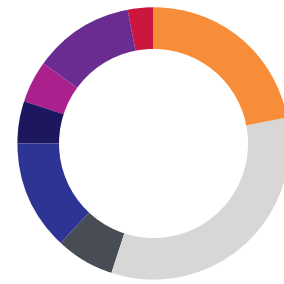
High Growth

Australian shares	28.0% (20-50%)
International shares	43.0% (20-50%)
Direct property	6.0% (0-30%)
Infrastructure	10.0% (0-30%)
Private equity	5.0% (0-10%)
Credit	4.0% (0-20%)
Fixed interest	0.0% (0-20%)
Cash	4.0% (0-15%)
Other	0% (0-5%)



Balanced

Australian shares	22.0% (10-45%)
International shares	33.0% (10-45%)
Direct property	7.0% (0-30%)
Infrastructure	13.0% (0-30%)
Private equity	5.0% (0-10%)
Credit	5.0% (0-20%)
Fixed interest	12.0% (0-25%)
Cash	3.0% (0-20%)
Other	0% (0-5%)



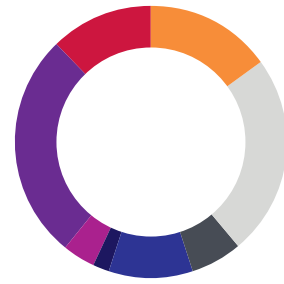
Socially Aware

Australian shares	22.0% (10-45%)
International shares	33.0% (10-45%)
Direct property	7.0% (0-30%)
Infrastructure	13.0% (0-30%)
Private equity	5.0% (0-10%)
Credit	5.0% (0-20%)
Fixed interest	12.0% (0-25%)
Cash	3.0% (0-20%)



Indexed Diversified

Australian shares	28.0% (20-50%)
International shares	42.0% (20-50%)
Listed Property	0% (0-10%)
Fixed interest	17.0% (0-30%)
Cash	13.0% (0-30%)



Conservative Balanced

Australian shares	15.0% (5-35%)
International shares	24.0% (5-35%)
Direct property	6.0% (0-25%)
Infrastructure	10.0% (0-25%)
Private equity	2.0% (0-5%)
Credit	4.0% (0-25%)
Fixed interest	27.0% (0-40%)
Cash	12.0% (0-30%)
Other	0% (0-5%)



Stable

Australian shares	9.0% (0-20%)
International shares	13.0% (0-20%)
Direct property	6.0% (0-15%)
Infrastructure	10.0% (0-20%)
Private equity	0.0% (0-3%)
Credit	4.0% (0-25%)
Fixed interest	32.0% (0-45%)
Cash	26.0% (0-50%)

Major shareholdings and total fund exposure

Top 20 Australian Shareholdings as at 30 June 19

Holding	% Sector
Commonwealth Bank Of Australia	8.30%
BHP Group Ltd	7.27%
CSL Ltd	5.92%
Westpac Banking Corp	5.58%
Australia & New Zealand Banking Group Ltd	4.54%
Transurban Group	4.28%
National Australia Bank	4.09%
Woolworths Group Ltd	3.55%
Wesfarmers Ltd	2.99%
Rio Tinto Ltd	2.75%
Woodside Petroleum Ltd	2.47%
Telstra Corp Ltd	2.23%
Insurance Australia Group Ltd	1.89%
Macquarie Group Ltd	1.76%
QBE Insurance Group	1.67%
Tabcorp Holdings Ltd	1.63%
Amcor Ltd/Australia	1.45%
Origin Energy Ltd	1.44%
Coles Group Ltd	1.39%
ASX Ltd	1.35%

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

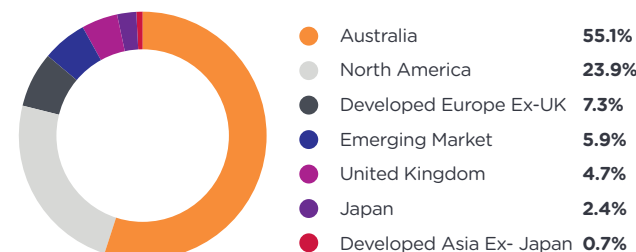
<https://www.australiansuper.com/investments>

