

Delivering  
more







# About this report

The objective of this report is to demonstrate how AustralianSuper is helping members achieve their best retirement outcome.

AustralianSuper uses the Global Reporting Initiative G4 sustainability reporting guidelines as its key platform for communicating economic, environmental, social and governance performance.

The process for defining the report content and the aspect boundaries (the materiality assessment) involved a gap analysis and the application of AccountAbility's 5-part materiality test, including reviews of: 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 help determine what was considered material. This helped to prioritise the content of the 2016-17 Annual Report and to ensure that AustralianSuper proactively manages the interests of relevant stakeholders.

## Member statements

Statements made by AustralianSuper members have been reproduced with the members' continuing consent.



## Get in touch

### Online

Visit [australiansuper.com](http://australiansuper.com) for the latest news and updates.

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

### Over-the-phone\*

Call us on **1300 300 273** for advice about:

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

### Face-to-face\*

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

### Seminars

Join one of our free retirement and financial planning seminars Australia-wide.

Visit [australiansuper.com/seminars](http://australiansuper.com/seminars) to find out more.



## Translation services

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

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



## Questions and feedback

We are always interested in feedback. To get in touch about something in this report, contact us via the website or email us at [australiansuper.com/email](mailto:australiansuper.com/email)

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

# Contents

## 4

### Welcome

- 4 Message from Chair and CEO
- 6 Highlights
- 8 About AustralianSuper
- 9 How we work



### Investments

- 18 Investment update
- 20 Active ownership
- 22 Investment case study: King's Cross
- 24 In-house investment program
- 26 Investment performance and asset allocation
- 30 Strategic asset allocation 2017-18
- 32 Major shareholdings
- 33 Global shares

## 10

### Products and services

- 10 Products and services
- 12 Simplifying retirement
- 14 Managing risk
- 16 Advocacy
- 17 Insurance

## 36

### People and governance

- 36 Board of directors
- 39 Farewell and welcome
- 40 Executive team
- 42 People and culture
- 46 Remuneration



## 50

### Financial Statements

# Welcome

AustralianSuper took major steps during the year toward delivering on our strategic objective of helping members achieve their best possible retirement outcome.

## Heather Ridout, Chair

It was the first year of the Fund's current five-year strategy, which sets out where AustralianSuper is heading, what it wants to achieve for members and the four key priorities it will focus on to get there. These are:

- + maximising net benefit to members
- + growing the Fund's membership
- + becoming the trusted choice for members in retirement
- + leveraging our trusted brand to deepen relationships with members and raise standards across the sector.

The Board is pleased with progress to date on these priorities. The Fund has a clear purpose and direction, which it will continue to pursue in members' best interests.

## Culture

During the year, AustralianSuper engaged The Ethics Centre to conduct a review of the Fund's culture. The primary objective was to assess the alignment of our organisational culture with our Ethics Framework – that is, to test whether our policies, procedures and day-to-day practices align with our purpose, values and principles.

Pleasingly, The Ethics Centre found AustralianSuper has a very positive and constructive culture that is aligned to its stated purpose, values and principles and that the Fund's overarching principle of members first is well understood, powerful and practical, and guides the organisation.

## Accountability and transparency

AustralianSuper has held member briefings for more than 10 years, but 2016-17 was the first year where we had them in every Australian capital city. More than 2,500 members across the country and online took the opportunity to attend these events.

Members hear about AustralianSuper's activities and future plans and, most importantly, ask questions about any issue. As the Fund continues to grow, member briefings are an increasingly important way of making sure that we hear directly from the people who matter most, members.

As well as this direct engagement with members, it is vital that the Fund provides them with as much information as possible about how their assets are invested. After all, it's members' money.

To support this, details of our investments are published online twice a year, enabling members to review the investment portfolio across all asset classes.

## Board renewal

Board renewal is an important aspect of governance and in the 2016-17 year we had three changes to the AustralianSuper Board.

John Ingram retired after 11 years as an AustralianSuper Director, five of them as Deputy Chair of the Fund. Scott McDine and Gemma Pinnell also resigned from the Board. I would like to personally thank John, Gemma and Scott for their contribution.

Daniel Walton joined the Board as a Member Director and Jim Craig also joined us as an Independent Director. Jim has been a member of the Investment Committee since June 2016.

