




2019-20 ANNUAL REPORT

Navigating the journey

An aerial photograph of a desert landscape, showing a vast expanse of orange-brown sand dunes interspersed with small, dark, scrubby bushes. The lighting creates strong shadows, emphasizing the texture of the sand and the ruggedness of the terrain.

Retirement means different things to different people, but you can be assured we'll help you navigate your journey to your best possible retirement outcome.



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're available 8am to 8pm weekdays AEST/AEDT

Messaging

You can message us 24/7 through our AustralianSuper Mobile App and Facebook Messenger and chat with ASH (AustralianSuper Helper Bot) and our contact centre agent staff.

Web Messaging is also available on our website through the contact us page (australiansuper.com/contact-us) between 8am and 8pm AEST/AEDT weekdays.

Seminars

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

Face-to-face*

For more complex advice, meeting with an accredited adviser can help if you'd like 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 you, or a family member, to talk to someone about your super in the language you understand best. Call us on **1300 300 273** between 8am and 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).

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Welcome

Every journey benefits from the right information at the right time. AustralianSuper is committed to open and transparent communication with you to guide and help you achieve your best possible retirement outcome.

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Message from the Chair, Dr Don Russell

I am pleased to present AustralianSuper's 2019-2020 Annual Report. Reflecting on the challenges we have all faced during one of the most tumultuous years in recent history, the Fund's achievements and the positive outcomes we've delivered to members, reaffirm the privilege it is to be Chair of AustralianSuper.

DR DON RUSSELL
Chair



An extraordinary year

This financial year brought into sharp focus the importance of superannuation in the lives of Australians and our economy.

For much of the year, many in the financial services sector were focused on rebuilding trust in light of the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

As the COVID-19 pandemic began to spread around the world and governments' responses to the health emergency impacted economies, investors were faced with levels of investment market volatility not seen for decades.

Despite these concerns, our returns were pleasing, with the Balanced investment option returning a positive result of 0.52%.

This year AustralianSuper welcomed 400,000 new members, the most ever, as Australians voted with their feet by giving us the responsibility for the stewardship of their retirement savings.

Our purpose of delivering you your best possible retirement outcome means we strive to ensure you have enough savings to live comfortably and confidently in retirement. In an increasingly uncertain world, we believe it is important you understand you have some control over your life and feel that through your own actions, like saving for your retirement through super, you're well equipped to manage your future.

In addition, as investors with a long-term investment horizon, AustralianSuper helps provide stability to markets and capital for economic growth.

Looking ahead

There is no doubt that the current uncertainty will continue in our lives for some time to come.

In this environment I would like to reassure members that AustralianSuper will continue to invest prudently on your behalf, advocate for an equitable and sustainable superannuation system that delivers adequate outcomes for all and, as one of the largest investors in the Australian economy, continue to play a leading role in the post-COVID-19 economic recovery.

The Board is focused on positioning AustralianSuper strongly for the future.

With the Fund's current strategic plan concluding at the end of financial year 2021, we are currently developing a new long-term strategic plan, including how we will position the Fund to deliver positive outcomes for members into the future.

The Board is also focused on the health, wellbeing and positive culture of the AustralianSuper team. Like many of you, our team are juggling new working environments, routines and responsibilities.

Changes to the Board

During the year there were several changes on the Board, with Heather Ridout, Grahame Willis and Paul Bastian resigning as Directors. On behalf of the Board I thank them for their contributions to AustralianSuper over many years. I am particularly grateful to Heather Ridout for her leadership of the Fund over the last 12 years, including as a Board member and Chair. I am very pleased members will continue to benefit from her expertise and experience as a member of the Investment Committee.

We also welcomed John Dixon, Claire Keating and Glenn Thompson as new Directors whose additional skills and capabilities complement those already present on the Board. Pleasingly, this transition was completed by January 2020, ensuring the Board was in a good position to guide the Fund through the onset of COVID-19.

Thank you

On behalf of the Board I would like to acknowledge and thank our leadership team and all our colleagues whose focus on delivering the best outcomes for members has not wavered despite the upheaval COVID-19 has brought to all our lives.

I would also like to thank my fellow directors for their insightful and considered contributions to the discussions and decisions that have shaped AustralianSuper this year.

Finally, I would like to thank all AustralianSuper members for your trust and support. It has been a difficult and anxious year for many of us and I hope our actions over the past year leave you reassured that AustralianSuper remains steadfastly by your side to help you achieve your best retirement outcome.

Message from the Chief Executive, Ian Silk

Despite the massive uncertainty in our community and economy, AustralianSuper has delivered members another year of positive returns. I hope you find reassurance in the enduring nature of superannuation to provide for your future, and the commitment AustralianSuper has to helping you achieve your best possible retirement outcome.

IAN SILK
Chief Executive



In speaking with members in recent months, the sense of insecurity many of you are facing has been clear. This includes concern for the health and wellbeing of your families, the security of your income and employment, your children and grandchildren's education, your long-term investment returns and the impact on your retirement.

The AustralianSuper team continues to focus on ensuring you achieve your best possible retirement outcome. This report presents a wide range of information on our activities so you can feel confident about your future.

Investment returns

The Balanced investment option, where most AustralianSuper members invest, returned a positive result of 0.52% for the financial year. Given the unprecedented investment market volatility and economic uncertainty, this was a relatively pleasing result. In comparison the median balanced fund lost 0.82%.¹

Over the more important longer periods, AustralianSuper's Balanced option has delivered an average 6.65% per year over the last three years, and an average 8.77% return every year for the last ten years.

This year, AustralianSuper's Balanced investment option was ranked first over five, ten and 15 years.¹

While no-one could have foreseen the COVID-19 pandemic and its unprecedented impact on global investment markets, the Fund had been anticipating an end to the long run of strong positive investment returns. We had actively taken steps to position the investment portfolio to continue to deliver strong long-term returns and minimise the negative effects of a downturn on members' retirement savings.

Jim Craig (Investment Committee Chair) and Mark Delaney (Chief Investment Officer) provide more details about investment markets and the outlook later in this report.

Working for members

Since the onset of the pandemic, the AustralianSuper team has been able to assist members in a number of ways.

For over 360,000 members in immediate need, we provided payments through the COVID-19 temporary early release to super program, with 97% of payments made within five days.

Colleagues were redeployed to our member services teams to increase the support available to respond to the large number of enquiries from members.

We provided more material and updates across our communication channels to help members access the information they needed.

Recognising the unique circumstances many businesses have been experiencing we also provided additional information and support to help them quickly understand and manage their superannuation obligations.

Like many organisations, we relocated all staff from our offices around Australia, and those in London and Beijing, to work from home. We supported them with the technology and connectivity to enable them to safely and productively continue their work.

AustralianSuper has always been a strong supporter of flexible working and I am immensely proud of how our staff have remained focused on delivering for members, while managing the impacts of isolation, home schooling, additional caring responsibilities and their own concerns for family and friends.

And a broader contribution

As a member-based superannuation fund our key obligation is, of course, to always act in members' interests — and our commitment to doing that will never change. The Fund's strong investment track record is evidence of that.

As the nation's largest superannuation fund we are able to act in ways where we seek to maximise your long-term savings, while also making a broader contribution to the community and economy. The sustainability of the fund is linked to our capacity to provide strong member returns, whilst also creating positive environmental, social and governance (ESG) change. Our commitment to driving strong ESG outcomes through our investments, and responsibly managing ESG impacts in our operations, contribute to long-term value creation for our members, employees and the wider community.

¹ SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2020.

AustralianSuper has also provided capital to many start-up companies to help them start and build businesses that will hopefully become large, successful companies. We have invested in affordable housing projects which provide modestly-priced housing. We have invested in large-scale infrastructure which is part of the essential building blocks of a modern society, and sought to influence businesses we invest in to operate in ways consistent with modern community expectations which will provide long-term value for investors.

All these types of investments and advocacy are aimed at improving your financial situation, and we believe they also represent a broader positive contribution to our community.

Superannuation policy

Allowing members to access up to \$20,000 of their superannuation was an extraordinary policy response by the Federal Government to the extraordinary circumstances of COVID-19.

I understand the real and immediate financial stress many members have faced as a result of the COVID-19 pandemic.

However, many may never overcome the negative effect of reducing their superannuation balances. This includes withdrawing funds during the market downturn, and missing the benefits of compound interest over the long term.

Superannuation is a long-term investment and the system has been specifically developed to maximise members' savings over the long term.

With increasing life expectancy, and the early release program stripping many members' accounts, we believe the case for the Superannuation Guarantee (SG) to be increased in line with existing legislation is very strong.

The scheduled increase of 0.5% in July 2021 will increase the SG to 10% as part of the legislated program to increase the SG to 12% by 2025.

These small amounts will be a vital step towards helping members build and rebuild super balances so that they can enjoy a comfortable lifestyle in retirement.

Given wage growth has been stagnant for the better part of a decade, arguments to defer the SG increase to allow for wage increases, or to reduce costs on business so they employ more people, are not supported by real-world evidence.

AustralianSuper supports the already-legislated arrangements so that you receive 12% super contributions by 2025.

Welcome to our new Chair

I am pleased to welcome Dr Don Russell as the new Chair of AustralianSuper. Don brings deep experience in public service, policy and commercial fields to the Fund.

Thank you

I want to thank Don and the other Directors for their leadership and direction of the Fund including through the unprecedented times of the last several months.

I also wish to express my thanks and gratitude to the very talented members of the AustralianSuper Executive team and all our truly dedicated colleagues who have worked tirelessly to deliver the best possible results for members. The hard work and dedication of everyone at the Fund has been particularly evident over the last six months as we managed the Fund through the extraordinary period of the pandemic.

I would like to thank you for entrusting AustralianSuper with your retirement savings and allowing us to assist you in navigating your future.

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

Highlights

Trusted

Voted most trusted superannuation brand¹

No 1

AustralianSuper's Balanced investment option was ranked first over five, ten and 15 years²

8.77% p.a.

Average return each year on Balanced investment option for the ten years to 30 June 2020

7th

Ranked seventh in the RepTrak Reputation Index³

\$200 m+

in annual savings from the Fund's internal investment management capability

-17% fees

Balanced investment option's total fees reduced from 0.6% to 0.5%

A+

from the Principles of Responsible Investing Assessment report⁴

400,000+

new members joined the Fund

\$90 bn+

invested in Australia

8 years

Workplace Gender Equality Agency Employer of Choice for Gender Equality eight years in a row

1 Readers' Digest Most Trusted Brands survey 2020.
2 SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2020.
3 RepTrak.
4 PRI Assessment report 2020, A+ rating for Overarching Approach to Responsible Investment Strategy and Governance and Listed Equity-Active Ownership.

About AustralianSuper

As the largest superannuation fund in Australia and one of the largest in the world, our sole focus is to help you achieve your best possible retirement outcome.

AustralianSuper is the largest superannuation fund in Australia and one of the largest in the world! We manage the retirement savings of more than one in ten working Australians.

Long-term investment performance is consistently strong with the Balanced investment option, where most members invest. The option ranked first over five, ten and 15 years.² Fees are among the lowest in the industry.³

Members First

Putting your interests first is at the centre of everything we do — from investments, products and services, help and guidance, to the way we recruit and recognise our colleagues.

Run only to benefit members

All profits are returned to members through better net returns. No dividends are paid to shareholders nor commissions paid to people to recommend the Fund.

Products, services and experience

Improving how members experience AustralianSuper is a key focus for the Fund. We aim to have the right mix of products and services to suit you; whether you're starting out in the workforce, changing jobs, starting a family or approaching or in retirement.

Accounts and options

We offer super and pension accounts as well as Transition to Retirement (TTR) options.

You can choose from 12 different investment options designed to suit a hands-on investor or someone who's happy to leave investment decisions to the Fund's investment team.

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Insurance

Most members receive basic insurance cover with their super account. This provides a basic level of protection if you die or become ill or injured. You can adjust the type and level of cover at any time.

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Keeping in touch

To support a large and diverse membership we have a wide range of communication options including phone, email, letter, website, chat, Messenger and the AustralianSuper App.

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A lifetime of help and guidance

Everyone's journey to and through retirement is unique. We offer a range of help and advice from information, online learning and tools on the website, to education seminars and comprehensive financial advice.

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Investment and performance

As a large global investor we invest in a mix of quality assets to grow your savings over time. With over 170 investment professionals here and overseas, the Fund is well positioned to continue to deliver long-term growth.

Scale and long-term thinking

The Fund's size enables us to capture economies of scale to reduce overall costs. It also allows us unique access to attractive, large-scale investment opportunities. Along with a long-term investment horizon, we are able to invest in illiquid assets, which over time enhance the performance of the investment portfolio.

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Large and growing

AustralianSuper continues to experience significant growth in assets, with over 400,000 new members and net fund inflows of over \$17 billion in the 2020 financial year.

Top performance

The Balanced investment option, where most members invest, has delivered sustained top performance:

- › 0.52% over one year
- › 6.65% average each year over three years
- › 8.77% average each year over ten years.

AustralianSuper's Balanced option outperformed the median fund over all periods and ranks:²

- › #1 over five years
- › #1 over ten years
- › #1 over 15 years.

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1 Willis Towers Watson.
2 SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2020.
3 SuperRatings SMART database as at 15 September 2020.

Better outcomes

In delivering better outcomes for members, AustralianSuper’s activities also have a positive impact on the industry, the economy and society.

Responsible investing

Investing responsibly means being active on environmental, social and governance (ESG) issues today, so we can deliver strong performance for decades to come. Improved performance on ESG issues in companies and assets is good for members’ investments as well as other stakeholders.

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Supporting the Australian economy

With over \$90 billion invested in Australia, AustralianSuper members are supporting Australia’s economic growth, jobs for Australian workers, and future prosperity.

Through your super you invest in:

- › ASX-listed companies
- › unlisted Australian companies
- › large infrastructure projects and assets
- › commercial property assets
- › Government and corporate bonds, and
- › direct loans to Australian companies.

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Trust and trusted

We recognise the trust you place in us as stewards of your retirement savings. This drives our commitment to ethical behaviour, accountability and transparency at all levels.

We’re proud to have been voted the most trusted superannuation brand for eight years in a row⁴ and commit to keep doing what we can to continue to earn that trust.

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4 Readers’ Digest Most Trusted Brands survey 2020.

At a glance

Over 2.3 million members

More than 330,000 businesses contribute to the Fund

40 years The average age of an AustralianSuper member

Over \$182 billion of members’ assets as at 30 June 2020

\$90 billion invested in Australia

9.37% Average annual investment return per year since inception in 1985⁵

5 Based on the AustralianSuper Balanced investment option compared to the SuperRatings Fund Crediting Rate Survey — SR50 Balanced (60–76) Index, periods to 30 June 2020. Returns from equivalent investment options of the ARF and STA super funds 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.





Delivering for you

Wherever you are in your journey to and in retirement, AustralianSuper offers a range of products and services to help you make the most of it.

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Products and services

AustralianSuper strives to ensure our products and services meet the changing needs of members now and in the long run.

Your services

This year saw an extremely high level of activity as members and businesses sought our help to navigate the uncertainty brought by the COVID-19 pandemic.

Early release of superannuation

As at 30 June 2020, AustralianSuper helped over 360,000 members access their super through the government's temporary early release of super arrangements. We made almost \$2.7 billion in payments, of which 97% were made within five days.

Help and guidance

The Fund maintained critical member service channels during an unprecedented 300% rise in member queries.

Colleagues were redeployed to ensure your queries, especially around investment performance and early release of super, were addressed as quickly as possible.

We recognise that the level of queries exceeded our ability to deal with the demand consistent with our normal standards, and we apologise to those who had to wait for longer to have their query addressed.

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Service improvements

This year we began to comprehensively review member services and develop a new Service Strategy. The Strategy's initiatives will be implemented over the next four years to meet your changing needs.

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New super projections calculator

This new calculator helps you:

- › work out if you will have enough retirement savings for your needs
- › estimate how long your super could last
- › see the difference adding to super now could make to your retirement in the long run.

We quickly updated the calculator following the announcement of the temporary early release of super arrangements so you could see the impact of withdrawing up to \$20,000 in super early on your balance at retirement.

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AustralianSuper/Monash University Retirement Confidence Index (RCI)

Started in 2017, the RCI surveys over 3,000 Australians a year. It's the first study to provide an in-depth understanding of how Australians think, feel and behave as they approach or experience retirement.







This year, to accompany the RCI results, we launched a new Retirement Tool to help you better prepare for retirement.

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Mobile app

Over 744,000 members have downloaded the app, with over 18 million sessions last year.

Features allow you to:

-  be notified when a payment goes into your super account
-  view your account balance and fees
-  contribute more into your super via Direct Debit or BPAY
-  view your insurance cover and more
-  change the way your account is invested
-  update your account details.

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Championing your interests

Advocating

AustralianSuper advocates for sustainable and equitable public policy in superannuation and financial services. We write submissions to public inquiries and proactively engage with a range of stakeholders and regulators including APRA, ASIC and the ATO. We also work with industry associations including Industry Super Australia, Australian Institute of Superannuation Trustees and the Association of Superannuation Funds of Australia.

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Unpaid super

While most employers meet their super obligations, it's estimated over 2.85 million Australians might be missing out on up to \$6 billion in super.¹

When we identify cases of unpaid super we work with employers to help rectify the situation to ensure you receive the super you're entitled to. Options include a repayment plan if you're experiencing short-term cash flow issues or agreement that payment will be made after selling an asset.

This year, AustralianSuper collected over \$20 million in unpaid super on behalf of 38,556 members while continuing to help educate businesses and remind them of their obligations.

Increasing super for disabled workers

In late 2019 we helped to increase super payments for disabled workers. This was an important part of our advocacy for vulnerable and financially disadvantaged members.