International Equity Country Holdings as at 30 June 2019

Country	Actual Weights%	Country	Actual Weights%
Argentina	0.001%	Macao, SAR China	0.001%
Australia	0.077%	Malaysia	0.141%
Austria	0.044%	Malta	0.000%
Belgium	0.559%	Mexico	0.200%
Bermuda	0.082%	Netherlands	2.731%
Brazil	0.955%	New Zealand	0.498%
Canada	1.133%	Norway	0.091%
Cayman Islands	0.000%	Pakistan	0.003%
Chile	0.009%	Panama	0.026%
China	5.788%	Philippines	0.020%
Colombia	0.027%	Poland	0.035%
Denmark	0.699%	Portugal	0.017%
Egypt	0.005%	Russia	0.611%
Faroe Islands	0.000%	Singapore	0.265%
Finland	0.159%	South Africa	0.777%
France	5.530%	South Korea	1.148%
Germany	2.094%	Spain	0.556%
Hong Kong	0.811%	Sweden	0.154%
Hungary	0.036%	Switzerland	4.316%
India	1.790%	Taiwan	1.204%
Indonesia	0.225%	Thailand	0.306%
Ireland	0.155%	Tunisia	0.000%
Israel	0.513%	Turkey	0.049%
Italy	0.596%	United Kingdom	7.286%
Japan	4.308%	United States	53.618%
Luxembourg	0.352%		100.000%

Total Fund exposure as at 30 June 2019

AustralianSuper invests over \$166 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 2019, we have more than \$90 billion invested in domestic assets and approximately \$76 billion in international assets as seen in the chart on the right.



Investment managers

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

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

As at 30 June 2019, the following combination of investments represented more than 5% of total Fund assets: IFM Investments: 26.73%

Investment Managers as at 30 June 2019

Investment Managers	Sector	Total value ('000)
AustralianSuper Internal Investments	Australian Equities	21,878,806
Industry Funds Management Pty Ltd	Australian Equities	14,866,960
Member Direct	Australian Equities	1,419,320
Perpetual Investment Management Ltd	Australian Equities	270,844
Industry Funds Management Pty Ltd	Cash	33,934,100
AustralianSuper Internal Investments	Currency Overlays	635,223
AustralianSuper Internal Investments	Fixed interest	11,336,689
AXA Investment Managers Asia (Singapore) Ltd	Fixed interest	298,526
Barings LLC	Fixed interest	256,701
Bentham Asset Management Pty Ltd	Fixed interest	28,232
Brandywine Global Investment Management LLC	Fixed interest	3,137,229
Fidante Partners	Fixed interest	144,091
Henderson Global Investors (Australia)	Fixed interest	1,623,067
Industry Funds Management Pty Ltd	Fixed interest	1,895,779
JamiesonCoote Bonds Pty. Ltd.	Fixed interest	2,009,087
Marathon Asset Management	Fixed interest	1,202,157
MaxCap Group Pty Ltd	Fixed interest	321,112
ME Portfolio Management Limited	Fixed interest	24,160
Oak Hill Advisors L.P.	Fixed interest	414,583
The Putnam Advisory Company, LLC	Fixed interest	1,669,898
Western Asset Management Australia Pty Ltd	Fixed interest	1,860,183
Vanguard Investments Australia Ltd	Indexed Diversified	620,890
AustralianSuper Internal Investments	Infrastructure	8,566,462
Industry Funds Management Pty Ltd	Infrastructure	8,613,596
Alphinity Investment Management Pty Ltd	International Equities	1,175,811
AustralianSuper Internal Investments	International Equities	23,183,487
Baillie Gifford Overseas Ltd	International Equities	7,185,855
Causeway Capital Management LLC	International Equities	434,030
Dimensional Investment Advisors	International Equities	1,020,074
GQG Partners LLC	International Equities	1,159,457
Harris Associates L.P.	International Equities	3,499,397
Jackson Square Partners, LLC	International Equities	4,083,567
LSV Asset Management	International Equities	1,677,342
MFS Institutional Advisors Inc	International Equities	5,917,488
Orbis Investment Management Limited	International Equities	3,610,100
Wells Capital Management Incorporated	International Equities	141,580

