

Opening Statement to House of Representatives Standing Committee on Economics Inquiry into the implications of common ownership and capital concentration in Australia

September 20

AustralianSuper Chief Executive Ian Silk:

Thank you for the invitation to address the Committee this morning in relation to your inquiry into common ownership and capital concentration in Australia.

As I have said here before, AustralianSuper is Australia's largest and most trusted superannuation fund. We manage the retirement savings of over 2.45 million Australians, in their best financial interests and in accordance with our purpose to help members achieve their best financial position in retirement.

That purpose is most likely to be achieved if we invest in high performing and sustainable organisations. The Fund's long-term investment horizon is driven by the 80 or so year investment horizon of many members, and the fact that as an institution we expect to be managing members' money well into the next century.

AustralianSuper is the nation's top performing fund over the last 7, 10, 15 and 20 years and in the last financial year we returned a record 20.43% return for the vast majority of members who invest via the Fund's Balanced Option.

AustralianSuper makes the following high-level points in relation to common ownership and capital concentration:

- 1 Australia's superannuation industry is on a path to greater consolidation. AustralianSuper supports industry consolidation where it assists fund members by forcing the exit of poor performing funds from the industry. It is also an objective of many recent policy initiatives of the Government and APRA.
- 2 Any consideration of these matters, including in relation to superannuation, should be evidence based, sector-neutral, balanced and non-partisan, as well as acknowledging the consequences of policy decisions from successive governments.
- 3 Common ownership per se is not the issue. We note the strongly contested literature about the potentially negative effects on competition of common ownership. We note there is

no evidence of any negative effects of common ownership in Australia.

- 4 Importantly I note that the key relevant regulator, the ACCC, has advised this Committee that it:
 - a. Is aware of the contested literature on the topic;
 - b. Has not observed any instances of a lessening of competition due to common ownership; and
 - c. Has not received any complaints about a lessening of competition due to common ownership.

AustralianSuper has a relatively simple and largely bottom-up approach to investing:

- We are a patient long term investor;
- We identify companies we want to invest in for the long term as part of a diversified portfolio;
- We engage with investee companies as a responsible investor – because this is also in the best financial interests of AustralianSuper members; and
- We act lawfully at all times, and aim for the highest standards of conduct.

This Inquiry seeks to understand the implications of common ownership and capital concentration in Australia. From AustralianSuper's perspective, I can advise the Committee:

- The Fund currently invests around \$53 billion in listed domestic equities.
- This represents approximately only 2% of the Australian stock market's \$2.6 trillion valuation.
- We have reviewed our shareholdings and can advise the Committee that we cannot identify instances of common ownership – using the substantial shareholdings threshold in the Corporations Act and considering two of the four largest companies in an industry.
- AustralianSuper has never, and would never, consider being a party to any activity that sought to lessen competition through common ownership, or indeed on any other basis. Aside from the key point that such activity would be illegal, we believe that to do so would be to the long-term financial detriment of the Fund's members.
- The Fund voluntarily discloses our holdings of ASX listed companies on our website, an approach which exceeds the disclosure requirements in the Corporations Act. We also disclose

our substantial shareholdings to the relevant market operator and these are also available on the ASX website.

On behalf of the Fund's members we exercise governance rights actively and independently. It may for example involve direct engagement with company executives and boards ahead of shareholder votes and regularly during reporting season. The Fund has clear structures and processes in place to manage these engagements. Most often they occur through our Australian Equities Team and our ESG Team. We also publish our voting record on our website each quarter.

AustralianSuper is proud of our record of delivering top performance for members, including by investing in Australian companies. We are also proud of our record in constructively representing their interests before policy makers such as yourselves and with the companies we invest in on their behalf.

Thank you, Chair.