Fees

Lower investment fees

AustralianSuper's fees are still among the lowest in the industry. The investment fee on the MySuper Balanced investment option has reduced from 0.60% in financial year 2018-19 to 0.50% for the financial year 2019-20. This represents a 17% total fee reduction, and a 33% total fee reduction on the Balanced investment option since 2017.

From 1 April 2020 we applied a new component to the administration fee to super (accumulation) accounts to offset the impacts of the Federal Government's Protecting Your Super changes, which came into effect on 1 July 2019. The fee is based on a member's account balance and is variable (up to a maximum of 0.04% per year). It is deducted from daily investment returns before they're added to the account.

Responsible investing

We believe investing in companies with good environmental, social and governance (ESG) management provides you with better long-term returns.

ESG management is an integral part of our Active Owner Program and is embedded across our investment decision-making framework.

This year, AustralianSuper's Principles of Responsible Investment (PRI) assessment report achieved an A+ rating for Overarching Approach to Responsible Investment Strategy and Governance, and Listed Equity-Active Ownership.

We were also recognised as a leader in responsible investment in the Responsible Investment Association Australasia's (RIAA) 2020 Responsible Investment Benchmark Report Australia.

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Trusted financial advice

AustralianSuper is committed to helping you create the future you want. This journey starts with knowing the available options and then getting the right financial advice at the right time.

You can get phone help and advice about super, investment choice, insurance and retirement planning, often at no additional cost. For more comprehensive personal financial advice, you can meet a financial adviser 'face-to-face'. Needless to say, as we deal with COVID-19, 'face-to-face' now means 'online'.

The principle guiding the financial advisers who work with AustralianSuper members is to put your interests first. The Fund does not pay advisers incentives, bonuses or commissions.

In 2019-2020, over 16,700 members contacted the Fund for help and advice, a 20% increase from last year.

Personalised Statements of Advice were provided to 8,153 members. A further 3,850 received written general advice on retirement options, account consolidation and super health checks.

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¹ Industry Super Australia: Super Scandal: Unpaid Super Guarantee 2016-17, 3 May 2019.

Education services for you

Along with financial advice, AustralianSuper members have access to our range of member education services — from seminars and presentations, online interactive webinars and workplace education. Guided by members' preferences, our topics include:

- › financial literacy
- › superannuation and insurance basics
- › estate planning
- › how to save more super
- › helping your retirement savings last longer
- › transitioning to retirement
- › mental and physical wellness in retirement.

COVID-19 restrictions saw our education team quickly pivot to producing new content such as pre-recorded videos, Facebook posts and webinars. This approach has been well received with a 20% increase in participation. We'll use the lessons we've learnt from this success to further improve and evolve our digital education programs.

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The right insurance

AustralianSuper uses its size and scale to provide you with the best possible insurance cover.

Affordable insurance

The Fund reviews its insurance every year to make sure your needs are being well catered for. We aim to:

- › provide a default level of cover that meets basic insurance needs without unduly eroding members' retirement balances
- › work with the insurer to negotiate discounted bulk rates
- › ensure you only pay for the costs of providing insurance
- › provide flexibility so you can make changes to your cover whenever you want, to ensure it keeps meeting your needs.

Improving our claims process

We understand that making an insurance claim can be financially and emotionally challenging, so we aim to:

- › pay all legitimate claims as quickly as possible
- › make the claims process easy
- › be there to help at every step of the way.

In the 2019-2020 financial year, the Fund paid 9,813 claims to members and their families, representing over \$470 million.

Grief Support Service

This year we added a Grief Support Service to help individuals work through the struggles that are associated with the death of a loved one or the diagnosis of a terminal illness. This service means you can access up to three free counselling sessions.

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Risk management

AustralianSuper manages risks with your best interests in mind.

The Fund's best-practice approach and well-established processes put us in a strong position to deal with a very challenging year.

Our risk team continue to evolve their approach within our increasingly complex and dynamic operating environment.

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Cyber security

AustralianSuper has a key focus on the growing issue of cyber security. We ensure we have the systems and processes to keep your data and information safe. We also provide tips on how you can keep your information secure.

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Tax transparency

This year the ATO gave AustralianSuper its highest rating: Justified Trust. This followed the Top 100 Assurance Review Program that saw the ATO comprehensively review the Fund's tax affairs.

The ATO's Justified Trust status means the Fund has fully paid its Australian income tax for the reviewed year. This recognition reflects the Fund's diligent approach to governance and tax management.

What we invest in

We never forget that we invest on behalf of you. We publish a full list of investments each year as at 30 June and 31 December to help you understand where we've invested your super. Investments are listed by investment option and can be sorted by asset class, name and amount.

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“Because it’s your
money, for your future.”
Kiran, member

Our COVID-19 response

While the swift onset of the COVID-19 pandemic resulted in uncertainty and anxiety across the community, AustralianSuper responded quickly to prioritise member needs and our colleagues' welfare.

The impact of COVID-19 has implications on how AustralianSuper invests, operates and provides services to members.

Despite this, our people, systems and processes remain focused on delivering you your best possible retirement outcome.

Protecting our colleagues and the community

AustralianSuper began operating remotely within days of COVID-19 being declared a pandemic.

As a strong supporter of workplace flexibility, we were already well set up to support the transition to remote working arrangements. These were quickly extended across the organisation including all Australian and overseas offices.

We provided our colleagues with the equipment and connectivity they needed to safely and productively work from home. We increased the frequency of our forums, updates and communications so teams could continue hearing from, learning from, and interacting with each other.

Other initiatives implemented included support programs, pandemic leave and relief arrangements for colleagues directly impacted by COVID-19.

Collaboration remains high and re-prioritisation of activities continues as we adjust to ensure we continue to meet members' needs and the wellbeing of all colleagues.

Continued focus on investing

A key part of prudently managing members' retirement savings is constant scenario testing. While no-one foresaw COVID-19's extraordinary impact on global investment markets, AustralianSuper had been planning for an end to the long run of strong positive investment returns. As at 30 June 2020, this focus saw AustralianSuper's Balanced investment option ranked first over five, ten and 15 years.¹

The disciplined investment processes of our 170-strong investment team remain unchanged. Our team continues to source and analyse relevant information, including real-time data and key economic indicators to actively make investment decisions that minimise the impact of current volatility while positioning the portfolio for growth in the long term.

We continue to effectively manage members' investments to deliver strong long-term returns and support the Australian economy through the \$90 billion invested in Australia, which includes shares in companies, property and infrastructure like ports, roads and energy networks.

Member support, help and guidance

Recognising the uncertainty members were experiencing at the onset of COVID-19, the Fund moved quickly to provide valuable information and support. This included:

- › significantly increasing online information for quick and easy answers to questions
- › details and information on financial support options and a retirement savings calculator for members considering accessing their super early
- › redeploying colleagues to the member services teams to respond to the large increase in enquiries
- › more frequent communication through emails from the Chief Executive and other senior leaders
- › hosting educational seminars online and introducing different formats for topical issues, like three minute 'explainer' videos and 15-minute webinars
- › taking face-to-face financial advice appointments online.

Up to 30 June 2020 we'd provided over 360,000 members with payments through the COVID-19 temporary early release of super program. Of these, 97% were made within five days.

Looking ahead

As our collective journey towards recovery continues, AustralianSuper will stay keenly focused on your needs now and in the long run.

¹ SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2020.

Simple, affordable insurance

AustralianSuper provides most members with basic insurance cover with their super account. This cover provides a basic level of protection if you die or become ill or injured.

Member education on insurance

AustralianSuper continues to improve member education on insurance in superannuation. The Fund hosted over 800 presentations in the past year which covered a range of insurance topics. These included: choosing the right insurance and the right level of cover for your needs; basics of insurance and costs; how to claim on your insurance; automatic acceptance levels; work ratings; how to change your insurance and the impact of new legislation.

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. This has been demonstrated through research.¹

The Fund's approach is to fully embed our rehabilitation program for Income Protection claims. This means all Income Protection claims are now reviewed at the start of the claim to identify suitability for rehabilitation support.

This year, the Fund assisted 2,161 members in lodging claims with return to work support. There were 2,391 Income Protection claimants who returned to work this year on a partial or full-time basis, who had lodged claims this year and in the previous financial year.

Total & Permanent Disablement (TPD) claims

In 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.

Cost of insurance

As a result of its annual review of insurance pricing, AustralianSuper increased the cost of insurance this year.

The price rise is a result of an increase in the number of claims and the amount of money paid out to members over the past year.

Even with the increase in insurance costs, AustralianSuper is still cheaper for members now compared to ten years ago when total costs, including administration fee, investment fee and insurance costs, are considered. Total costs for a 45-year-old member with a balance of \$50,000 in 2010 were \$946, compared to the current lower total cost of \$921.²

AustralianSuper makes no profit from providing insurance to members. This is one of the most cost-effective ways for members to access the benefits of insurance.

From 30 May 2020, the cost for Industry Division members has risen by an average of 12.1% across death, TPD and default Income Protection, and for Public Sector Division members by 10.7%.

The claims acceptance rate for insurance through AustralianSuper for the year to June 2020 was 97%.

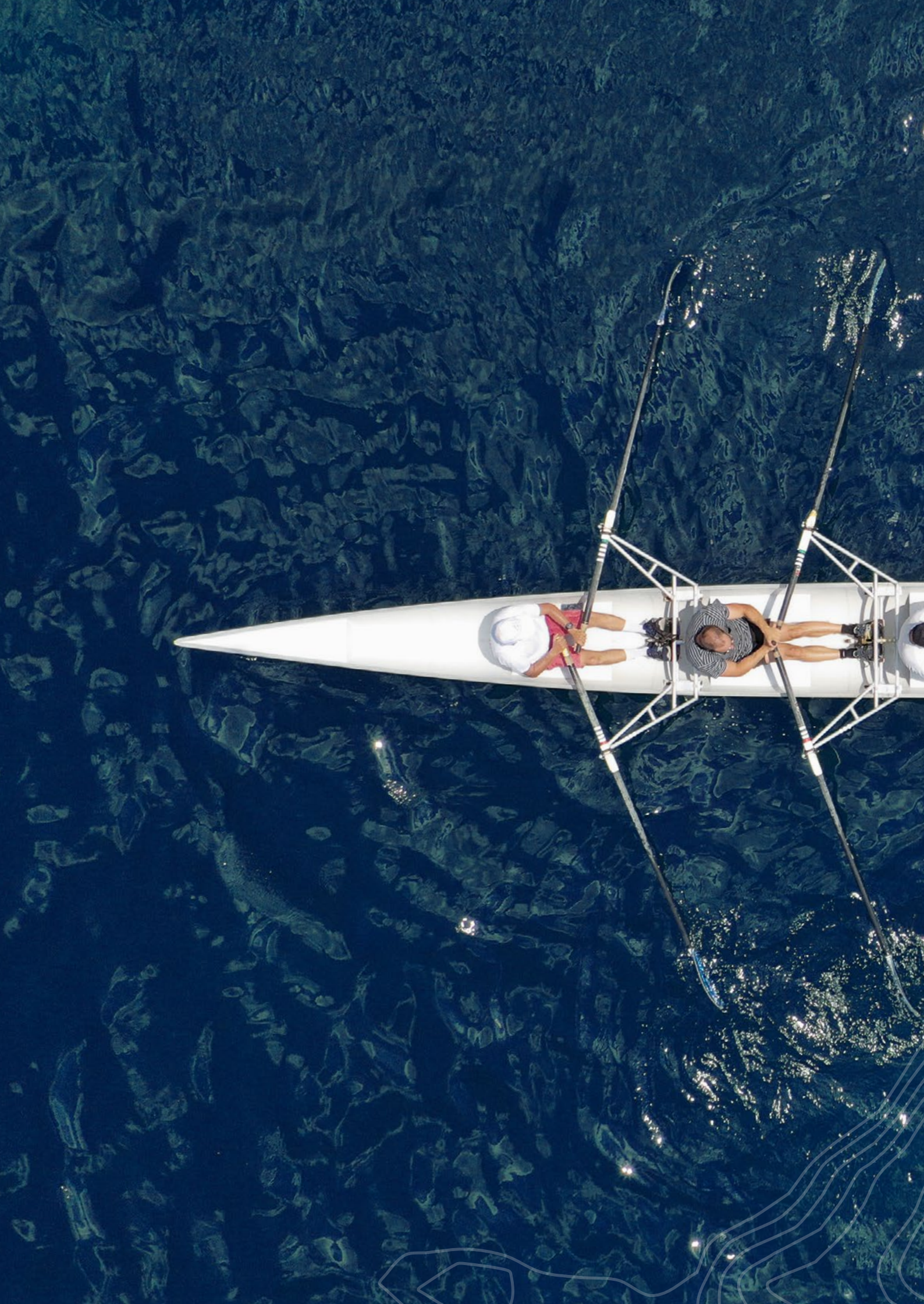
Compliance with Voluntary Code of Practice

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 the result of a claim. The Fund has been steadily implementing each of the Code requirements with a view to completion by 30 June 2021.

[» LEARN MORE](#)

1 Waddell, G. and Burton, A.K., 2006. Is work good for your health and well-being? The Stationery Office.
2 The comparison is provided for illustrative purposes only, is based on a specific age and may not apply to all members, and insurance terms and conditions may have changed during this period. Fees for '2020' include: the current Administration Fee of \$2.25 per week plus 0.04% pa of account balances; the investment fee of 0.60% for the AustralianSuper Balanced option (based on the most recent available investment fee for the 2018-19 financial year); and default insurance costs for a 45-year-old member. Fees for '2010' include: the historical Administration Fee of \$1.50 per week; 2008-09 Management Expense Ratio ('MER') of 0.84% pa plus Member Protection Fee of 0.06% per year for the AustralianSuper Balanced option, which applied at that time; and default insurance costs for a 45-year-old member. How super funds measure investment costs changed from 'MER' to 'Investment Fee' in September 2017.





Investing for your retirement

We focus on maximising investment returns over the long term by investing in a mix of quality assets to grow your savings over time. We balance this with an understanding of the risks we need to take to achieve this goal.

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Investing for the long term



At AustralianSuper, we're focused on making the best investment decisions today. We're also working hard to build a high quality investment portfolio and robust investment capability for the future.

JIM CRAIG
Chair, Investment Committee

To deliver the best long-term investment performance for members, the Fund's Balanced option (Chosen by most members) invests in a diversified portfolio with exposure to both growth and defensive assets. This approach enables you to grow your balances over the long term, whilst offering some protection during market downturns.

Over the last 12 months this diversified approach has served members well. As sharemarkets tumbled in March 2020, exposure to more defensive asset classes such as fixed income and cash, and less volatile asset classes such as infrastructure and property helped cushion the impact on portfolio returns. As sharemarkets rebounded in the final three months of the financial year, members benefited from the portfolio's exposure to growth assets including Australian and international shares.

In building the Fund's PreMixed investment portfolios, the investment team not only considers the exposure to growth and defensive assets, but also the proportion of the portfolio held in liquid and illiquid assets.

Essentially, this means balancing the shorter-term liquidity requirements of managing the portfolio on a day-to-day basis, with the benefits of owning illiquid unlisted assets that contribute to strong long-term investment performance.

This was incredibly important, as it meant that despite the volatility in recent times you retained your exposure to growth assets and were well-positioned to benefit from the ensuing rebound in share markets, thereby minimising the impact on your long-term investment returns.

Investing in Australia

The nexus between a strong Australian economy and good retirement outcomes for members is clear. A strong economy supports growing household incomes during members' working lives and strong investment markets help to build their retirement savings for the future.

Today, AustralianSuper members have over \$90 billion invested in Australia. This includes investments in Australian companies and assets that produce the goods and services we rely on and that employ hundreds of thousands of Australians. Pages 30-31 provide further insight into how these investments are helping to support the Australian economy.

Like all Australians we want to see the Australian economy recover as quickly as possible from the current downturn. We are actively looking for new investment opportunities that provide attractive returns, including investing new capital into Australian companies and infrastructure projects.

In the last four months of the financial year we supported 20 ASX-listed companies by providing \$380 million in new capital to help them navigate the impact of COVID-19 and prepare their businesses for future growth.

As one of the world's largest infrastructure investors, we are engaging with the Federal and State Governments with whom we can invest in large-scale infrastructure projects to help stimulate the economy. These types of projects have the potential to generate attractive investment returns for members over many years, and will be integral to ensuring Australia emerges from the downturn more efficient and globally competitive.

Internalising our investment capability

The ongoing internalisation of the Fund's investment program continues to contribute to member returns by reducing investment costs.

Expanding our internal investment capability not only reduces the fees we pay to external managers, it also contributes to better investment performance outcomes by improving the ability to oversee and efficiently manage the portfolio.

During 2019 we created a dedicated internal capital markets area to enhance oversight of liquidity risk and more efficiently execute our investment decisions. This included the expansion of our dealing capability, which over the last 12 months has contributed to more agile implementation of investment decisions and delivered significant transaction cost savings.

Together, the internal investment program and improved management and oversight of the portfolio contributed to a reduction in costs to members of over \$200 million in the 2020 financial year, and approximately \$750 million since internalisation commenced in 2013.

Having these internal teams in place also proved very advantageous during the recent period of extreme market upheaval, when our ability to directly manage our liquidity position and execute our trading activity were critical to making good investment decisions and delivering strong investment performance.

As members' assets continue to grow, we will continue to invest in building our internal investment capability to further capture the benefits of our scale and improve investment outcomes for members.

Building our global footprint

Despite the disruption of COVID-19, we continue to focus on building a world-class global investment capability to support the execution of our long-term investment strategy.

A key pillar of this strategy is increasing our investment in private markets such as infrastructure, property, credit and private equity, where we can leverage our size and long-term investment horizon to access strong investment returns and diversify our portfolio.