Investment managers

Investment Managers as at 30 June 2019

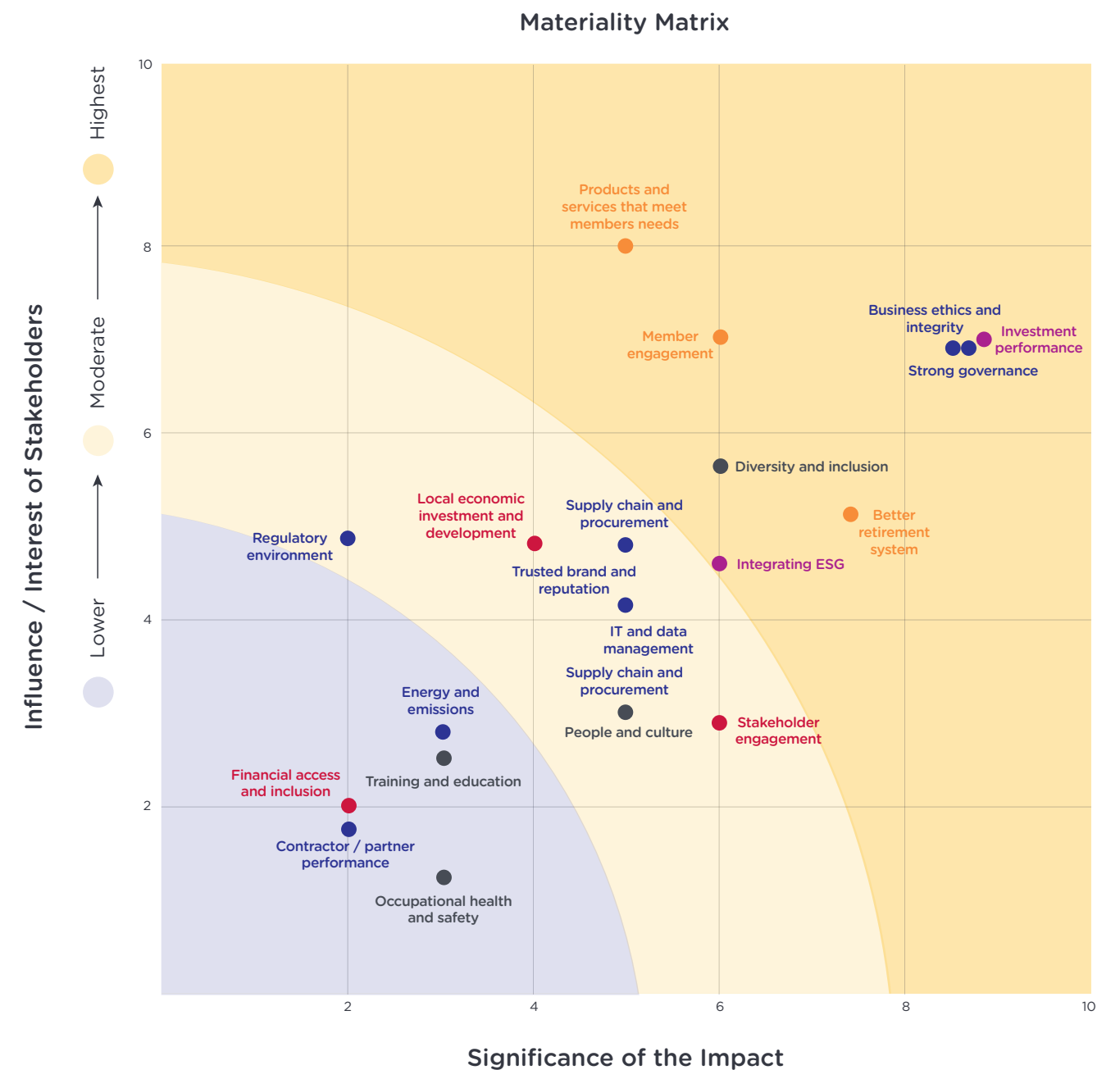
Investment Managers	Sector	Total value ('000)
Airtree Ventures Pty Ltd	Private Equity	75,735
AustralianSuper Internal Investments	Private Equity	4,641,043
Brandon Capital Partners	Private Equity	45,575
Frontier Investment Consulting Pty Ltd	Private Equity	1,571
Industry Funds Management Pty Ltd	Private Equity	311,274
Industry Super Holdings Pty Ltd	Private Equity	198,345
Members Equity Bank Pty Limited	Private Equity	255,769
AMP Investment Funds	Property	4,389
AustralianSuper Internal Investments	Property	5,019,776
Franklin Templeton Investments Australia Limited	Property	2,299
ISPT Pty Ltd	Property	4,133,969
Macquarie Specialist Asset Management Limited	Property	297
Primewest Industrial Income Trust	Property	2,067
QIC Property Funds Pty Ltd	Property	1,975,866
Russell Real Estate Advisors Inc.	Property	6,957
AustralianSuper Internal Investments	Reserves	773,479