## Thank you

I would like to thank and acknowledge the work of my fellow directors during the year. Through collaboration and a shared strategic vision, the Board, executive and staff of AustralianSuper remain committed to delivering our objective of helping members achieve their best possible retirement outcome.



### Ian Silk, Chief Executive

2016-17 saw AustralianSuper continue to grow and deliver significant benefits for members.

The Balanced investment option returned 12.44% after taxes and fees. This was the eighth consecutive year of positive returns since the global financial crisis and the fourth year out of five that the Fund has delivered double digit returns for members. Retirement income members saw a return of 13.6%.

Over the three years to 2016-17, the Fund's preferred measurement period, the performance was a strong 9.23% pa.

These results were pleasing, given they were achieved against a backdrop of slow economic growth and global political uncertainty. The Fund's diversified asset allocation, active investment management and long-term perspective underpinned the strong investment performance.

### Member assets

The major asset acquired during the year involved the Fund joining a consortium with IFM Investors to acquire a 50.4% interest in a 99-year lease of Ausgrid.

Ausgrid is a high-quality electricity transmission and distribution business. The partnership between the millions of members of AustralianSuper and IFM Investors and the NSW Government will maintain and enhance the Ausgrid network, which is vital to so many NSW communities. It will also provide returns that will contribute to the long-term retirement savings of AustralianSuper members.

The investment was another great example of how superannuation funds can be used to drive positive infrastructure outcomes for State governments.

### Reducing cost

Another major activity for the year was the Fund's continued internalisation of investment management. For some time, AustralianSuper has recognised that, while the size of the superannuation sector has increased significantly, scale benefits have not flowed back to members. One of the goals of internalisation is to use our scale and drive down costs, while improving the net benefit to members.

AustralianSuper has around a quarter of members' assets managed internally by Fund staff and we expect this to increase in coming years. Having internal capability in most asset classes also means the Fund is better placed to identify and exploit investment opportunities.

### Service

During the year the Fund completed the move to our new administrator, Link.

The transition was a major milestone for AustralianSuper and the whole project was completed successfully, on time and with minimal disruption.

A key focus is to provide members with a positive experience across all our interaction points, in an increasingly mobile world.

We are enhancing our capabilities to enable data-driven member engagement to services that support their needs.

### Thank you

I would like to thank AustralianSuper members and contributing businesses for their ongoing support. As always, I welcome your comments or feedback by email at [isilk@australiansuper.com](mailto:isilk@australiansuper.com)

## Highlights

# 12.44%

Balanced option returned

# Top 3

Investment performance over 1, 3, 5 and 7 years for Balanced option\*

# 19%

Increase in member assets



Voted Most Trusted Brand in the superannuation category by Australians for five years running†

# A+

Highest rating for Responsible Investment in 2016 PRI Global Assessment Report

# Top 5%

# 44,000

Out of 500 of the world's largest asset owners on climate-risk management‡

Investments listed online and updated every six months

# Top 10

2017 Corporate Reputation Index§



Employer of Choice

\* SuperRatings SR50 Crediting Rate survey 30 June 2017 Balanced Investment Option

† Readers Digest Most Trusted Brands - Superannuation category winner for five years running 2013-2017

‡ Asset Owners Disclosure Project 2016

§ AMR Reputation Institute, April 2017





Kym, member since 2013



# How we work

Working with a wide range of stakeholders, we create meaningful value for members and our communities.



What we offer	What benefit does it provide
<p>AustralianSuper is run only to profit members.</p>	<p>Members benefit through low fees and by business decisions that are not conflicted by competing interests. Our sole purpose is to improve their outcomes.</p>
<p>Globally excellent investment processes, skills and capabilities.</p>	<p>Member can have confidence their retirement savings are being actively managed. AustralianSuper has delivered returns for the Balanced option that are in the top 10 over the past 1, 3, 5, 7 and 10 years.<sup>1</sup></p>
<p>Help and advice for members through online, mobile, over the phone and in-person information, seminars and commission free advice.</p>	<p>Members can access the support they need, in the way they want and when they want, to help them make good decisions about their super and retirement.</p>
<p>AustralianSuper has the size to keep costs low, advocate for members, access limited investment opportunities and improve corporate governance.</p>	<p>Members receive better net returns and policy outcomes. We contribute to sustainable economic growth, which improves people's quality of life. Companies with better governance perform better over the long term.</p>
<p>A collaborative workplace with a strong positive culture that values integrity, energy, generosity of spirit and excellent outcomes.</p>	<p>Skilled, responsive and motivated staff ensures that we are operating effectively and efficiently in the best interest of members.</p>
<p>Strong whole-of-fund approach to risk management.</p>	<p>Risks are identified and managed to protect members' information and retirement savings.</p>
<p>Simple, suitable products and services developed through a deep understanding of members' needs.</p>	<p>Members benefit through low fees by not paying for features they don't want or need. The product suite is continually monitored and improved to ensure it is fit-for-purpose.</p>
<p>Leading governance, accountability and transparency.</p>	<p>Members and other stakeholders can have confidence of our commitment to ensuring the long term sustainability of AustralianSuper.</p>