As we grow, opportunities to invest at scale in these asset classes are increasingly in global markets.

Our growing London office, existing Beijing office, and our soon to be opened New York office will be critical to supporting this expanded investment activity. Our presence on the ground will help us to better understand local markets and build upon the networks and strategic relationships we need to identify and act on attractive investment opportunities.

In London, we have expanded our infrastructure, property and credit teams and are already starting to see the size, range and quality of investment opportunities expand. In December 2019, the Fund's London dealing desk opened, allowing investment teams to more effectively trade across all time zones and markets. This has contributed to better execution and improved the efficiency of our trading activities.

The Fund's New York office, which was scheduled to commence operations in 2020, has been rescheduled to open in 2021, provided there are no barriers to our ability to provide a safe working environment for our team.

Finally, our Beijing office has played an important role in providing on-the-ground insights into the economic impacts of the pandemic and the government's response in China — the first country impacted by the virus. This has been critical to our understanding of the economic and social impact of the virus and what we can expect to see in other global economies.

Addressing the challenges posed by climate change

Climate change is one of the most significant investment issues facing investors today. We know that climate-related risks will impact all economies, asset classes and industries.

As a significant global investor, we're committed to building and improving our climate change processes and disclosure. We continue to assess the investment risks and opportunities arising from climate change — both in how we make investment decisions and where we invest, and how we work with our investee companies to support the transition to a low-carbon world.

In May 2020 we published our first Climate Change Report which was prepared in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. It explains how we're managing the transition to a low-carbon economy in our portfolios in the long-term financial interests of members and tracks our performance against various climate change metrics. We hope that this report will assist members in understanding our approach to this challenge and benchmark our progress in this important area.

Long-term investment horizon

As long-term investors we are always looking to identify new opportunities and emerging risks in the investment portfolio. The decisions we are making today are positioning the Fund to deliver benefits to you over the lifetime of your superannuation investment.

Investment performance for 2019–20



Whilst the short term has been punctuated by extreme market volatility and modest investment returns, it is important to remember that superannuation is a long-term investment.

MARK DELANEY

Deputy Chief Executive and Chief Investment Officer

After a tumultuous year in financial markets, AustralianSuper's Balanced option delivered an annual return of 0.52% for the 2020 financial year. While this return is a modest outcome when compared to previous years, it is important to remember that it comes after ten years of very strong investment performance. Taking this longer-term perspective, members have received a healthy return of 8.77% per annum over the last ten years.¹

On a relative basis, the Balanced option is ranked number one over five, ten and 15 years, and number three over three and 20 years.² This performance reflects our commitment to achieve the best possible retirement outcomes for members.

The Fund's other PreMixed options have also provided strong long-term returns over the past ten years, with each option exceeding its benchmark. Investment options that have a higher proportion allocated to growth assets such as High Growth, Balanced and Socially Aware have been rewarded with robust returns over the past decade due to strong equity and infrastructure performance. The Conservative Balanced and Stable investment options provide a higher level of capital stability, while delivering competitive long-term performance.

Year in review

Whilst a multitude of geopolitical and environmental events occurred over the year, including Brexit negotiations, US/China trade tensions and the devastating impacts of the Australian bushfires, it was the spread of COVID-19 that had the most extensive impact on the global economy and investment markets.

The pandemic has created significant health and economic impacts across the globe. Government policies to contain the spread of the virus resulted in a severe shutdown of economic activity. This led to spikes in unemployment and is expected to cause the biggest decline in GDP growth since the end of WWII.³

The market response to global events can be seen distinctly in the returns of Australian and international shares. Share markets exhibited strong growth in the first part of the year, reaching all-time highs in February 2020. This was followed by a sharp downturn of over 30% in March as the COVID-19 pandemic intensified. There was a rebound in returns in the June quarter as investment sentiment improved with the benefit of government stimulus and the prospect of the economy re-opening.

Portfolio highlights

In late 2018 and during 2019, the investment team identified headwinds in the economy due to slowing global GDP growth and a weaker outlook for economic conditions, including the labour market and consumption growth. These economic conditions suggested that we were in the late stages of the economic cycle, and as a result, we took steps to lower the level of risk present in the PreMixed investment options. This was implemented by increasing the weight of defensive assets such as fixed interest, while maintaining exposure to growth asset classes such as Australian shares, international shares and private equity, which are significant contributors to long-term investment performance. As a result, the Fund had a moderate defensive position as we headed into the market volatility of the last six months and was also in a position to capitalise on the market rebound in the June quarter.

¹ The Balanced option for Choice Income accounts returned 0.55% for the year and 9.71% per annum for the ten years to 30 June 2020.

² SuperRatings Fund Crediting Rate Survey 30 June 2020.

³ <https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii>

Over the last year, the Fund's international shares portfolio performed strongly. The portfolio was positioned advantageously in securities that performed well throughout the year and provided relatively favourable returns during the market downturn. In particular, the portfolio benefited from the exposure to the consumer discretionary and technology sectors which rebounded substantially from the downturn.

The economic slowdown triggered a fall in the value of unlisted assets such as private equity, property, infrastructure and credit. AustralianSuper went through a process to update the valuation of unlisted assets in March to ensure that the holdings in the portfolio were held at fair value and that members' balances accurately reflected the value of these holdings. However, these asset classes were less volatile than listed share markets during the downturn and acted as a ballast for the portfolio, highlighting the benefits of owning unlisted assets in a diversified portfolio.

Managing liquidity

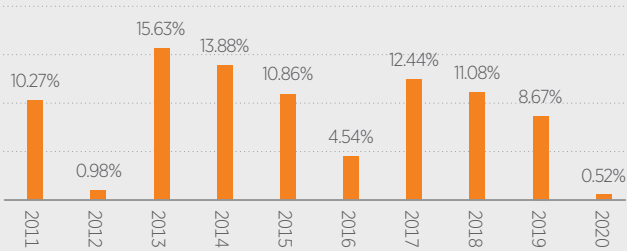
Successfully managing portfolio liquidity is a critical element of our investment program. The investment team monitor and manage portfolio liquidity on a daily basis to ensure that there is sufficient cash available to take advantage of new investment opportunities and to meet our liquidity obligations to members.

Our preparation enabled the investment team to respond to the liquidity challenges triggered by the volatility in share markets and the introduction of early release of super legislation to support members experiencing financial hardship. When required, we increased the amount of cash available in the portfolio to ensure we were able to meet the requests of members, whilst also responding to new investment opportunities and rebalancing the portfolio in line with its longer-term investment strategy.

Looking to the future

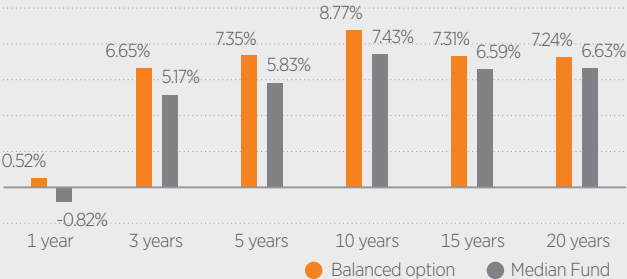
While we currently don't know how long the economic uncertainty will last, we've seen markets rebound from downturns in the past, and we are investing in opportunities to provide favourable returns as the economy recovers. At AustralianSuper, we remain focused on delivering the very best possible retirement outcomes for members.

Balanced option financial year returns



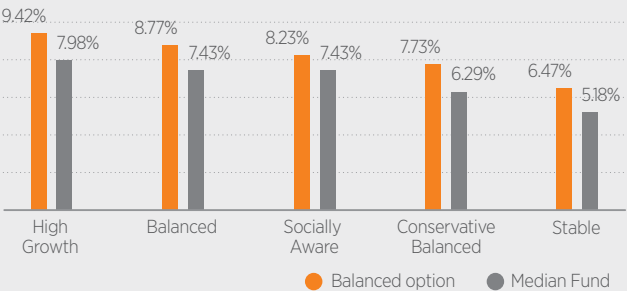
Source: AustralianSuper.

Balanced option and benchmark returns



Source: AustralianSuper and SuperRatings Fund Crediting Rate Survey, 30 June 2020.

PreMixed options ten year p.a. returns



Source: AustralianSuper and SuperRatings Fund Crediting Rate Survey, 30 June 2020.

Investing in Australia

AustralianSuper invests to build your retirement savings and this has a number of benefits for the Australian economy.

AustralianSuper invests to grow your retirement savings over your working life, so that you can approach retirement with confidence. We do this by finding the best investment opportunities across a range of asset classes and markets.

AustralianSuper invests over \$90 billion in Australia. This includes investments in Australian companies, as well as ownership of unlisted infrastructure and property assets. We also invest in bonds issued by Australian governments and large corporates and lend directly to Australian companies.

Each of these investments contributes to strong long-term returns for you. They also have the benefit of contributing to Australia's economic growth and future prosperity.

There are four ways AustralianSuper investments contribute positively to the Australian economy:

1. Helping Australian companies grow

AustralianSuper has a long history of helping Australian companies grow, both as an investor in ASX-listed companies and as a lender to public and private companies.

The Fund currently has \$32 billion invested in or loaned to Australian companies. These companies include some of Australia's largest businesses that together employ hundreds of thousands of Australians.

As a long-term investor, our focus is on investing in companies that generate value for you over long periods of time. Taking a long-term view means we can support companies through the ups and downs of economic cycles. We don't trade in and out of our investments in response to short-term market movements.

Over the last two years we've supported more than 60 Australian companies with approximately \$1.2 billion in new equity. Being able to 'ride the bumps' of the market and act as a long-term capital partner means companies can better plan and invest for the future.

This support is particularly valuable in periods of volatility, such as the COVID-19 downturn. Since the onset of COVID-19 in March 2020, AustralianSuper has supported 20 Australian companies with over \$380 million in new capital to help navigate the current challenges and position themselves for growth.

2. Advocating for better ESG outcomes

Being a long-term investor means the Fund can develop meaningful relationships with companies, and influence positive change. By engaging with a company's board, for example, we can advocate for better environmental, social and governance (ESG) outcomes in the company itself, as well as in the markets and communities in which they operate. Examples include advocating for companies to commit to an action plan to support our transition to a low carbon economy, and calling on companies to meet our expectations in relation to remuneration structures and gender diversity on boards.

3. Owning and investing in Australian infrastructure

AustralianSuper is one of Australia's largest infrastructure investors, with a portfolio of over \$11 billion of Australian infrastructure assets. This includes direct investments in Ausgrid (electricity distribution); WestConnex (motorway networks and tunnels); NSW Ports; Transurban Queensland (motorway networks and tunnels) and Perth Airport. These assets improve the efficiency of Australian businesses, support jobs and contribute to the quality of life in Australian communities.

Infrastructure investments are well suited to the long investment horizon of superannuation funds. In committing to these large, illiquid, long-term investments, members have been rewarded with attractive and relatively stable returns. Importantly, these investments also contribute to the creation of assets and jobs that benefit our economy and communities over many years.

Each year, we reinvest in these infrastructure assets to ensure that over the long term they continue to meet the needs of customers and the community while delivering attractive returns for you. Over the last two years, the Fund has invested over \$500 million in capital to develop or maintain its infrastructure assets.

4. Fostering Australian innovation

AustralianSuper believes in supporting companies that are innovating for a better future.

To date, the Fund has committed to invest more than \$1 billion to support emerging industries and promising Australian companies. This includes:

- › a commitment of approximately \$700 million to Australian venture capital funds
- › a dedicated in-house investment team focused on identifying and investing in small and/or early stage ASX-listed companies to support their growth plans
- › an investment in Assemble Communities, a start-up affordable housing provider, to help fast-track the development of affordable housing projects in our cities.

Early stage investing can provide significant value for members as the company grows. It also helps create new jobs, valuable intellectual property and productivity gains. By supporting Australia’s growing start-up community, the Fund is also helping to foster an environment of entrepreneurship that encourages further local innovation.

What we invest in

Knowing how your fund invests, and in what, can help you understand that your money is part of something much bigger than just your retirement. It’s helping grow Australia. To find out where your superannuation is invested, visit the website.

» LEARN MORE

Go between bridge, Brisbane formerly known as the Hale Street Link, spans the Brisbane River and is part of our joint investment, with Transurban, in Queensland Motorways.

Responsible investing

Investing responsibly means being active on ESG issues today, so we can deliver strong performance for decades to come. Here’s how we’re working on issues like climate change, human rights and gender diversity.

Events this year have highlighted the relationship between positive environmental, social and governance (ESG) outcomes and economic sustainability. In addition to impacting our physical and social wellbeing, issues like climate change, labour rights and diversity play an important role in the investment ecosystem.

As large asset owners, we also have a key role to play in supporting a sustainable economic recovery by driving better ESG outcomes which contribute to long-term value creation.

Decarbonising the global economy continues to be a major theme. As global temperatures rise, extreme weather events appear to be shifting from temporary or cyclical to permanent ongoing trends. Last summer, Australia’s bushfire season was our worst on record, causing widespread devastation across multiple states. This is a trend we are seeing elsewhere around the world, including in California which suffered from some of the largest bushfires in its history this year. Prior to the outbreak of COVID-19, the World Economic Forum ranked the impact of failure to address climate change as the top global risk for the next ten years.¹

The COVID-19 pandemic highlights the opportunity for coordinated, global action. Investors, non-government organisations (NGOs), central banks and business leaders

are asking world governments to implement plans for a sustainable economic recovery. AustralianSuper was part of an investor-led coalition, supported by more than 100 investors representing €11 trillion (AUD16 trillion) in assets, calling on European Union leaders to accelerate the net zero emissions transition, support the EU Green Deal and uphold the Paris Agreement. This is important as it can help to create new job and investment opportunities while reducing the financial costs of climate change, which are important for long-term value creation.

A globally recognised approach to responsible investment

A+ rating for our Overarching Approach to Responsible Investment Strategy and Governance and Listed Equity-Active Ownership in the UN’s Principles for Responsible Investment Assessment Report 2020.

Leader in responsible investment in the Responsible Investment Association Australasia’s (RIAA) 2020 Responsible Investment Benchmark Report Australia. AustralianSuper also has a Leading Responsible Investment Rating in RIAA’s 2019 Responsible Investment Super Study.

ESG and Stewardship program

Our ESG and Stewardship program aims to maximise long-term value for members across three pillars.



ESG integration

Assessing and integrating ESG risks and value drivers when investing.



Stewardship

Exercising our rights and responsibilities as a shareholder to influence and improve ESG practices in companies. This is achieved through active company engagement, stock voting and participating in collaborative investor initiatives.



Choice

Considering members’ values in the investment choices we offer.

¹ The Global Risks Report 2020, World Economic Forum.

Stewardship activities for better ESG and investment outcomes

A large part of the work we do in our ESG and Stewardship program is using our ownership rights to help enhance performance on ESG issues in the companies we invest in. This makes them better performing investments. We engage directly with companies to seek positive outcomes on issues such as climate change, gender diversity, labour force issues and executive remuneration. We also influence companies by voting on company and shareholder resolutions.

During financial year 2020, AustralianSuper:

- › held 72 direct engagement meetings with ASX300 companies
- › attended 264 meetings with 189 ASX300 companies via the Australian Council of Superannuation Investors (ACSI)
- › voted against 7% of ASX Remuneration Reports where we believed the proposed changes were not aligned to members' interests
- › voted on more than 27,000 resolutions globally
- › voted in favour of 48% of shareholder resolutions designed to improve ESG outcomes in companies.

There has been a distinct increase in the number and variety of shareholder proposals for investor consideration in financial year 2020. We supported several shareholder proposals — mostly relating to climate change; enhanced corporate governance practices, including independent chair roles; and disclosures on gender and race pay inequity.

AustralianSuper supported climate change resolutions at Woodside Petroleum and Santos which called for reporting on industry climate lobbying activity and setting of scope 1, 2 and 3 Paris-aligned emissions reduction targets. More than 50% of investors voted in favour of the Woodside resolution requesting emissions targets. This set a new record for investor support of a shareholder resolution in Australia.

We publish our international and domestic voting decisions quarterly on our website.

[» LEARN MORE](#)

Sustainable Development Goals

As long-term investors of capital, we must understand the sustainability of the companies we are investing in is based on a consistent set of ESG metrics.

AustralianSuper has teamed up with three leading asset owners — APG, British Columbia Investment Management Corporation and PGGM — to establish the Sustainable Development Investments Asset Owner Platform (SDI AOP).

The platform uses standard and artificial intelligence (AI) driven data to help investors across the world identify and assess companies on their contribution to the UN Sustainable Development Goals (SDGs).

Why the United Nations (UN) Sustainable Development Goals are important

In 2015, the UN established 17 Sustainable Development Goals (SDGs) as part of the 2030 Agenda for Sustainable Development. The aim is to address urgent global issues like climate change, water scarcity, healthcare access and social inequality — creating a better, more prosperous world. The SDGs are important for investors as they provide a pathway for fostering sustainable economic development and growth, which are vital for creating long-term value for members.

Why the SDI Asset Owner Platform?

Up until now, there hasn't been a uniform way for investors to efficiently collate and measure the contributions their portfolios, and underlying companies, are making to the SDGs. The platform classifies companies which are helping realise the SDGs through their products and services as Sustainable Development Investments (SDIs). This sets a global standard on SDG contributions for all investors and brings consistency and comparability to company-level data for over 8,000 companies, which can be expanded to other companies and asset types over time.

For AustralianSuper, the adoption of the SDI Asset Owner Platform and integration of the SDGs into our ESG investment framework is the next step in the evolution of our ESG and Stewardship program. It progresses how we assess and engage with investee companies on their SDG contribution, measurement and reporting. It will also enable us to assess factors which can impact the value of assets and help to identify new investment opportunities.