What matters to stakeholders

AustralianSuper's stakeholders are vital to the Fund's ongoing growth and success. Major stakeholders include members, employer groups, regulators, unions, major suppliers and staff.

A range of external stakeholders* were interviewed to determine what they thought the material issues were for AustralianSuper, which has helped shape the content of this annual report.

The issues highlighted as material by these stakeholders are outlined below.



*Member feedback was ascertained through the Fund's market research program.

Definitions / important information

This annual report was issued in 2019 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. 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 controls in place, and clearly defines the parameters within which derivatives can be used through the investment managers Investment Management Agreement. The Fund confirms that the Derivatives Cost Ratio did not exceed 5% at any time during the 2018-2019 year.

Transfer of account

AustralianSuper may transfer your account if you have less than \$6000 in your account and we have not received contributions for you for at least 12 months. AustralianSuper may transfer your account to AUSfund or to the ATO, with all qualifying accounts to be transferred to the ATO only from 01 July 2019.

AUSfund is an eligible rollover fund into which lost super fund members or members with small inactive accounts may be transferred. If your account is transferred to AUSfund, you'll no longer be a member of AustralianSuper and any insurance cover you had with AustralianSuper will cease.

To contact AUSfund, visit ausfund.com.au or call 1300 361 798 or write to Locked Bag 5132, Parramatta, NSW, 2124.

By law, AustralianSuper must transfer lost member super accounts that have a balance below \$6,000, or have been inactive for 12 months, to the Australian Taxation Office (ATO). New legislation also means that we may have to transfer accounts that have received no payments for 16 months in a row and have a balance below \$6,000 even if that member is not 'lost'. We will write to you explaining your options before that happens. There are other circumstances where an account may be transferred. To find out more, visit www.ato.gov.au

Privacy and compliance

During the year, two data breaches were reported to the Privacy Commissioner (OAIC) as a Notifiable Data Breach. However, during the year, there were no determinations made by the Privacy Commissioner (OAIC) that AustralianSuper had breached the Privacy Act. AustralianSuper has not been subject to any 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 tax. For the Retirement options, there is an adjustment for tax credits.

For the Property Option benchmark: From 1 Jan 2019, the benchmark is the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index (60%), MSCI/AREF UK Quarterly Property Fund Index*(20%) hedged to AUD and NCREIF Fund Index – Open End Diversified Core Equity*(20%) hedged to AUD. The two indices with asterisks are hedged to \$AUD by AustralianSuper.

- 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

About this report

This report follows the Global Reporting Initiative standards, so that we can assess the potential impacts of a wide range of sustainability issues. It also provides us greater transparency with respect to communicating our economic, environmental, social and governance performance.

In determining the content of the report, the internationally accepted, principles-based AccountAbility 5-part test was applied to perform materiality testing. This is a leading methodology used for sustainability-related reporting and assurance engagements and included a review of: AustralianSuper's risk register and framework, organisational policies and protocols, stated commitments and declarations regarding sustainability, a peer review, a media review and consideration of stakeholder views.

Internal and external stakeholder interviews were undertaken to determine what was considered material. This helped to prioritise the content of the 2018-19 Annual Report and to ensure that AustralianSuper proactively manages the expectations of key stakeholders.

Member statements

The member case studies linked to the online version of this report are of actual members. The statements made by AustralianSuper members have been reproduced with the members' continuing consent.

Access



This report is available online through the AustralianSuper website.

All care is taken to ensure this information is correct at the date of publication. Any errors or misprints will be corrected by the Trustee in later reports.



Annual Report 2018-19

How to contact us

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AustralianSuper has offices in:

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Canberra

Darwin

Hobart

Perth

Sydney

Beijing

London

New York