<sup>1</sup> SuperRatings Fund Crediting Rate Survey SR50 Balanced Investment options as at 30 June 2017

## Products and services

# At AustralianSuper, membership means more than an annual statement.

AustralianSuper is always looking for ways to deliver better products and services.

### Member feedback

We ask members for feedback about a wide range of interactions, whether they are over the phone, via email or on the website.

Over the past year, we have analysed over 100,000 pieces of feedback from members about a wide range of their experiences – from opening an account, updating details to their engagement with our contact centre.

‘Our research tells us how we can deliver more value and where we need to put our efforts to improve,’ says Tyrone Ko, Head of Service Delivery.



**Tyrone Ko**  
Head of Service Delivery

Improving members’ experience means we can create better, more efficient systems. This cuts our overheads and delivers even better value.

As well as providing a better experience, we aim to increase members’ engagement with their super and they look for ways to improve their retirement outcomes.

---

# 100,000

members have  
downloaded  
the app

---



### Mobile app

Since the first release of our mobile app, we’ve been listening to feedback from members and have updated it with a range of new features.

With our mobile app members can:

- + view their account balance, transactions and fees
- + be notified when their next Choice Income payment is scheduled
- + be notified when a super payment is made to their account
- + change the way their super is invested
- + download statements
- + update account details and more.

The updated version features a refreshed look and even more flexibility for members to manage their super and retirement income.

Download the app from the App Store or Google Play.

[australiansuper.com/mobileapp](http://australiansuper.com/mobileapp)

## Socially Aware

While most members are happy with the investment approach of the Balanced option, others tell us they want to invest in a way that reflects their environmental and social values. In addition to achieving good returns, the top investment concerns for these members were coal and other fossil fuels, human rights, tobacco and weapons.

In May 2016, we launched the Socially Aware investment option and, at 30 June this year, it was second highest performer in the SuperRatings Sustainable Balanced option investment universe. Moreover, 95% of members said they were happy with the types of things Socially Aware invests in, its returns or both the investments and returns.

[australiansuper.com/sociallyaware](http://australiansuper.com/sociallyaware)

## What we invest in

AustralianSuper members are part-owners in more than \$120 billion worth of investments all around the world including shares, airports, office blocks and shopping centres.

For those interested in the investments we make on behalf of members, most of them are now on the website.

We update the information twice a year and members can search and sort information for each investment option. Check out the Investment section on the website for 'What we invest in'.

## Financial advice

We are committed to helping create the future members want. Having access to affordable, quality financial advice plays a key role in helping members get there.

Members can get advice about super, investment choice, insurance and retirement planning over-the-phone, or meet with a financial adviser for personal financial advice.\*

Importantly, our professional financial advisers are guided by a set of principles to put members' best interests first. And we don't pay advisers incentives, bonuses or commissions.

[australiansuper.com/advice](http://australiansuper.com/advice)

## Insurance - money when it's needed most

Insurance can help protect members' income and the future of those who matter most to them.

Insurance is a benefit we provide to members as part of having their super with us and includes 24-hour-a-day, seven days a week cover for:

- + Income protection
- + Death
- + Total and Permanent Disablement (TPD).

We work hard to keep costs down and provide affordable cover plus, being run only to profit members, members only pay for what it costs to provide their insurance.

This year we commenced an industry-leading rehabilitation service that works with members' medical professionals, employers and other service providers to help their recovery.

'We're at the forefront of providing this level of support and it is really helping members in their recovery journey.'