At the total portfolio level, the platform will provide a way for us to understand its SDG impact, which aligns to our aim of investing for long-term economically sustainable outcomes that create long-term value for members.

The platform was launched to asset owners and managers in September 2020.

[» LEARN MORE](#)

Climate change: reducing emissions in the real economy and our portfolios

AustralianSuper supports the goals of the Paris Agreement on climate change, which aim to limit global warming to well below 2° Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5° Celsius by 2100. We also support the scientific consensus that the world economy needs to generate net zero emissions by 2050. Positioning our portfolio to a net zero outcome in line with global market expectations is consistent with our goal of maximising members’ long-term investment returns.

This will require a transition away from fossil fuels in the global economy. It also requires changes in how businesses operate. In Australia, energy and business transition accounts for almost 90% of Australia’s annual greenhouse gas (GHG) emissions.

As a large investor in assets that touch most parts of the global economy, AustralianSuper has a major role to play in influencing and supporting the broad-based economic transition necessary to manage climate change. We do this by direct company engagement and working with other investors through initiatives like Climate Action (CA) 100+ and the Australian Industry Energy Transitions Initiative.

We have identified the most emissions intensive companies in our portfolio and developed an engagement strategy seeking a low carbon transition for our internally held ASX-listed companies and unlisted assets. Our engagement program seeks an articulation of net zero business strategies and actionable progress on emissions reduction trajectories. For our core portfolio of internally held equities we have developed ownership plans to monitor and manage progress for emissions intensive companies.

Going forward, AustralianSuper will be adopting the CA100+ net zero benchmark as part of our internal processes for listed and unlisted assets to measure and report progress towards our climate change goals.

Investing in a low carbon portfolio

As a large investor of capital, AustralianSuper can generate long-term returns for members and lower its carbon footprint by investing more into low emissions companies, such as those in the new economy and renewable energy sectors. AustralianSuper has been investing more in overseas markets in these sectors as we build out our internal investment management program.

AustralianSuper currently invests in a range of renewable energy projects across markets. We plan to have investments of over \$1 billion in the sector by the end of 2022. We expect this allocation to increase over time. Current investments include:

- › Generate Capital — a San Francisco based investment platform specialising in distributed energy and sustainable infrastructure
- › Quinbrook Investment Partners — an infrastructure manager focusing on US, UK and Australian renewable energy, with significant opportunities in US solar, wind and battery investments
- › National Infrastructure Investment Fund (NIIF) — NIIF’s key focus is on investing equity capital in India’s core infrastructure sectors: transportation, energy and urban development, with a large focus on the renewable energy sector, particularly wind and solar.

Climate Action 100+

AustralianSuper is one of five founding members of Climate Action 100+. This initiative has over 500 investor signatories globally who represent around US \$47 trillion in assets under management. CA100+ is promoting change in the world’s largest carbon emitters, with its focus on 161 companies collectively responsible for up to 80% of global industrial greenhouse gas emissions.

This initiative has been successful in helping to shape corporate priorities and put climate change at the centre of conversations on business strategy through a consistent engagement framework with a clear set of asks of companies. Since inception in 2017:

- › 50 companies have indicated they will aim to achieve net zero emissions by 2050 or sooner with more expected to follow
- › 120 companies have nominated a board member or board committee with explicit responsibility for oversight of climate change
- › 59 companies formally support the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations via the initiative’s official supporter statement.

Our Director of ESG and Stewardship chaired CA100+ for a six-month rotation in 2020 and is an ongoing member of the global steering committee. During this time CA100+ released its net zero benchmarking framework which will help monitor and measure company progress against the initiative’s climate change goals.

[» LEARN MORE](#)

Australian Industry Energy Transitions Initiative

AustralianSuper recently joined the Australian Industry Energy Transitions Initiative, a partnership with Australian industry which form a significant part of our investment portfolio. This initiative will enable us to work with industry to develop pathways for emissions reductions across five supply chains: steel, aluminium, liquified natural gas, other metals and chemicals. Collectively, these sectors contribute more than a quarter of Australia’s annual emissions and generate exports worth around \$160 billion.

[» LEARN MORE](#)

Highlights

AustralianSuper has made significant progress in reducing the carbon intensity of our portfolios. Here are the results from our latest carbon footprint analysis from external consultancy S&P/Trucost.

Carbon intensity

Our carbon intensity is lower than the index



Our carbon intensity is falling over time



Our climate change report

AustralianSuper advocates for improved climate change reporting. We’ve published our own Climate Change Report aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework. It includes metrics on how we’re managing the low carbon transition and physical risks in the portfolio.

[» LEARN MORE](#)

2 Source: S&P Global/Trucost ESG Analysis. Portfolio data at 30 September 2019. Carbon to revenue (C/R) calculated by dividing the apportioned CO2e by the apportioned annual revenues for Direct and First Tier Indirect Emissions. Indices: Australian equities: S&P/ASX 300 International equities: MSCI ACWI ex AUS Index.

3 Source: S&P Global/Trucost ESG Analysis. Portfolio data at 30 June 2013, 30 September 2015–2019. Carbon to value invested: CO2 emissions per \$million invested in combined Australian and international equities portfolio.

Social: modern slavery comes into focus

As a large asset owner, AustralianSuper can influence systemic changes to help mitigate modern slavery risks.

Poorly managed labour supply chains can result in child or forced labour, inequality and discrimination, low pay and benefits and unsafe working conditions. Often, these systemic issues are inherent in geographical regions with poor labour regulatory environments, industries that are susceptible to labour abuses and business models which rely on poor labour practices to operate effectively.

Modern slavery can be hidden from consumers and investors behind complex global supply chains, but it exposes companies to a range of operational, financial and reputational risks.

Modern Slavery Statement

Under the Australian *Modern Slavery Act 2018*, organisations with revenue over \$100 million must lodge their first annual Modern Slavery Statement by 31 March 2021. AustralianSuper is currently developing its report. It will cover how we identify modern slavery risks in our own supply chains and those of our investee companies, our mitigation supply chains, including our investee portfolio, our mitigation processes, and how we seek to measure our impact.

Fair Supply Risk Assessment

Our recent Fair Supply Risk assessment of 2,500 companies analysed supply chains, including contracting and sub-contracting practices, seeking to identify which tier of the supply chain presented the highest absolute modern slavery risk. Domestically, we found risks in the construction, agriculture and fresh food industries. We have created a priority list of companies, and will use the insights from this assessment to inform our stewardship activities.

AustralianSuper is an active member of the Responsible Investment Association Australasia’s Human Rights Working Group and ACSI. These groups jointly developed *Modern Slavery Reporting — guide for investors*. In April 2020, the guide was awarded Best Piece of Investor-Relevant ESG Research (non-broking firm) at the tenth Annual ESG Research Australia Awards.

Cleaning Accountability Framework

The cleaning industry has a high modern slavery risk due to its complexity, the nature of its workforce and often opaque operations. AustralianSuper has been involved in the Cleaning Accountability Framework (CAF) since its inception. This is an important initiative as the cleaning industry employs around 90,000 AustralianSuper members. It aims to improve labour practices by working with cleaners, tenants, contractors, property managers and investors. The CAF has helped enhance working environments for members and the industry as a whole, while improving long-term member outcomes by creating more sustainable cleaning practices at our investments. We advocate for CAF membership and its 3-star building certification program.

Governance

We have seen several instances of company behaviour falling short of community and investor expectations this year, with Rio Tinto and Westpac two examples.

Rio Tinto’s destruction of a 46,000-year-old Aboriginal heritage site as part of its expansion of the Brockman 4 iron ore mine in the Pilbara caused community outrage. The sacred Juukan Gorge rock shelters destroyed in the blast housed signs of Australia’s earliest human inhabitation and were of profound cultural significance to the traditional owners of the land, the Puutu Kunti Kurrama people.

AustralianSuper engaged directly with the Rio Tinto Board on the matter. These representations, together with those of other groups including ACSI and other super funds, saw appropriate executive accountability being taken. AustralianSuper is continuing to liaise with the company in relation to Board accountability. We are also taking an active interest in how the company works with traditional custodians to ensure that its processes are appropriate for the protection of culturally important sites, and that it has the right internal accountabilities. AustralianSuper is engaging with other mining companies to ensure they have appropriate cultural and heritage management processes in place.

AUSTRAC's allegations against Westpac for breaches of the Anti-Money Laundering and Counter Terrorism Financing Act (AML/CTF) resulted in a fine of \$1.3 billion plus costs, making it the highest financial penalty in Australian corporate history. AUSTRAC found Westpac had breached its legal obligations 23 million times, including failure to adequately report international transfers and conduct proper due diligence on customers.

Westpac has taken actions towards remediation, including making changes at the board and executive level and to remuneration. Our expectation is that Westpac will implement appropriate governance and risk-management frameworks to ensure Westpac both acts in accordance with the law and delivers long-term value.

Gender diversity

Skilled and suitably diverse boards make for better-governed companies and higher-value long-term investments. A recent study found that increasing female board members by 10% or more adds 4.9% to a company's market value.⁴

AustralianSuper expanded its board gender voting policy in 2019 to ensure that ASX200 boards have at least two female directors. Early in 2020, we wrote to 37 ASX200 companies that didn't, to advise them of our policy. We're engaging with the 28 companies⁵ that still have fewer than two women on their boards. Where companies lack firm near-term plans to meet our expectations regarding gender diversity, we'll vote against the most senior male director's re-election. We are taking practical action to improve gender balance on boards, and through to management ranks.

Executive remuneration

Executive remuneration continues to be an important governance theme this year, particularly in light of the economic disruption caused by COVID-19. We're asking companies if current remuneration structures remain appropriate and we expect them to deliver reasonable pay for performance outcomes with transparent disclosure. We're using our significant shareholder rights to vote on company resolutions, including board member re-elections and remuneration, in a way that is consistent with maximising long-term value for members.

⁴ Gender Equity Insights 2020; Delivering the Business Outcomes, Bankwest Curtin Economics Centre and the Workplace Gender Equality.

⁵ [August 2020].



Investing for retirement

In times like these, its important to listen to the experts and look at the data before making any decisions which could negatively impact your future retirement savings.

AustralianSuper understands it's difficult for members to stay focused on the long term, especially in these uncertain times. However, we know that just as the economy goes through periods of growth and contraction, markets also rise and fall in cycles.

These fluctuations are a normal part of investing over the long term. When investing for retirement, savings will accumulate over several decades. Similarly, retirement may last for many years. Responding with a short-term view to the swings in market sentiment during volatile periods can be a very high-risk strategy. By maintaining a long-term view we are providing members with the best opportunity to take advantage of the next significant growth phase of the economy.

Over the last 20 years there have been many geopolitical and market events that increased market volatility and led to negative short-term returns such as the:

- › tech bubble bursting in the early 2000s
- › recent US/China trade tensions
- › Global Financial Crisis
- › COVID-19 pandemic.

While these events can impact members' balances in the short term, investment markets have historically recovered and continued to grow. That's why keeping a long-term focus is important.

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 savings will not grow as fast as they have in recent times — indeed, based on historical experience, one or more years of negative performance in the years ahead should be expected.

Balanced option over 20 years

Growth of \$50,000

Value of Investment

\$200,000

\$150,000

\$100,000

\$50,000

\$0

30 June 2000 30 June 2002 30 June 2004 30 June 2006 30 June 2008 30 June 2010 30 June 2012 30 June 2014 30 June 2016 30 June 2018 30 June 2020

Source: AustralianSuper.

\$202,608
AustralianSuper Balanced option
as at 30 June 2020

\$50,000
Initial investment
as at 30 June 2000

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. 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.

Things to consider when thinking about your retirement

Build your balance over time

Saving for retirement is a lifelong journey. Even small contributions early in your super journey can have a significant effect on retirement savings over time. Continued contributions that increase over the years will help to build a bigger nest egg. Scheduled increases in the superannuation guarantee (the amount of super your employer is required to contribute) will also enable super balances to grow. Any withdrawals will impact the growth of your retirement savings by lowering your balance and diminishing the benefits of compound interest over time.

Use our super projection calculator to project how much your super balance will grow and estimate the longevity of your savings.

[» LEARN MORE](#)

Stay invested for the long-term

Volatility and swings in market returns are a normal part of investing. Investment markets can also rebound quickly from downturns. Maintaining an investment strategy that matches long-term objectives is a great way to navigate through market and economic cycles.

Diversify

Building a portfolio with a variety of assets can help to generate strong long-term returns. AustralianSuper's PreMixed investment options include multiple asset classes such as:

- › listed shares
- › private equity
- › property
- › infrastructure
- › credit
- › fixed interest
- › cash.

Including these assets in a diversified portfolio allows for both growth and stability.

If you're looking for guidance on your super during market uncertainty, AustralianSuper has a team of accredited financial advisers who can provide advice for your financial circumstances and needs. Visit our website to find an adviser.

[» LEARN MORE](#)

Feeling confident in retirement is not just about money

The Retirement Confidence Index (RCI) by AustralianSuper and Monash University is now in its fourth year with over 10,000 Australians, aged 50 and over, surveyed since 2017.

This unique study follows most respondents for a decade and unveils four areas that explain confidence in retirement:

- › financial awareness
- › health and wellbeing
- › social connectedness
- › retirement planning.

Putting effort into one or all of these areas was shown to boost an individual's confidence towards or in retirement. Explore the findings, and estimate your retirement confidence score with the online RCI Tool.

[» LEARN MORE](#)

Outlook for investment markets

Despite encouraging signs of recovery across investment markets, we anticipate the economic impacts of COVID-19 will linger for some years to come.

Economic recovery

The current recession is one of the most rapid downturns we've ever seen, with ongoing uncertainty around how long it will last and what sort of economic growth we can expect on the other side. The ability of economies to recover and grow depends on how successful we are at suppressing and developing a vaccine for COVID-19. Looking ahead we see two stages to the economic recovery — an initial burst of strong growth with the re-opening of the economy, followed by subdued economic growth for the coming years. Within this lower-growth environment, employment will take some time to bounce back.

Fiscal and monetary stimulus

Central banks and governments are committed to providing stimulus to support the economic recovery. Key to this will be their ability to wind back fiscal and monetary stimulus at the right time, in the right way, while also growing confidence, employment and the economy. This will present a serious challenge and our concern is an early tapering of stimulus may stifle any recovery and depress the investment markets.

Investment markets

Equity markets have rebounded strongly since the March downturn and will be an important driver of growth in the Fund's portfolio as the economy recovers. The impacts of COVID-19 have reinforced and accelerated existing trends around work, learning and shopping. Further digitisation of services will also drive company growth.

Unlisted assets have provided favourable long-term returns while adding diversification to the portfolio. Assets supporting evolutionary changes to our economy are in high demand, especially ones supporting data infrastructure and e-commerce. The Fund is investing in opportunities that are expected to benefit from changing consumer behaviour and the current dynamics of the market, especially in the private equity, infrastructure and credit asset classes.

Historically, low interest rates mean fixed interest investments are likely to provide relatively low long-term returns. Investment in quality fixed income and cash investments will therefore remain part of the Fund's diversified portfolio, providing valuable downside protection and liquidity.

What we are doing

AustralianSuper's investment team continues to monitor the economic environment and its impact on our investments. In looking for signs of a recovery we analyse traditional economic data, forward-looking surveys and real-time data to best understand:

- › the size of the economic impact
- › the speed at which consumers and businesses are getting 'back to normal'
- › how different asset classes are emerging from the downturn.

This analysis guides our investment decisions and how we'll position the portfolio to maximise long-term growth potential.

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“It’s knowing that, with the right fund,
you could be hundreds of thousands
better off when you retire.”

Magesh, member







The road ahead

With a clear purpose and strong understanding of our operating environment, we set priorities and focus resources to deliver for you.

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Mapping the way forward

Global shifts, industry disruption and social issues present challenges as well as opportunities. Closer to home, there are specific influences on our operating environment that impact our objectives and how we will achieve them.

Global megatrends

There are a number of global themes, or megatrends, that provide a relevant backdrop for our long-term strategy. These include:

- › Shifting demographics and growing wealth, as the world's emerging market economies account for a greater share of global GDP.
- › Ageing: the global population of people over 60 years of age will reach one billion by 2020, and two billion by 2050.
- › Technological advances are enabling the 'fourth industrial revolution' that will fundamentally change the way people all over the world live and work.
- › Climate change is having far-reaching impacts on land use, food, water, energy production and industry.
- › Urbanisation is growing — more than half of the world's population live in cities, and one in eight urbanites reside in one of the 33 'megacities', impacting demand for urban infrastructure and providing opportunities for innovation.

External environment

While all of the global megatrends are reflected in Australia, there are additional factors that influence our approach to the future.

COVID-19 recovery

The impacts of COVID-19 are reverberating around the world and will continue to do so for years to come. In Australia, the full implications on the economy, community and society are yet to be fully understood.

As the nation works to recover from the economic downturn, AustralianSuper will continue to play a leading role as the largest super fund in the country.

In the current environment, AustralianSuper's investment priority is clear: to navigate market volatility and position the portfolio for long-term growth. To do this the Fund is focused on three things: building diversified portfolios, monitoring investment markets, and looking for new investment opportunities which could provide long-term growth for members.

Recognising the continued uncertainty for many members, the Fund will continue to work to meet members' needs for information, help and guidance through all of the communication channels available to us.

We will continue to facilitate requests for the early release to super arrangements that are in place until December 2020 for those members with immediate financial needs.

Changing member needs

Growing average account balances, increased financial literacy and engagement, as well as our ageing population, will see rising expectations from members and increased demand for services. Some of the shifts we expect to see include:

- › the majority of members will join AustralianSuper directly
- › expectation of immediate, convenient and seamless interactions
- › members will be more active, more often
- › increasing demand for a personalised experience
- › self-service for simple transactions
- › increasingly diverse expectations of members around our responsibilities as an investor.

Regulatory focus

In recognition of the impact of COVID-19, in April 2020 industry regulators, the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC), advised that they were postponing a number of new and planned regulatory initiatives.

Funds are still required to meet all their legal, regulatory and reporting obligations. In addition, the regulators indicated four primary areas of focus:

1. Liquidity — are funds' investments sufficiently liquid to meet their obligations for early release and member switching activity?
2. Communication — are funds proactively communicating with members and responding promptly, clearly and accurately to their questions?
3. Insurance — do funds understand the impact on members' insurance of the economic conditions and health-related issues?
4. Scams and fraud — how are funds safeguarding their members' assets and data from an increase in scams, fraud and cyber-risk?

AustralianSuper has continued to work closely with industry regulators with regular meetings and exchange of information and feedback.

To ensure active compliance and strong governance we continue to focus on proactive risk management to deliver sustainable better outcomes for members.

[» LEARN MORE](#)

Superannuation policy and legislation

In addition to the regulatory environment, there are a number of areas of government policy that may impact the Fund into the future. These include:

- 1. The increase of the Superannuation Guarantee (SG) rate from 9.5% to 12% by 2025. AustralianSuper is a strong supporter of the SG increasing as per the legislated timetable as we believe that, among other things, this will assist Australians to have appropriate levels of retirement savings over time.
- 2. The response to the Retirement Income Review (RIR).

The RIR was a recommendation of the Productivity Commission report *Superannuation: Assessing Efficiency and Competitiveness* and was established in September 2019. The RIR report has been delivered to the government, but at the time of writing, it has not been released.

During the financial year 2021, it is anticipated the government will release the report along with a number of proposed policy responses.

AustralianSuper has made a submission to the RIR and will continue to advocate strongly for a system that delivers adequacy, efficiency, integrity and sustainability of Australia's superannuation and pension systems.

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Strategy overview

AustralianSuper monitors the external landscape and reviews its strategic choices to ensure it continues to deliver long-term value for members.

The Fund’s strategy comprises five pillars:

- › Deliver strong long-term net performance
- › Attract and retain members
- › Become a trusted choice for members who are retiring
- › Deliver an improved member experience
- › Strengthen our brand and raise standards across the sector.

Deliver long-term net performance

Delivering superior long-term investment returns and lower fees (administration, investment and insurance) maximises the net benefit the Fund provides, driving better retirement savings for members.

AustralianSuper’s Balanced investment option has provided consistently strong performance over the long term. As at 30 June 2020, the Balanced investment option was ranked first over five, ten and 15 years.¹ Fees are among the lowest in the industry.²

Attract and retain members

Increasing the number of AustralianSuper members will assist in leveraging the benefits of scale. This means that the fixed costs associated with operating a superannuation fund can be efficiently spread across a larger number of members and reducing costs for individual members.

Growth in membership will be achieved by attracting new and retaining existing members via a range of workplace, advisor and direct channels.

Continued growth will enable the Fund to both maintain its low fees and to invest for the future, such as better services for members.

Become a trusted choice for members who are retiring

The Fund will deliver a better experience for members who are preparing to retire or have retired.

AustralianSuper understands the magnitude of this life decision, something made more complicated by the current global environment.

Members will be supported through a market-leading core product, enhanced help and guidance services to assist the retirement planning process as well as access to advice, education and seminars.

Deliver an improved member experience

The Fund will continue to invest in building better service experiences for members and understands the growing expectation for effective and personalised services that are easy to use and available in the channels that members choose.

Read more about the Fund’s member experience strategy on page 47.

Brand and reputation

The Fund will also preserve its position as the industry’s most trusted brand. It is not enough to deliver exceptional net benefits, you also expect that AustralianSuper consistently acts in your best interests.

We will continue to advocate on your behalf for standards across the sector to strengthen our brand in terms of preference and trust, and support a strong risk, governance and compliance discipline in an increasingly regulated environment.

1 SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index 30 June 2020.
2 SuperRatings SMART MySuper Fee report, 15 September 2020.

The future of your services

The diversity of ages, cultural backgrounds, locations and jobs of AustralianSuper’s 2.3 million+ members reflects Australian society. This diversity brings a broad range of servicing needs and expectations.

Our increasingly global and digital world is presenting Australians with an ever-growing range of domestic and international companies. The COVID-19 pandemic has forced many to move their services online or to other digital platforms like apps.

Your service expectations are changing

Increasingly, the service expectations of members are being shaped by the daily interactions you have in all parts of your lives: at supermarkets, with banks, postal services, online shopping, etc. With this in mind we have refreshed our service strategy to ensure we continue delivering you the best possible experience.

According to member research, along with your feedback, data and comments, you want simple, easy, convenient, and empathetic interactions. You’d also like more help in preparing for retirement.

Another key insight is the importance of value. You don’t need to be ‘wowed’ every time you interact with us.

We’ve heard you and we’ll continue to listen.

It’s a balancing act

The main reason members join AustralianSuper is because of what’s called the ‘net benefit’ we provide: i.e. the investment return delivered minus the administration fees, investment fees and taxes. The Fund delivers strong returns at a low cost. Members want a balance between the level of service and how much it costs.

However, we must also be there for those important moments that matter to you.

Our aim is to provide a service that you agree is both good quality and best-value. We also want to be helpful and proactive leading up to, and throughout, your retirement.

Looking ahead

Over the next four years we’ll roll out a program aimed at delivering this goal. Specifically, it will:

- › extend self-service through our website, member portal and mobile app, to ensure you can get what you want quickly, easily and conveniently
- › provide greater visibility of the status of any requests and reduce waiting times by increasing the levels of straight-through/automatic processing
- › offer greater levels of 24/7 help by enhancing our virtual agent ASH and our website’s features and content
- › more tightly integrate our service channels so when you call, we can easily pick up just where we left off
- › offer more pro-active help and guidance with empathy during important moments, like times of hardship or in retirement planning.

Bringing digital and personal services together

In consultation with members we’ve designed a major upgrade of the member portal. This will be rolled out early in 2021 and is an important step towards an easier and more intuitive member experience.

With better digital servicing capability we can deliver simpler services more conveniently and quickly.

Importantly, this will never remove the need for the human touch, but it will free up our service team to be there for more members during those important and complex life moments that call for deeper and more meaningful connection.

We will continue to improve how we deliver services and are always looking out for new and valuable ways to meet your varying needs.

Advocacy

As the the steward of the retirement savings of 2.3+ million members, AustralianSuper advocates strongly on a wide range of topics and issues that impact members.

Our structured and principles-based advocacy ensures the current and future needs of members are well considered and represented. This work focuses on the four 'system-level' policy drivers that determine the adequacy, efficiency, integrity and sustainability of Australia's superannuation and pension systems. Strengthening each of these drivers will maintain a world-leading superannuation system¹ that helps deliver you a comfortable retirement.

Adequacy

Adequacy relates to both the total retirement savings and how long it will need to last. Although the Government Age Pension prevents extreme poverty, any superannuation policy setting needs to take into account how much people need to enjoy a comfortable retirement.

Efficiency

Cost is a crucial factor in keeping the system efficient over the long term. Policy settings that reduce fixed and variable costs or lower operational expenses as a proportion of assets are important to the system's sustainability.

Integrity

Strong integrity calls for a good balance between regulatory settings, the regulator, trustee fiduciary responsibility, oversight and accountability to members. And of course, competitive pressure. Overlaying all this should be transparency, robust governance frameworks and consumer protection measures.

Sustainability

Sustainable policy settings ensure the system doesn't favour one generation over another. With the Government Age Pension coming under the increasing pressure of an ageing population, the ability of future taxpayers to support a larger proportion of people over 65 must be considered in formulating superannuation policies.

12% super guarantee by 2025: the big benefits of small increases

While not fully mature, Australia's super system is a world leader in providing strong retirement outcomes¹ and the super guarantee (SG) is crucial to this.

In 2013 the government legislated a 0.5% annual increase to the SG rate from 1 July 2021 until 2025, when it reaches 12%. This gradual increase will significantly impact retirement savings.

A higher SG means you won't have to work as long

Slowly increasing the SG to 12% by 2025 means you are more likely to have adequate retirement savings. This is particularly important for those who withdrew super early due to COVID-19 hardship.

With a 12% SG a 30-year-old member earning the median Australian wage (\$71,500) who already has \$60,000 in super won't need to work an extra two years to have the same retirement outcome they would have if the rate stays at 9.5%.²

If the same member withdrew \$20,000 of their super early under the COVID-19 temporary early release scheme, they'd need to work an extra three years at an SG of 9.5%.²

Small increases, big impacts

A 0.5% annual increase to 12% might not seem like a lot, but the impact over the long term is significant. For a 30-year-old member above this would mean \$82,000 more super (in today's dollars) on retirement.²

A higher SG will help this generation, and the next, and the next ...

Australians are living longer and we're not having as many children. This means the number of working Australians compared to retirees will almost halve over the next 40 years.³ We'll have fewer people working and paying taxes to support things like the Government Age Pension but more people will need part or all of it. For Australia to afford it, workers may have to pay more tax or retired people may have to receive a lower pension. Raising the SG to 12% will increase members' retirement savings, taking the pressure off the broader government budget and future tax-payers.

AustralianSuper believes increasing the SG to 12% by 2025 is good policy, affordable and necessary. Importantly, it will positively impact the retirement outcomes of generations of Australians.

1 Source: Mercer, Melbourne Mercer Global Pension Index Report 2019 p6.
2 Assumptions: 6.5% p.a. return, net fees and tax, salary grows 3.5% p.a., SG increases to 12% as per legislation, retires at 67. All results expressed in 'today's dollars' by discounting at assumed wage inflation of 3.5% p.a.
3 Source: 2015 Intergenerational Report, Australian Treasury. ABS cat. No. 3105.0.65.001, 3101.0 and Treasury projections.

Retirement Income Review

In September 2019, the Federal Government announced a review of Australia's retirement income system. AustralianSuper's view is that although the Australian system is world-leading,¹ opportunities still remain for improvement, particularly in adequacy and equity.

The purpose of the retirement income system should be to aim to provide people with dignity in retirement. This means living above the poverty line and enough money to live in comfort.

While undeniably successful, our system is not yet fully mature. The adequacy the system delivers will be improved when legislated SG contributions reach 12% and superannuation fund members receive this contribution rate for most of their working lives.

Despite this, adequacy issues persist for women. These are driven by the gender pay gap, career breaks and length of retirement, all of which adversely affect retirement outcomes. We don't believe these issues have been adequately addressed yet and are urging the government to include them in its review.

Additionally, the retirement income system, including compulsory super, needs to be updated to be more 'fit for purpose' e.g. expanding it to gig economy (self-employment) before SG contributions are made and removing the \$450-per-month threshold for SG contributions.

The government must also ensure any Australian using the system can easily access the information they need at little or no cost.

While the private sector and individuals both play a role, it's the Federal Government's policy settings that determine the levels of comfort and dignity Australians can expect in retirement. This is a very important responsibility and we will continue to advocate on your behalf for a system with integrity that is adequate, efficient and sustainable.

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Managing risk for better outcomes

AustralianSuper’s detailed understanding of risk, our best practice approach and our well-established processes continue to prudently balance risk and reward to the benefit of members.

As they say, ‘there’s no reward without risk’. Indeed, risk is an everyday part of life and of business. But it takes a cautious and strategic approach to risk in order for there to be rewards.

The findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in 2019 quite rightly focused much attention on financial services. AustralianSuper emerged from the commission with a clean bill of health — no misconduct or referrals for potential legal action, nor regulator’s demands pertaining to risk and compliance. However, we are aware that demands from the regulators about risk and compliance will continue to increase.

2020’s COVID-19 pandemic has significantly challenged all nations, with government safety responses considerably impacting economies and individuals.

This year has also seen the rise of issues surrounding data security, cyber security and privacy. The security of members’ and Fund data remains a key focus for us as members’ data becomes more vital than ever in our digitally connected world.

Against the backdrop of increased regulatory focus and the need to position the Fund for future growth, the Board and Executive team elevated and strengthened our Risk Management Framework and risk and compliance capabilities. This investment will ensure our systems, processes and controls can meet future challenges so we can keep on delivering the best retirement outcomes for over 2.3 million members.

Risk Management Declaration

Each financial year, APRA requires us to provide a Risk Management Declaration (RMD) that the Risk Management Framework operated effectively. For the 2020 financial year, the Chair of the Board and Chair of the Risk and Compliance Committee signed an unqualified RMD on behalf of the AustralianSuper Board.

Our approach to managing risk

AustralianSuper takes controlled and deliberate risks within a strongly managed environment. We do this within boundaries defined by the best interests of our members.

Our business naturally exposes us to financial and non-financial risks. Understanding this risk environment is a crucial part of our strategic decision-making and tactical planning.

Our Risk Management Framework formally outlines the way we consider, assess, identify, manage and track risk. We focus on the following eight enterprise-wide risk areas to ensure we have the right approach and processes in place:

- › governance
- › culture and conduct
- › strategy
- › compliance
- › investment objective
- › the member offer
- › liquidity
- › operational risk and security.

Our teams are equipped to anticipate emerging risks by using research, analysis, stress and scenario tests. These also allow us to identify fraud and other threats to your information and your savings.

Good governance and frameworks are critical to risk management. It is equally important to embed risk and compliance awareness in our management processes across the organisation. We ensure all staff understand it’s everyone’s responsibility to ensure decisions are always made with our members’ best interests front of mind.

To support this, we have Fund-wide processes, protocols, controls and reporting platforms. Staff undergo regular training and assessments to ensure we’re all managing risk appropriately.

As the digital economy expands, keeping confidential member data secure is crucial to earning and maintaining trust. AustralianSuper remains vigilant in the face of the ongoing challenges of increasingly sophisticated technology that gives more and more power to personal devices, and the security threat to data transmitted in real-time to members and to and from third parties.

Importantly, we make sure all third-party service providers securely manage their own risks on your behalf.

Drivers of this year’s risk decisions

‘Unprecedented’ is the word of 2020, and for good reason. COVID-19 health impacts, economic downturn, elevated investment market volatility, hundreds of thousands of members accessing their super early, and national security data issues all feature among the many risk-related events.

Decisions this year were shaped around a range of factors, including:

- › the COVID-19 pandemic
- › keeping our 850 colleagues healthy and secure
- › significant market volatility
- › enabling early release of super
- › managing fraud
- › meeting significant and ongoing new regulatory requirements aimed at providing greater protection and transparency for stakeholders and members
- › communicating and servicing members at a time of great uncertainty.

Strong risk frameworks

With the appropriate procedures and controls in place, the Fund was well positioned to deal with the events of this year. We started the financial year with strong risk frameworks and a commitment to further investment. The pandemic revealed that our systems and the planning we had done had left the Fund well placed to meet those challenges.

Nevertheless, we remain committed to continuously improving our risk management culture, strategy and practice to meet today’s ever-evolving challenges. This commitment is best underlined by the Fund’s dedicated Risk and Compliance Board committee and the appointment of a Chief Risk Officer.

While none of the above measures eliminate risk, they provide the guidelines to best operate and invest on your behalf, in a deliberate and controlled way, within acceptable levels of risk that maximise growth in your long-term super balance.

Keeping your super safe

Identity theft is when your personal information is used for fraudulent activity, like attempting to withdraw money from your AustralianSuper online account.

While our tight security measures help keep your super safe, there are other things you can do to reduce the risk of your identity being stolen. These include:

- › keeping up-to-date with your account
- › having a secure password that’s changed regularly
- › being wary of:
 - hoax emails
 - emails that ask for your passwords, credit card numbers, etc.
 - unsolicited phone calls and SMSes
- › protecting your device when you’re online.

If you see any unusual activity on your super account let us know ASAP on **1300 300 273**.

If you see unusual activity unrelated to your AustralianSuper account, report it to the Australian Competition & Consumer Commission’s SCAMwatch.

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Governance

Governance and culture are critical to our Members First approach. Having the right people supported by a rigorous decision-making framework and disciplined processes ensures our continued focus on your best interests.

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Board of Directors

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

Board of Directors

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 2020, the Board comprised five member representative directors, five employer representative directors and two independent directors.

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

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 eight 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.



From L to R: **Jim Craig** Independent Director, **Dave Oliver** Deputy Chair, **Claire Keating** Employer Director, **Daniel Walton** Member Director, **Julia Angrisano** Member Director, **Innes Willox** Employer Director, **Glenn Thompson** Member Director, **Gabrielle Coyne** Employer Director, **Dr Don Russell** Independent Chair, **John Dixon** Employer Director, **Brian Daley** Member Director, **Lucio Di Bartolomeo** Employer Director.

Executive team

Meet AustralianSuper’s leadership team who set, demonstrate and drive the tone for our member-centric ethos, demonstrate our values and drive performance outcomes.

<p>Ian Silk Chief Executive</p> <p>‘Providing members with the best possible retirement is all that matters.’</p> 	<p>Mark Delaney Deputy Chief Executive and Chief Investment Officer</p> <p>‘Making sure we deliver strong long-term returns to members is our goal.’</p> 	<p>Sarah Adams Group Executive, Strategy Brand and Reputation</p> <p>‘We’re focused on delivering meaningful outcomes for members and building community confidence in AustralianSuper.’</p> 
<p>Shawn Blackmore Group Executive, Member Experience</p> <p>‘We care about our members and employers and we’re here to help and make things easy for them.’</p> 	<p>Peter Curtis Group Executive, Finance and Operations</p> <p>‘Our team of dedicated Finance, Legal & Operations professionals work meticulously to implement the strategy and objectives of the wider Fund.’</p> 	<p>Michele Glover Group Executive, People and Culture</p> <p>‘Our aim is to have an engaged workforce which consistently delivers outstanding results for members.’</p> 
<p>Rose Kerlin Group Executive, Membership</p> <p>‘We’re leveraging our size and scale to deliver a future that really matters to members.’</p> 	<p>Paul Schroder Chief Risk Officer</p> <p>‘We’re focused on understanding and effectively managing risk to deepen confidence and trust in the Fund.’</p> 	<p>Felicia Trewin Group Executive, Technology Services</p> <p>‘A seamless technology service helps our people deliver great outcomes for members.’</p> 



People and Culture

Securing, developing and retaining skilled and culturally-aligned people to reflect the members we serve.