'If members can't return to work we aim to process their claims as quickly as possible,' says Katie Le Cras, AustralianSuper's Head of Insurance Operations.



**Katie Le Cras**

Head of Insurance Operations

[australiansuper.com/insurance](http://australiansuper.com/insurance)

\* The financial advice given to members is provided under the Australian Financial Services licence held by a third party and not by AustralianSuper Pty Ltd (AustralianSuper) and therefore is not the responsibility of AustralianSuper. With a member's approval a fee may be charged if a Statement of Advice is provided.

## Simplifying retirement

# Choice Income – helping members turn their super into a lasting income.

Retirement is one of the biggest transitions in a member's life. Making decisions about when to retire, lifestyle in retirement and other important matters can be stressful and daunting.

To make things simpler, we have developed our Choice Income account, with options that provide flexibility to suit members' needs.

### A smart default

The smart default is the perfect option for members to consider if they are unsure about selecting their investments and deciding how much income they should receive each year.

With the smart default option members:

- + are invested in 12% Cash and 88% Balanced
- + get paid every two weeks
- + receive 6% of their 30 June balance each year.

We've also made it simple to use so it's easy to convert a super balance into a Choice Income account.

'Our smart default option is the result of extensive research and feedback from members. We tested thousands of different combinations to determine the best one for members who want to leave some of the decisions to us,' says Tom Garcia, Head of Product and Communications.



**Tom Garcia**  
Head of Product  
and Communications

### Flexibility – your choice

Members who like to tailor their account can choose their own investment mix and payment options.

When they set up their Choice Income account they can choose:

- + which of our 12 investment options they want to invest in
- + how frequently they get paid from five time periods
- + how much they get paid (within the allowable limits).

### Easy to set up and change

Choice Income accounts can be set up online once members have retired.

After they have set up their account, they can make changes at any time, they aren't locked into a decision for the rest of their life.

Our online calculators let members use their own details to explore different financial scenarios and give them information to help them plan their future.

Compare our low fees against other funds using Chant West's Apple Check tool at [australiansuper.com/ChantWest](http://australiansuper.com/ChantWest). It's independent and it's free!



**Keeping fees low**

AustraliansSuper is run only to profit members and we don't pay commissions to advisers or give profits to shareholders. This keeps our fees low.

The Choice Income admin fee is only \$1.50 a week, plus 0.11% of the account balance each year (up to a maximum of \$750). Our investment fees are also low and there's no cost to set up an account.

**Top rated and award winning**

Our Choice Income account has been given the highest rating from a range of independent agencies including SuperRatings, Chant West and Heron Partnership.

More and more members are choosing a Choice Income account with AustraliansSuper and we are committed to continuing to improve what we offer members.

[australiansuper.com/retirement](http://australiansuper.com/retirement)

**Time to get started**

Planning for retirement isn't always easy, but it matters. It's never too late, or too early, to start preparing.

It's not as hard as it seems - in fact, members can get started right away. And if they would like some help at any time we have a range of options including:

- + information on our website including online calculators
- + free seminars
- + over the phone advice\*
- + meet with a financial adviser\*.