Growing our global investment portfolio and presence

As AustralianSuper’s member assets continue to grow, performance of the global investment portfolio is increasingly important. Our International Offices Program aims to expand AustralianSuper’s existing international offices as well as establishing new offices over the short and medium term. The external environment and existing mobility restrictions will dictate the pace and format of our offshore growth, but we continue to believe that having an on-the-ground presence in key global investment markets enhances 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.

International expansion plans

Following the move into a larger new office space, AustralianSuper continued the expansion of its London presence, adding new roles in front and back office investments, as well as information technology.

Planned hiring for the new New York office was delayed as a direct result of the COVID-19 pandemic.

Diversity and inclusion

Diversity and inclusion remain a priority at AustralianSuper to ensure that we reflect the members we serve and the organisations we invest with. Supporting diversity in all its forms allows AustralianSuper to attract and retain top talent, whilst being aligned with our values.

Our workplace is one where embracing diversity in all its forms is the way in which we do business to ensure we continue to succeed; where people are valued and can give their best every day. This was reflected in our recent all-colleague pulse check survey where 89% of respondents agreed that AustralianSuper provides a working environment where they feel they belong and can bring their true selves to work. Twenty-two percent of colleagues identified that English is their second or third language, and 58% of our colleagues are carers of dependent family members.

The FY21 Diversity and Inclusion Strategy drives our initiatives with a focus on three pillars: amplifying our market-leading position on gender equality, creating a work environment where you can be you and investing in inclusive leadership.

Female colleagues make up 50% of our workforce and hold 41% of management positions including 50% of the direct reports to the Chief Executive. AustralianSuper reports annually to the Workplace Gender Equality Agency (WGEA) and is proud to have been awarded the WGEA citation as an Employer of Choice for Gender Equality for the eighth consecutive year in 2020.

The Fund continues to drive diversity and inclusion initiatives which are reported to the Executive Committee and the Board, including: gender pay equity, improving gender diversity within our Investments Group across Australian and international offices, flexible work and reconciliation with Aboriginal and Torres Strait Islander peoples.

Leadership development

AustralianSuper supports the development of people leaders through its range of leadership development programs. All are specifically designed to embed the knowledge, skills and behaviours required to be a successful leader at the Fund, in line with the AustralianSuper leadership framework. The programs provide the Fund’s people leaders with training, feedback, support materials and in some instances ongoing coaching. This year over 150 attendees benefitted from the leadership development programs on offer.

A key component of People and Culture’s strategic priority of supporting the Fund’s global expansion is to internalise the design, and where possible, ‘virtualise’ the delivery of its leadership development programs. An unexpected wholly-remote workforce for the last quarter of the year added further impetus to this goal. The overwhelming majority of Developing Leader modules were updated this year and are now regularly delivered via videoconferencing tools by our team of learning professionals.

AustralianSuper runs a Talent Management program that identifies and prepares future leaders, senior leaders and executives of the Fund. The program includes an enterprise-wide all-level talent identification process as well as targeted assessment, development and review activities.

Members First culture

AustralianSuper continues to invest in its people through formal training and coaching by people leaders, peers and on-the-job development. The focus has been on sustaining the Fund's Members First culture through six-monthly formal assessments and feedback on values and behaviours of all colleagues across the Fund. Formal assessment is supported by a values-based recognition program, focusing on celebrating and rewarding behaviours aligned to our Members First culture.

Resourcing and recruitment

The volume and quality of hires in FY20 meant it was an incredibly busy year for AustralianSuper with respect to recruitment. Pleasingly, the Fund was able to attract market-leading talent from a range of industries, adding to the diversity of thought already evident in the employee population. According to recently captured feedback data, the noticeably broader reach can be attributed to a value proposition that includes meaningful and challenging work, collegiate colleagues and the offer of a positive work-life balance.

A new internal mobility initiative was launched immediately following the move to remote working. This saw employees whose normal work activity was most significantly interrupted being temporarily reassigned into new demand areas that had quickly emerged. Roughly 60 employees, primarily from the Fund's face-to-face member and employer services functions, transitioned into mainly phone, email and social media communications roles following spikes in member enquiries.

Colleague engagement

A pulse engagement survey was conducted in May 2020 to provide insights into the Fund's Performance Enablement Index (PEI), a key scorecard metric measuring drivers of performance. The survey also included questions regarding the health and wellbeing of colleagues during the remote working period and additional optional questions relating to personal diversity attributes to support the Fund's Diversity and Inclusion Strategy. The Fund recorded its highest ever colleague survey response rate of 98%, with the PEI increasing 10% on the 2019 result. The pulse check survey confirmed that the transition to 100% of colleagues working remotely during the COVID-19 period was successfully implemented, with colleague responses being used to inform decisions about future ways of working

when our offices reopen. We learned more about our colleagues' households via the pulse check survey: 12% of our colleagues live alone, 46% have two to three household members, 41% have four to six household members and 1% have seven or more in their households. Seventy-two percent of colleagues had other household members working from home or school-aged children undertaking remote learning, or both.

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.

In addition to annual leave entitlements, our employees are also entitled to take up to one day of paid community service leave per year to perform duties for specific charities or community organisations, or an eligible voluntary emergency management activity (e.g. the recent bushfires).

New Enterprise Agreement

The Fund and the Finance Sector Union of Australia (FSU) successfully negotiated the new AustralianSuper Enterprise Agreement 2019-2023 this year. Seventy-four percent of colleagues voted, with an outcome of 97% YES vote. The Agreement provides many new benefits for colleagues including enhancements to parental leave and domestic violence leave and the inclusion of grandparent, transition and Aboriginal and Torres Strait Islanders leave. The Agreement was ratified by the Fair Work Commission to be effective 24 December 2019.

COVID-19 response

Our primary focus in recent months has been to support our colleagues with their remote working activities from a health, safety and wellbeing perspective. Regular Workplace Health and Safety (WHS) and ergonomic hints and tips were shared among colleagues to support working from home arrangements. The Fund also implemented paid Pandemic Leave and provided greater support for flexible working for colleagues caring for dependent family members due to school and childcare closures.

Management team by gender and age as at 30 June 2020

	Female	Male	Total	Age under 30	Age 30-50	Age 50+
Board	3	9	12	0	2	10
Executive	4	5	9	0	4	5
Management	95	131	226	2	169	55

Workforce by gender (FTE) as at 30 June 2020

		Female	Male	Total
Asia	Beijing	2	0	2
UK	London	5	14	19
Australia	Canberra	2	0	2
	Sydney	20	22	42
	Newcastle	1	1	2
	Darwin	0	1	1
	Brisbane	4	6	10
	Adelaide	3	2	5
	Hobart	1	1	2
	Melbourne	398	396	794
	Perth	10	5	15
Total		446	448	894





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Board and committees

Board and Board Committee membership as at 12 December 2019

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

ACRMC: Audit, Compliance and Risk Management Committee

IC: Investment Committee

MESC: Member and Employer Services Committee

PCC: People and Culture Committee

TC: Technology Committee

* Chair

† Independent Director

‡ Committee Member (non-director)

§ Specialist

Board and Board Committee membership as at 30 June 2020

Board Members	Alternate Directors	FAC	IC	MESC	PCC	RCC	TC
Gabrielle Coyne	Sheena Kay	Claire Keating*	Jim Craig*	Brian Daley*	Innes Willox*	Lucio Di Bartolomeo*	Daniel Walton*
Lucio Di Bartolomeo	Anne Flanagan	Anne Flanagan§	Don Russell	Julia Angrisano	Gabrielle Coyne	Claire Keating	Dave Oliver
John Dixon	Heather Ridout	Sheena Kay§	Russell Maddox†§	Jo-Anne Schofield	Brian Daley	Glenn Thompson	Gabrielle Coyne
Claire Keating	-	Brad Crofts	Heather Ridout§	Gabrielle Coyne	Dave Oliver	Daniel Walton	Russell Maddox‡
Innes Willox	Peter Burn	Peter Cozens	Innes Willox	John Dixon	Don Russell	Don Russell	Cliff Rosenberg‡§
"	George Stamas	Carmen Pace	Nixon Apple	George Stamas			
Dave Oliver	Joseph Mitchell		Brad Crofts				
Julia Angrisano	Carmen Pace		Brian Daley				
Brian Daley	Jo-Anne Schofield						
Glenn Thompson	Nixon Apple						
"	Peter Cozens						
Daniel Walton	Brad Crofts						
Don Russell**							
Jim Craig†							

- FAC: Finance and Audit Committee

IC: Investment Committee

MESC: Member and Employer Services Committee

PCC: People and Culture Committee

RCC: Risk and Compliance Committee

TC: Technology Committee
- * Chair

† Independent Director

‡ Committee Member (non-director)

§ Specialist

ACRMC from 1 January 2020 split into the FAC — Finance and Audit Committee and RCC — Risk and Compliance Committee

Board and Board Committee attendance 2019-2020

	Board		ACRMC		FAC		IC		MESC		PCC		RCC		TC	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Directors																
Angrisano	6	6	-	-	-	-	-	-	2	2	-	-	-	-	-	-
Bastian	3	3	2	3	-	-	-	-	-	-	-	-	-	-	-	-
Coyne	6	6	-	-	-	-	-	-	4	4	3	3	-	-	4	4
Craig	6	6	-	-	-	-	6	6	-	-	-	-	-	-	-	-
Daley	5	6	-	-	-	-	5	6	4	4	4	4	-	-	-	-
Dixon	6	6	-	-	-	-	-	-	2	2	-	-	-	-	-	-
Di Bartolomeo	5	6	-	-	-	-	-	-	2	2	-	-	2	2	-	-
Keating	3	3	-	-	2	2	-	-	-	-	-	-	2	2	-	-
Oliver	6	6	-	-	-	-	-	-	-	-	4	4	-	-	4	4
Ridout	0	0	-	-	-	-	1	1	-	-	1	1	-	-	-	-
Russell	6	6	-	-	-	-	5	5	-	-	3	3	2	2	-	-
Thompson	3	3	-	-	-	-	-	-	-	-	-	-	2	2	-	-
Walton	6	6	-	-	-	-	-	-	-	-	-	-	2	2	4	4
Willis	3	3	3	3	-	-	-	-	-	-	-	-	-	-	-	-
Willox	6	6	-	-	-	-	-	-	-	-	4	4	-	-	-	-

A = Meetings attended
B = Meetings held
- = Not a member of board or committee

	Board		ACRMC		FAC		IC		MESC		PCC		RCC		TC	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Alternate Directors																
Apple	-	-	-	-	-	-	6	6	-	-	-	-	-	-	-	-
Burn	-	-	-	-	-	-	6	6	-	-	-	-	-	-	-	-
Cozens	-	-	-	-	2	2	-	-	-	-	-	-	-	-	-	-
Crofts	-	-	3	3	2	2	6	6	-	-	-	-	-	-	-	-
Flanagan	-	-	3	3	2	2	-	-	-	-	-	-	-	-	-	-
Kay	-	-	3	3	2	2	-	-	-	-	-	-	-	-	-	-
O'Neil	-	-	-	-	-	-	-	-	1	2	-	-	-	-	-	-
Pace	-	-	-	-	2	2	-	-	-	-	-	-	-	-	-	-
Ridout	-	-	-	-	-	-	5	5	-	-	-	-	-	-	-	-
Schofield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stamas	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	-
Committee members (non director)																
Nicolaidis	-	-	-	-	-	-	-	-	2	2	-	-	-	-	-	-
Maddox	-	-	-	-	-	-	6	6	-	-	-	-	-	-	4	4
Rosenberg	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
Weston	-	-	-	-	-	-	5	6	-	-	-	-	-	-	-	-

A = Meetings attended
B = Meetings held
- = Not a member of board or committee

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 and 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 and 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
- › 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 2020*	Chair \$	Member \$	Board Deputy Chair \$
Board	130,880	32,800	48,240
Finance and Audit Committee†	50,400	19,680	-
Risk and Compliance Committee†	50,400	19,680	-
Investment Committee‡	122,640	49,040	-
Member and Employer Services Committee	28,560	16,320	-
People and Culture Committee	16,800	9,680	-
Technology Committee†	28,560	16,320	-

A per meeting fee of \$1,560 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.

* Director Fees were reduced by 20% effective April 2020. The Fees quoted in this report are inclusive of this reduction.

† Independent Finance and Audit member fee, Independent Risk and Compliance Committee member fee, and Independent Technology Committee member fee is \$34,880 per annum.

‡ Independent Investment Committee member fee is \$64,240 per annum.

Directors' remuneration

Directors and Alternate Directors	2020			2019		
	Cash fees \$	Superannuation \$	Total \$	Cash fees \$	Superannuation \$	Total \$
J. Angrisano ¹	49,273	4,681	53,954	40,100	3,810	43,910
N. Apple	58,281	5,537	63,818	61,800	5,871	67,671
P. Bastian ²	32,800	3,116	35,916	64,100	6,090	70,190
P. Burn ³	27,518	2,615	30,133	59,900	5,691	65,591
G. Coyne	85,556	8,128	93,684	60,000	5,700	65,700
P. Cozens ⁴	9,105	865	9,970	-	-	-
J. Craig	184,732	17,550	202,282	190,000	18,050	208,050
B. Crofts ⁵	81,670	7,759	89,429	85,800	8,151	93,951
B. Daley	142,709	13,557	156,266	146,700	13,937	160,637
L. Di Bartolomeo	76,574	7,275	83,849	85,700	8,142	93,842
J. Dixon ⁶	39,496	3,753	43,249	-	-	-
A. Flanagan	41,453	3,938	45,391	42,600	4,047	46,647
S. Kay	41,453	3,938	45,391	24,000	2,280	26,280
C. Keating ⁷	57,967	5,507	63,474	-	-	-
W. Kensett-Smith ⁸	-	-	-	9,600	912	10,512
R. Lewtas ⁹	3,183	303	3,486	9,500	903	10,403
R. Maddox	94,897	9,015	103,912	78,500	7,458	85,958
J. Mitchell	-	-	-	-	-	-
M. Nicolaides ¹⁰	9,158	870	10,028	19,900	1,891	21,791
D. Oliver	92,495	8,787	101,282	87,300	8,294	95,594
M. O'Neil ¹¹	12,545	1,192	13,737	19,900	1,891	21,791
C. Pace	11,089	1,053	12,142	-	-	-
H. Ridout	113,655	10,798	124,453	231,600	22,002	253,602
C. Rosenberg ¹²	11,097	1,054	12,151	-	-	-
D. Russell ¹³	189,738	18,025	207,763	6,610	628	7,238
J. Schofield ¹⁴	62	6	68	-	-	-
G. Stamas	19,395	1,843	21,238	19,900	1,891	21,791
G. Thompson ¹⁵	24,295	2,308	26,603	-	-	-
D. Walton ¹⁶	82,589	7,846	90,435	40,100	3,810	43,910
S. Weston ¹⁷	74,643	7,091	81,734	78,500	7,458	85,958
G. Willis ¹⁸	54,917	5,217	60,134	111,200	10,564	121,764
I. Willox ¹⁹	92,768	8,813	101,581	70,100	6,660	76,760

1 These fees are paid to Financial Services Union.

2 These fees are paid to the Australian Manufacturing Workers' Union. Ceased as a Director on 31 December 2019.

3 These fees are paid to the Australian Industry Group.

4 These fees are paid to the Australian Manufacturing Workers' Union. Commenced as a Director on 31 January 2020.

5 These fees are paid to Eureka Economics Pty Ltd.

6 Commenced as Director on 26 September 2019.

7 Commenced as Director on 1 January 2020.

8 These fees are paid to Australian Workers' Union. Ceased as a Director on 23 November 2018.

9 Ceased as a Director on 12 December 2019.

10 These fees are paid to the Australian Manufacturing Workers' Union. Ceased as a Director on 12 December 2019.

11 These were paid to the ACTU. Ceased as a Director on 11 February 2020.

12 These fees are paid to Rosenberg Trading Pty Ltd. Commenced as a Director on 12 March 2020.

13 Commenced as a Director on 2 May 2019.

14 These fees are paid to the United Workers Union.

Commenced as a Director on 12 December 2019.

15 These fees are paid to the Australian Manufacturing Workers' Union. Commenced as a Director on 31 January 2020.

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

17 Ceased as a Director on 19 June 2020.

18 Ceased as a Director on 31 December 2019.

19 These fees are paid to the Australian Industry Group.

Executive remuneration

Remuneration is comprised of one or more of the following:

1. Fixed annual remuneration

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
 - › 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
 - › the participant achieves individual performance, risk and behaviours assessment ratings of at least 'Meets Expectations' in their annual performance assessment.

The Investment Performance 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 and Culture Committee may revise the performance conditions and weightings in order to better meet the objectives of the remuneration policy.

Non-management colleagues

AustralianSuper colleagues are employed under the AustralianSuper Enterprise Agreement 2019-2023. Colleagues whose salaries are set under the Agreement received annual increases to their remuneration.

Remuneration consultants

- AustralianSuper engages remuneration consultants to ensure that:
- › remuneration is in line with industry standards
 - › the Fund continues to attract and retain quality staff to run and operate the Fund efficiently and expertly
 - › the Fund's remuneration is consistent with AustralianSuper's core tenet of being a Members First fund.

Performance of the Fund in 2019–2020 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*	1.10%	6.65%	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	5.17%	6.65%	Achieved

* Inflation calculated on rolling three-year basis (annualised) is 1.10% pa
[Annual Rates: 2017–18: 2.08%; 2018–19: 1.59%; 2019–20: -0.35%]

Source: ABS Cat. No. 6401.0 – Consumer Price Index, Australia, Jun 2018, 2019 & 2020]

Executive remuneration at 30 June 2020

	Salary (A)	Superannuation	Fixed remuneration (B)	Performance payment (C)	Deferred performance (D)	Non-monetary (E)	Total (F)
M. Delaney*	733,437	25,000	758,437	947,400	378,960	–	1,705,837
I. McKeand	557,000	25,000	582,000	577,635	231,054	–	1,159,635
I. Silk*	1,068,817	25,000	1,093,817	–	–	17,417	1,111,234
J. Peasley	557,000	25,000	582,000	494,700	197,880	–	1,076,700
C. Astorri	494,000	25,000	519,000	519,000	207,600	–	1,038,000

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

(C) Represents the performance payment made in respect of the 2019/20 financial year. The amount is inclusive of the deferred performance payment (D).

(D) In accordance with changes made to the Investment Performance Payment Plan, Material Risk Takers have 40% of their 2020 Performance Payment deferred, 50% of which is deferred for 12 months and 50 % for 24 months.

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

(F) Represents the total remuneration paid for the year being the sum of (B), (C) and (E).

The movement in the annual leave accrual for each person for the financial year was as follows: M. Delaney -\$11,433, I. McKeand \$54,142, I. Silk \$29,447, C. Astorri \$29,395, J. Peasley \$6,641.

The movement in the long service leave entitlements accrued but not taken during the year were: M. Delaney \$38,490, I. McKeand \$19,907, I. Silk \$114,132, C. Astorri \$18,849, J. Peasley \$20,198.

* Director Fees were reduced by 20% effective April 2020. The Fees quoted in this report are inclusive of this reduction.

Executive remuneration at 30 June 2019

	Salary (A)	Superannuation	Fixed remuneration (B)	Performance payment (C)	Deferred performance (D)	Non-monetary (E)	Total (F)
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) Represents cash remuneration paid during the financial year inclusive of superannuation and before performance payments. This amount does not include any accrual for annual leave or long service leave.

(C) Represents the performance payment made in respect of the 2018–19 financial year. The amount is inclusive of the deferred performance payment (D).

(D) In accordance with changes made to the Investment Performance Payment Plan, Material Risk Takers have 20% of their 2019 Performance Payment deferred for 12 months.

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

(F) Represents the total remuneration paid for the year being the sum of (B), (C) and (E).

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.

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 2020

	2020 \$ m	2019 \$ m
ASSETS		
Investments	188,440	170,577
Other assets	1,785	976
Total assets	190,225	171,553
LIABILITIES		
Tax payable	3,149	3,210
Other payables	4,698	1,559
Total liabilities	7,847	4,769
Net assets available for members’ benefits	182,378	166,784
Members’ benefits	181,688	166,150
Net assets	690	634
EQUITY – RESERVES		
Operational risk reserve	460	400
Other reserves	230	234
Total reserves	690	634

Income statement for the year ended 30 June 2020

	2020 \$m	2019 \$m
REVENUE		
Investment income	777	13,817
Total revenue	777	13,817
EXPENSES		
Investments	(498)	(538)
Trustee service fee	(356)	(313)
Sundry expenses	(8)	(47)
Total expenses	(862)	(898)
Operating result	(85)	12,919
Less net benefits allocated to members	(283)	(12,390)
Operating result before income tax	(368)	529
Income tax (expense)/benefit	424	(621)
Net operating result	56	(92)

Statement of changes in members' benefits for the year ended 30 June 2020

	2020 \$m	2019 \$m
Opening balance of members' benefits	166,150	139,406
Contributions received	12,159	10,428
Transfers from other superannuation plans	15,519	13,064
Income tax on contributions	(1,413)	(1,222)
After tax contributions	26,265	22,270
Benefits paid and payable	(10,680)	(7,674)
Insurance premiums charged to members	(666)	(550)
Death and disability benefits credited to members	336	308
Net benefits allocated to members' accounts	283	12,390
Closing balance of members' benefits	181,688	166,150

Statement of changes in reserves for the year ended 30 June 2020

	Operational risk reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
Balance as at 30 June 2018	347	134	52	193	726
Balance as at 30 June 2019	400	70	55	109	634
Net transfers to/from reserve	57	(92)	35	-	-
Operating result	3	112	(16)	(43)	56
Balance as at 30 June 2020	460	90	74	66	690

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 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, Finance and Operations, Finance and Operations. The Insurance Reserve Policy itself is reviewed every two years.

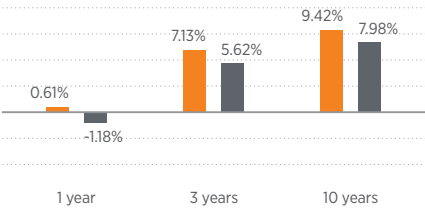
In summary, the Insurance Reserve is used to cover timing differences between the charging of insurance premiums to members' accounts and the use of those premiums to meet the cost of premiums due to the insurer under the insurance contract and the operations of the insurance business.

Investment option performance

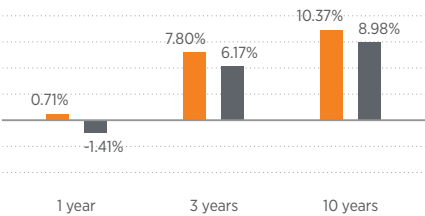
Performance and asset allocations as at 30 June 2020

High Growth

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

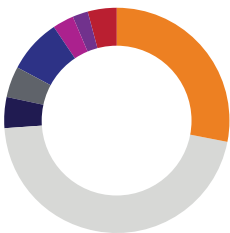
Investment objective

- › To beat CPI by more than 4.5% pa over the medium to longer term
- › To beat the median growth fund over the medium to longer term

Minimum investment timeframe

At least 12 years

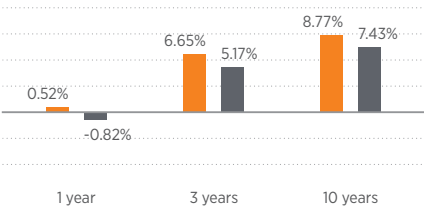
Asset allocation as at 30 June 2020



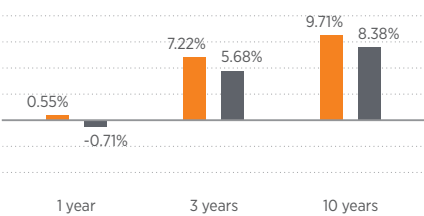
- Australian shares 28.9% (20-50%)
- International shares 45.4% (20-50%)
- Private equity 4.3% (0-10%)
- Listed property 0% (0-10%)
- Direct property 4.5% (0-30%)
- Infrastructure 7.7% (0-30%)
- Credit 2.9% (0-20%)
- Fixed interest 2.1% (0-20%)
- Cash 4.1% (0-15%)
- Other assets 0% (0-5%)

Balanced

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

- › To beat CPI by more than 4% pa over the medium to longer term
- › To beat the median balanced fund over the medium to longer term

Minimum investment timeframe

At least 10 years

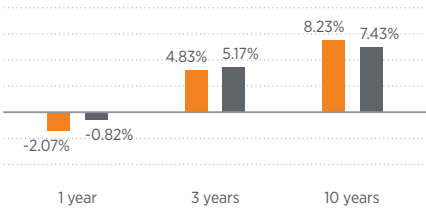
Asset allocation as at 30 June 2020



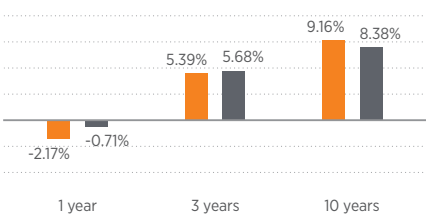
- Australian shares 21.6% (10-45%)
- International shares 33.8% (10-45%)
- Private equity 4.0% (0-10%)
- Listed property 0% (0-10%)
- Direct property 6.6% (0-30%)
- Infrastructure 11.9% (0-30%)
- Credit 4.4% (0-20%)
- Fixed interest 8.5% (0-25%)
- Cash 9.3% (0-20%)
- Other assets 0% (0-5%)

Socially Aware

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

- › To beat CPI by more than 4% pa over the medium to longer term
- › To beat the median balanced fund over the medium to longer term

Minimum investment timeframe

At least 10 years

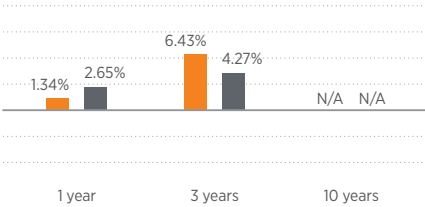
Asset allocation as at 30 June 2020



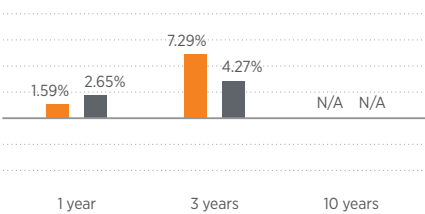
- Australian shares 19.5% (10-45%)
- International shares 36% (10-45%)
- Private equity 4.0% (0-10%)
- Listed property 0% (0-10%)
- Direct property 6.8% (0-30%)
- Infrastructure 11.9% (0-30%)
- Credit 4.3% (0-20%)
- Fixed interest 8.7% (0-25%)
- Cash 8.7% (0-20%)
- Other assets 0% (0-5%)

Indexed Diversified

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

- › To achieve an average annual return of CPI by more than 3% pa over the medium to longer term

Minimum investment timeframe

At least 10 years

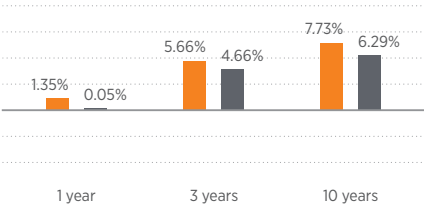
Asset allocation as at 30 June 2020



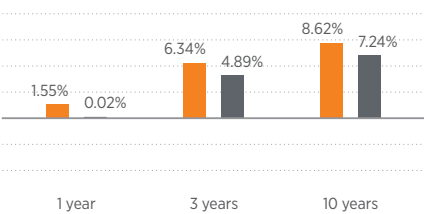
- Australian shares 27.6% (20–50%)
- International shares 41.9% (20–50%)
- Listed property 0% (0–10%)
- Fixed interest 17.3% (0–30%)
- Cash 13.2% (0–30%)

Conservative Balanced

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

- › To beat CPI by more than 2.5% pa over the medium term
- › To beat the median conservative balanced fund over the medium term

Minimum investment timeframe

At least 5 years

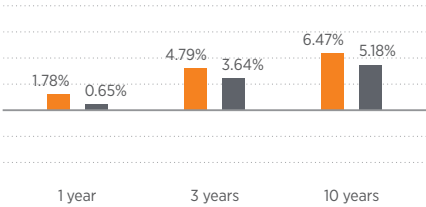
Asset allocation as at 30 June 2020



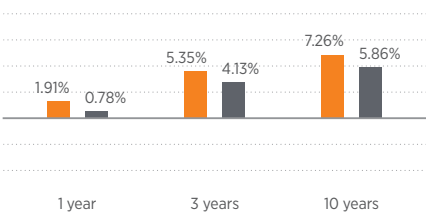
- Australian shares 15.1% (5–35%)
- International shares 23.7% (5–35%)
- Private equity 2% (0–5%)
- Listed property 0% (0–10%)
- Direct property 5.2% (0–25%)
- Infrastructure 8.8% (0–25%)
- Credit 3.3% (0–25%)
- Fixed interest 22.9% (0–40%)
- Cash 18.9% (0–30%)
- Other assets 0% (0–5%)

Stable

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

- › To beat CPI by more than 1.5% pa over the medium term
- › To beat the median capital stable fund over the medium term

Minimum investment timeframe

At least 3 years

Asset allocation as at 30 June 2020



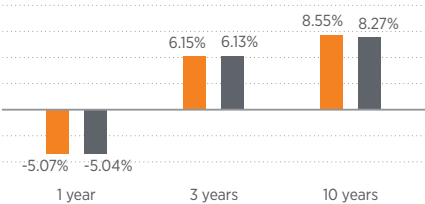
- Australian shares 8.6% (0–20%)
- International shares 13.7% (0–20%)
- Private equity 0% (0–3%)
- Listed property 0% (0–10%)
- Direct property 5.7% (0–15%)
- Infrastructure 10.2% (0–20%)
- Credit 3.8% (0–25%)
- Fixed interest 28.7% (0–45%)
- Cash 29.3% (0–50%)
- Other assets 0% (0–5%)

Investment option performance

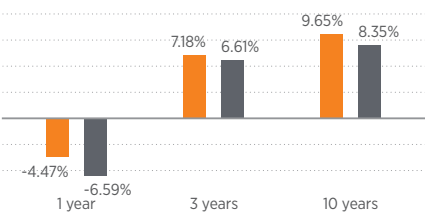
Performance and asset allocations as at 30 June 2020

Australian shares

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

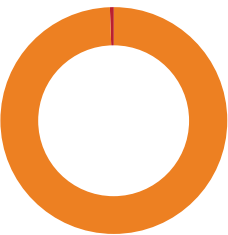
Investment objective

› To beat the S&P/ASX200 Accumulation Index¹ over the medium to longer term

Minimum investment timeframe

At least 12 years

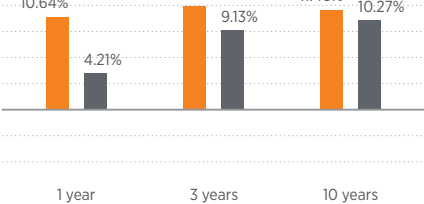
Asset allocation as at 30 June 2020



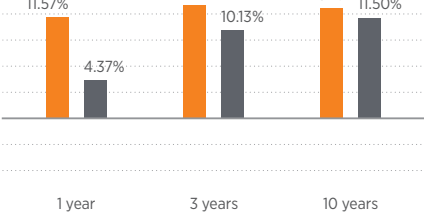
Australian shares 99.5% (90-100%)
Cash 0.5% (0-10%)

International shares

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

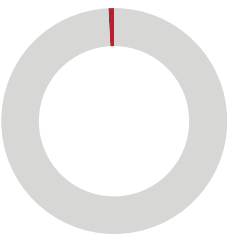
Investment objective

› To beat the MSCI All Country World ex Australia Index (unhedged) over the medium to long term¹

Minimum investment timeframe

At least 12 years

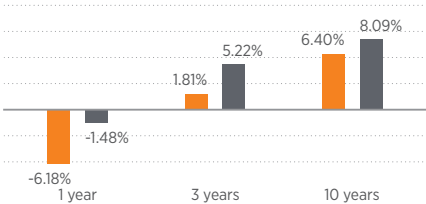
Asset allocation as at 30 June 2020



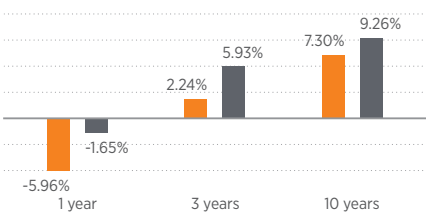
International shares 99.3% (90-100%)
Cash 0.7% (0-10%)

Property

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

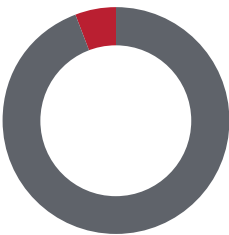
Investment objective

› To beat CPI by more than 3% pa and a composite of Australian and International Property Indices² over the medium term

Minimum investment timeframe

At least 5 years

Asset allocation as at 30 June 2020

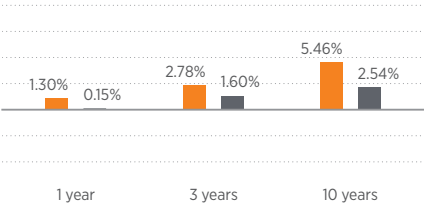


Listed property 0% (0-10%)
Direct Property 94.3% (90-100%)
Cash 5.7% (0-10%)

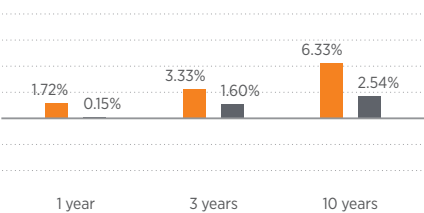
1 Index level returns, adjusted for implied superannuation tax (where applicable)
2 Composite consists of 60% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index, 20% MSCI/AREF UK Quarterly Property Fund Index hedged to AUD and 20% NCREIF Fund Index — Open End Diversified Core Equity hedged to AUD. Hedging is performed by AustralianSuper.