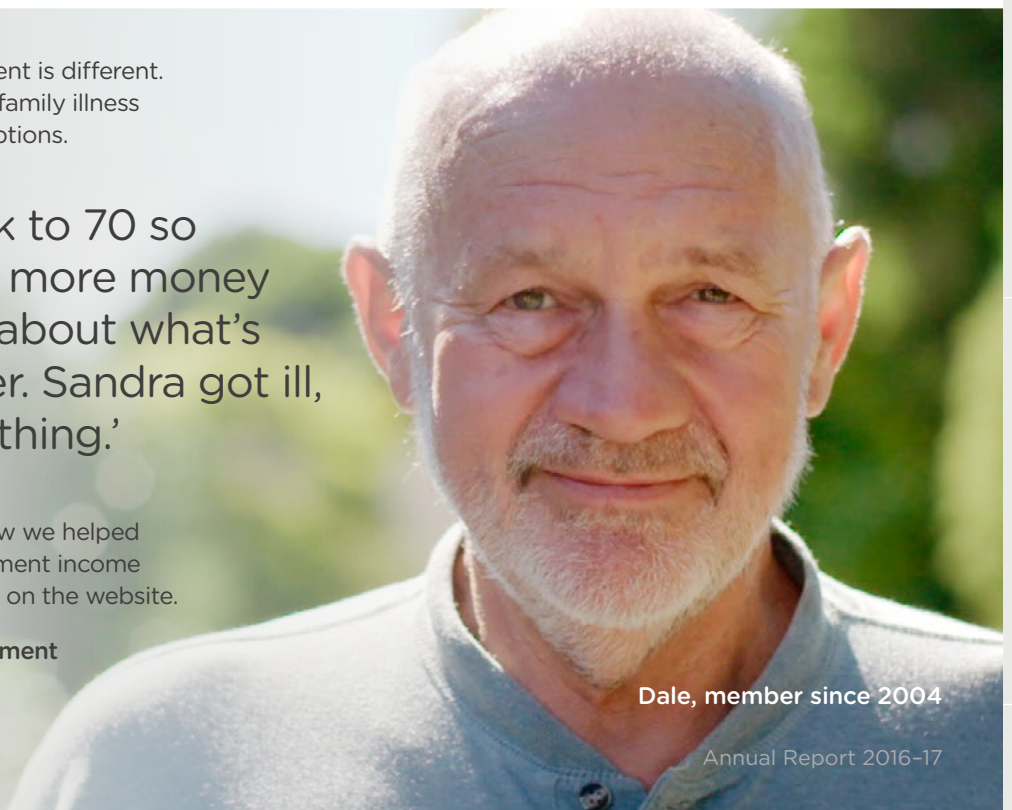
\* The financial advice given to you will be provided under the Australian Financial Services Licence held by a third party and not by AustraliansSuper Pty Ltd (AustraliansSuper) and therefore is not the responsibility of AustraliansSuper. With your approval a fee may be charged if a Statement of Advice is provided.

Everyone's journey into retirement is different. For Dale, it was an unexpected family illness which made him consider his options.

'I thought I'd work to 70 so I could get some more money up. I didn't think about what's around the corner. Sandra got ill, it changed everything.'

To see more about Dale and how we helped him make the switch to a retirement income account, take a look at his story on the website.

[australiansuper.com/earlyretirement](http://australiansuper.com/earlyretirement)



Dale, member since 2004

## Managing risk

# AustralianSuper manages risk to deliver members' peace of mind.

Along with retirement savings, members also entrust their super fund with a lot of personal information – particularly if they've got insurance through their super.

At AustralianSuper, we don't take that trust lightly. We have strict controls on who can access member information, how it's retained, how it's stored, and who has the authority to share it.

AustralianSuper's Risk team plays an overarching role across the Fund, making sure that personal information is safe, and that the chance of errors occurring is significantly reduced whenever funds are moved from one account to another.

'We understand the role we have in protecting the information members trust us with, and we are completely focused on keeping that trust,' says Steve Whitelung, Head of Risk.

### **Improving members' experience**

The main goal of our risk processes is to make sure members' personal information is safe, and that only authorised people can access their account. At the same time we are constantly looking for ways to improve members' experience when they interact with us.

We're always seeking to make it easier for them to deal with us electronically, and that means fine tuning the safeguards we have in place whenever they log in to their account.

Our goal is to manage risk at the same time as providing a seamless experience for members whenever and however they interact with us.





Brian, member since 2004

## Advocating for better policy outcomes

AustralianSuper uses its size and experience to advocate for better government policy. During the past year one important issue was the proposed removal of the Low Income Superannuation Contribution.

In the May 2016 budget, the Australian Government announced its decision to abolish the low-income superannuation contribution. This rebate assisted low-income earners by giving them back the 15% contribution tax they pay on their employer-made super contributions.

AustralianSuper believed that the decision to scrap the rebate would erode super balances of low-income earners and force them to pay more tax on their super than they do on their income.

And due to the nature of compound interest, the loss of the rebate could translate to much poorer retirement outcomes for younger low-income earners, and also for women, who make up a larger percentage of low-income earners than men.

'It's fundamentally unfair that low-income earners should pay more tax on their super than they do on their income outside super,' says Louise Du Pre-Alba, AustralianSuper's Strategic Policy Advocate.



**Louise Du Pre-Alba**  
Strategic Policy Advocate

### **A better deal for low-income Australians**

While AustralianSuper supports the Government's overall objectives to make super taxes fairer, we believed that the proposal to scrap the rebate was inequitable and 12-15% of members would be affected each year.