Diversified Fixed Interest

Superannuation returns pa



Retirement returns pa



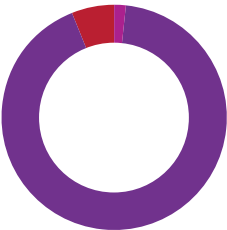
AustralianSuper Benchmark

Investment objective

› To beat CPI by more than 0.5% pa over the short to medium term

Minimum investment timeframe
At least 3 years

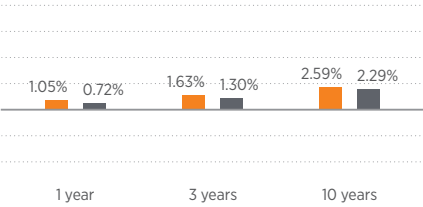
Asset allocation as at 30 June 2020



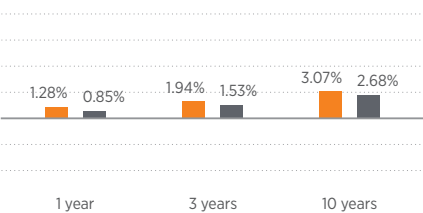
- Credit 1.9% (0–25%)
- Fixed Interest 92.3% (50–100%)
- Cash 5.9% (0–30%)

Cash

Superannuation returns pa



Retirement returns pa



AustralianSuper Benchmark

Investment objective

› To beat the return of the Bloomberg AusBond Bank Bill Index over one year³

Minimum investment timeframe
At least 1 year

Asset allocation as at 30 June 2020

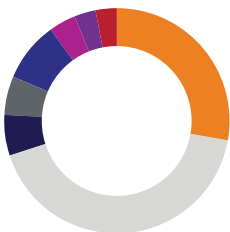


- Cash 100% (100%)

³ Index level returns, adjusted for implied superannuation tax (where applicable).

Strategic asset allocation 2020-21

High Growth



- Australian shares 28% (20-50%)
- International shares 42% (20-50%)
- Private equity 6% (0-10%)
- Listed property 0% (0-10%)
- Direct property 5.5% (0-30%)
- Infrastructure 8.5% (0-30%)
- Credit 4% (0-20%)
- Fixed interest 3% (0-20%)
- Cash 3% (0-15%)
- Other assets 0% (0-5%)

Balanced



- Australian shares 22% (10-45%)
- International shares 32.5% (10-45%)
- Private equity 5.5% (0-10%)
- Listed property 0% (0-10%)
- Direct property 6% (0-30%)
- Infrastructure 12% (0-30%)
- Credit 6.5% (0-20%)
- Fixed interest 11.5% (0-25%)
- Cash 4% (0-20%)
- Other assets 0% (0-5%)

Socially Aware



- Australian shares 22% (10-45%)
- International shares 32.5% (10-45%)
- Private equity 5.5% (0-10%)
- Listed property 0% (0-10%)
- Direct property 6% (0-30%)
- Infrastructure 12% (0-30%)
- Credit 6.5% (0-20%)
- Fixed interest 11.5% (0-25%)
- Cash 4% (0-20%)
- Other assets 0% (0-5%)

Indexed Diversified



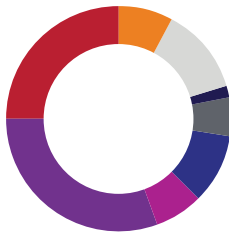
- Australian shares 28% (20-50%)
- International shares 42% (20-50%)
- Listed property 0% (0-10%)
- Fixed interest 22% (0-30%)
- Cash 8% (0-30%)

Conservative Balanced



- Australian shares 15% (5-35%)
- International shares 23% (5-35%)
- Private equity 4% (0-5%)
- Listed property 0% (0-10%)
- Direct property 5% (0-25%)
- Infrastructure 9.5% (0-25%)
- Credit 7% (0-25%)
- Fixed interest 25.5% (0-40%)
- Cash 11% (0-30%)
- Other assets 0% (0-5%)

Stable



- Australian shares 8% (0-20%)
- International shares 12.5% (0-20%)
- Private equity 1.5% (0-3%)
- Listed property 0% (0-10%)
- Direct property 5.5% (0-15%)
- Infrastructure 10% (0-20%)
- Credit 7% (0-25%)
- Fixed interest 30.5% (0-45%)
- Cash 25% (0-50%)
- Other assets 0% (0-5%)

The current strategic asset allocation and risk level information are effective from September 2020. Allocations or the composition of individual classes and other investment information may change from time to time to suit prevailing market conditions. Investment returns aren't guaranteed as all investments carry some risk. Past performance is not a reliable indicator of future performance.

Major shareholdings

Top 20 Australian shareholdings
as at 30 June 2020

Holding	% sector
CSL Ltd	9.34%
BHP Group Ltd	8.10%
Commonwealth Bank Australia	6.17%
Woolworths Group Ltd	5.58%
Wesfarmers Ltd	5.07%
Transurban Group Npv	4.63%
Rio Tinto Ltd	3.75%
Westpac Banking Corp	3.26%
Macquarie Group Ltd	3.22%
National Australia Bank Ltd	2.94%
James Hardie Industries Plc	2.73%
ANZ Banking Group	2.69%
QBE Insurance Group Ltd	2.10%
Ampol Ltd	2.05%
Aristocrat Leisure Ltd	1.94%
ASX Limited	1.89%
Origin Energy Ltd	1.85%
Tabcorp Hldgs Ltd	1.75%
Computershare Ltd	1.70%
Evolution Mining Ltd	1.69%

Top 20 International shareholdings
as at 30 June 2020

Holding	% sector
Microsoft Corp	2.88%
Amazon.com Inc	2.41%
Visa Inc	2.35%
Alphabet Inc	1.88%
Facebook Inc	1.65%
Nestle Sa	1.64%
Tesla Inc	1.49%
Alibaba Group Holding Ltd Adr	1.40%
Thermo Fisher Scientific Inc	1.33%
Tencent	1.32%
Accenture Plc	1.19%
Reckitt Benckiser Group Plc	1.18%
Unitedhealth Group Inc	1.15%
Illumina Inc	1.15%
Diageo Plc	0.97%
Netease Inc Adr	0.96%
Comcast Corp	0.87%
Netflix Inc	0.85%
Kering Sa	0.84%
Nike Inc	0.83%

International shares

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

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

International equity country holdings as at 30 June 2020

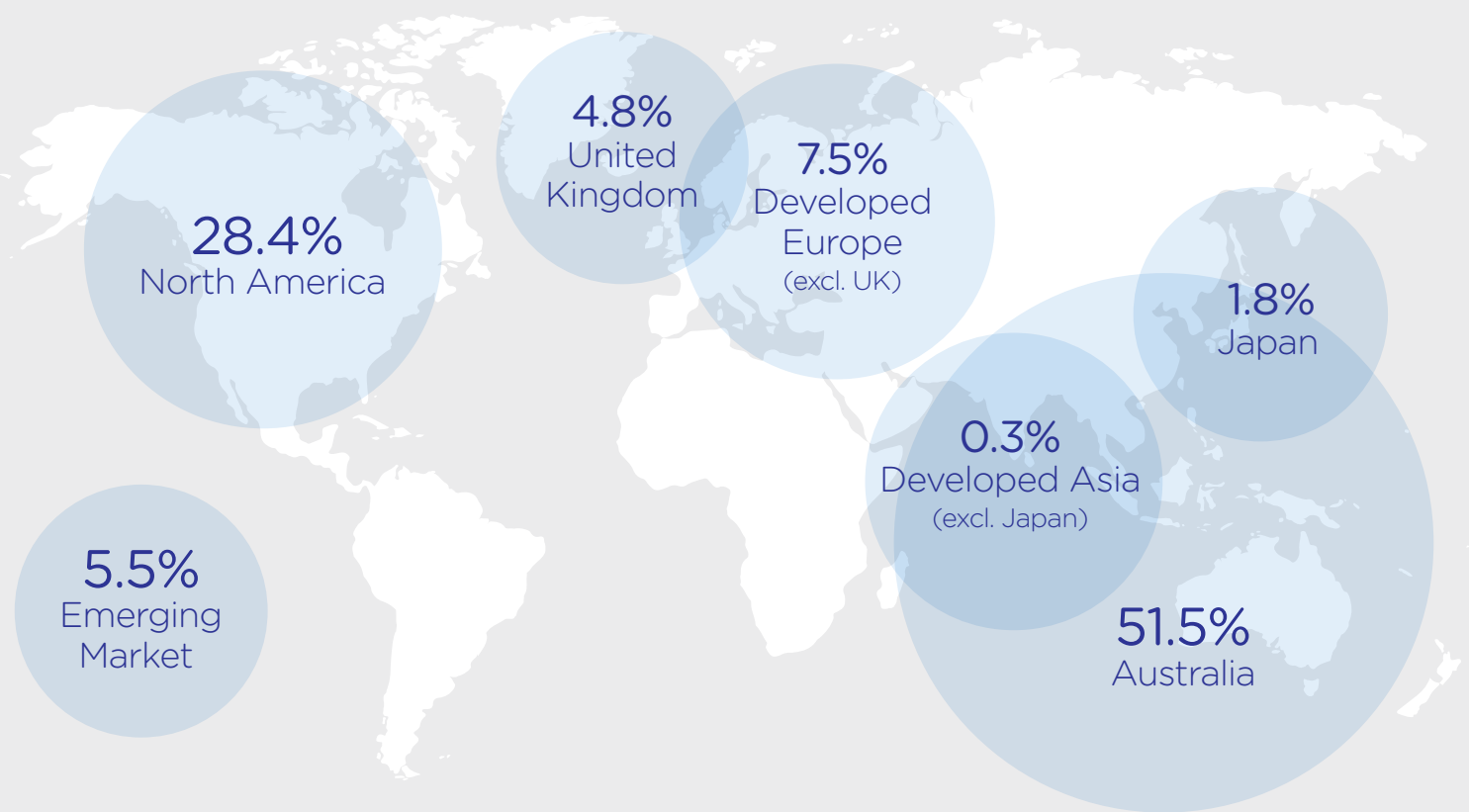
Country	Actual weights %	Country	Actual weights %	Country	Actual weights %
Argentina	0.0044%	Hungary	0.0178%	Peru	0.0010%
Australia	0.2623%	India	0.9416%	Philippines	0.0005%
Austria	0.0140%	Indonesia	0.0640%	Poland	0.0143%
Bermuda	0.0435%	Ireland	0.1684%	Russia	0.3380%
Brazil	0.5574%	Israel	0.7431%	Singapore	0.1544%
Canada	1.7919%	Italy	0.2398%	South Africa	0.5369%
Chile	0.0093%	Japan	5.1092%	South Korea	0.8250%
China	7.8910%	Jersey	0.0000%	Spain	0.0813%
Colombia	0.0132%	Luxembourg	0.4333%	Sweden	0.0634%
Cyprus	0.0069%	Macao, SAR China	0.0153%	Switzerland	3.8864%
Denmark	1.0624%	Malaysia	0.0446%	Taiwan	0.5132%
Egypt	0.0039%	Malta	0.0000%	Thailand	0.1258%
Faroe Islands	0.0001%	Mexico	0.1618%	Tunisia	0.0000%
Finland	0.0610%	Netherlands	2.2516%	Turkey	0.0277%
France	4.5076%	New Zealand	0.5928%	United Kingdom	5.0599%
Germany	1.8782%	Norway	0.0036%	United States	58.6573%
Hong Kong	0.8866%	Pakistan	0.0022%		

Figures may not add up to 100% due to derivative positions.

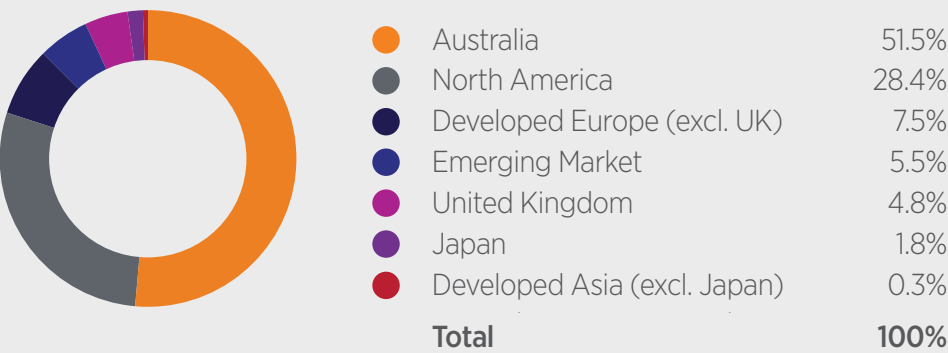
Investing globally

AustralianSuper invests over \$182 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 2020, we have about \$94 billion invested in domestic assets and approximately \$88 billion in international assets as seen in the map and chart below.

Total member assets by geographic region
Effective 30 June 2020



Total Fund exposure as at 30 June 2020



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 2020, the following combination of investments represented more than 5% of total Fund assets:
IFM Investments: 27.46%

Investment Managers as at 30 June 2020

Investment managers	Sector	Total value (,000)
AustralianSuper Internal Investments	Australian Equities	25,343,246
Industry Funds Management Pty Ltd	Australian Equities	7,492,074
Perpetual Investment Management Ltd	Australian Equities	229,389
AustralianSuper Internal Investments	Cash	1,223,935
Industry Funds Management Pty Ltd	Cash	48,692,205
AustralianSuper Internal Investments	Currency Overlays	2,560,815
AustralianSuper Internal Investments	Fixed interest	12,990,070
AXA Investment Managers Asia (Singapore) Ltd	Fixed interest	228,049
Barings LLC	Fixed interest	180,196
Bentham Asset Management Pty Ltd	Fixed interest	2,835,658
Brandywine Global Investment Management LLC	Fixed interest	2,675,104
Fidante Partners	Fixed interest	62,600
Industry Funds Management Pty Ltd	Fixed interest	2,490,421
JamiesonCoote Bonds Pty Ltd	Fixed interest	2,021,712
Marathon Asset Management	Fixed interest	1,083,040
MaxCap Group Pty Ltd	Fixed interest	221,521
ME Portfolio Management Limited	Fixed interest	9,560
Oak Hill Advisors L.P.	Fixed interest	323,039
The Putnam Advisory Company, LLC	Fixed interest	1,851,210
Western Asset Management Australia Pty Ltd	Fixed interest	1,690,940
Vanguard Investments Australia Ltd	Indexed Diversified	882,488
AustralianSuper Internal Investments	Infrastructure	7,562,573
Platforms	Infrastructure	1,642,285
Industry Funds Management Pty Ltd	Infrastructure	9,256,715

Investment Managers as at 30 June 2020

Investment managers	Sector	Total value (,000)
Alphinity Investment Management Pty Ltd	International Equities	1,266,991
AustralianSuper Internal Investments	International Equities	27,258,477
Baillie Gifford Overseas Ltd	International Equities	9,182,710
Causeway Capital Management LLC	International Equities	269,896
Dimensional Investment Advisors	International Equities	110,291
GQG Partners LLC	International Equities	1,193,137
Harris Associates L.P.	International Equities	2,247,636
Jackson Square Partners, LLC	International Equities	3,683,756
LSV Asset Management	International Equities	1,138,006
MFS Institutional Advisors Inc	International Equities	6,094,976
Orbis Investment Management Limited	International Equities	3,820,030
UBS Asset Management (Australia) Ltd	International Equities	259,047
Member Direct ¹	Member Direct	1,780,896
Frontier Investment Consulting Pty Ltd	Other Assets	1,571
Industry Super Holdings Pty Ltd	Other Assets	197,939
Members Equity Bank Pty Limited	Other Assets	235,450
QMA Wadhvani LLP	Other Assets	405,658
Airtree Ventures Pty Ltd	Private Equity	115,298
AustralianSuper Internal Investments	Private Equity	4,958,474
Industry Funds Management Pty Ltd	Private Equity	161,819
AMP Investment Funds	Property	3,301
AustralianSuper Internal Investments	Property	4,481,505
Franklin Templeton Investments Australia Limited	Property	566
ISPT Pty Ltd	Property	4,482,511
Primewest Industrial Income Trust	Property	2,198
QIC Property Funds Pty Ltd	Property	1,601,443
Russell Real Estate Advisors Inc.	Property	4,646
AustralianSuper Internal Investments	Reserves	716,608

1 Members who invest in the Member Direct have invested in Australian Listed Shares, Exchange Traded Funds, Limited Investment Companies, Term Deposits and Cash

What matters to stakeholders

AustralianSuper’s stakeholders are vital to our ongoing growth and success. Key stakeholders include members, businesses, colleagues, major suppliers and regulators.

To understand the topics that are important to stakeholders, each year we undertake research, review data and insights and conduct interviews.

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



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

“It’s getting out of a fund that has consistently underperformed.”

Vicki, member



Definitions and important information

This annual report was issued in 2020 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, except Member Direct, using crediting rates. Crediting rates are your investment returns, less fees and taxes. They may be positive or negative depending on investment markets. They're determined daily and applied either annually on 30 June, or earlier if you switch investment options or close your account. The amount allocated is the actual investment return earned during the period that your money was invested in the investment option/s. For more information see australiansuper.com/CreditingRates

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 Charge Ratio did not exceed 5% at any time during the 2019–2020 year.

Transfer of account

AustralianSuper may transfer your account to the Australian Taxation Office (ATO) if you have less than \$6,000 in your account and we have not received contributions for you for at least 12 months.

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 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 ato.gov.au

Privacy and compliance

During the year, there were no Notifiable Data Breaches reported to the Privacy Commissioner (OAIC), and 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.

Superannuation Surcharge Amount

The ultimate source from which payments in connection with superannuation contributions surcharges or advance instalments of surcharge will be drawn is the relevant members' accounts.

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:

- › 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 (prior to 1 July 2018 the benchmark was CPI +3.5% and prior to 1 July 2015 the benchmark was CPI +4%)
- › Conservative Balanced: SR25/SRP25 Conservative Balanced (41-59) Index
- › Stable: SR50/SRP50 Capital Stable (20-40) Index
- › Australian Shares: S&P/ASX200 Accumulation Index. Prior to 1 July 2020, the benchmark was S&P/ASX300 Accumulation Index
- › International Shares: MSCI AC World (excl. Australia) (in \$A) Index
- › Property: 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. Prior to 1 January 2019, the benchmark was MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index.
- › 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.org** five-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 2019-20 Annual Report and to ensure that AustralianSuper proactively manages the expectations of key stakeholders.

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 2019-2020

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