Using data and analysis from AustralianSuper's member base, Louise advocated for a change to the proposal.

Working with others, Louise liaised directly with Treasury and wrote to the Government's Tax White Paper Unit demonstrating a tangible detrimental outcome for a significant number of people. These findings could be replicated across the workforce.

The Government listened and kept the rebate in the form of the Low Income Super Tax Offset (LISTO).

This result is a great outcome for members and all Australians with low incomes.

## Reviewing insurance to deliver the best possible value for members

Since 2014 AustralianSuper has been progressively implementing recommendations from a comprehensive review of our insurance offering – the ‘Insurance Road Map’.

### Wide ranging

The review was wide ranging and sought to strike a balance between:

- + simplifying our offer
- + underlying insurance needs
- + member views and preferences
- + affordability.

In response to the findings and as part of our annual price review, from 28 October 2017 we’re making changes to our insurance and introducing some new product features.

### Simplified age-based cover

The simplified age-based cover design is the result of extensive research, including detailed member surveys and analysis of insurance needs, recognising factors such as the costs of housing, raising children and support for those with disabilities.

With basic age-based cover (default cover generally given to members when they join) both the amount of cover and the cost of it change as members get older to reflect changes in their lifestyle and insurance needs.

### Simple

We’re making it easier for members to understand their cover amount and costs, and to make changes to suit their needs.

### Affordable

We use our size and scale to negotiate the best insurance rates we can for members.

Most members will find (on a like-for-like basis) that our new basic Death and Total & Permanent Disablement (TPD) cover costs less than it did 11 years ago. After the changes, the median cost for members on basic Death, TPD and Income Protection cover is less than \$4.00 a week.

### Smart and flexible

For most members, having insurance through their super with AustralianSuper is better value than buying directly from an insurer. We run only to profit members, so they only pay for what it costs to provide their insurance.

Plus members can reduce, increase or cancel their cover any time to suit their needs.

### Support when needed

‘We are committed to ensuring the best possible outcome for members and their dependants if they have to claim on their insurance.

Our claims assessment team is one of the largest in the country and they help and support members through the process, including providing assistance in getting back to work if possible,’ said Richard Weatherhead, Head of Insurance.

[australiansuper.com/insurance](http://australiansuper.com/insurance)



**Richard Weatherhead**  
Head of Insurance

## Investment update

# Investing for a better future for members



### Jim Craig

Independent Director and Chair of the Investment Committee

At AustralianSuper, we're all about investing for a better future so members can feel more confident about theirs.

### A strong financial year for members

AustralianSuper's Balanced option returned 12.44% for super members and 13.6% for retirement income members in the year to 30 June 2017. The Balanced option was the second best performing option in its category for the year.\* For the three years to 30 June 2017, the Balanced option returned 9.23% pa against the median return of 7.58% pa.

This makes it the eighth consecutive year of positive returns for the Balanced option, and the fourth year out of five it has delivered double digit returns. Around 90% of AustralianSuper members invest in the Balanced option. All other investment options delivered positive results for the financial year.

### Global economy grows despite political uncertainty

All asset classes produced positive returns for the financial year, with improving prospects for the global economy and company earnings lifting world share markets. Markets managed to shake off concerns about the Chinese economy, Brexit and US and European elections that had plagued them earlier in the year.

International shares were the best performing asset class, while AustralianSuper's infrastructure, property and private equity assets also performed well. Our high allocation to these asset classes, along with a low weighting to government bonds and cash, contributed to our strong relative performance.

### Staying focused on the long term

While it's pleasing to see results above their long-term averages, we expect more modest returns in the coming year as valuations on a number of asset classes become fuller and global interest rates start to rise.

As long-term investors, we focus on investing in a mix of quality assets that can grow members' savings over time. The Balanced option has been successful in achieving this objective, delivering a return of 9.64% pa since its inception in August 1985.

\* SR50 Median Balanced Option, SuperRatings Fund Crediting Rate Survey, June 2017

# Delivering a better net result



**Mark Delaney**  
Deputy Chief Executive  
and Chief Investment Officer

AustralianSuper works hard to maximise members' returns through active management, keeping costs low and investing in a broad range of quality assets.

These three things have helped us consistently deliver strong net returns for members. Last financial year, our Balanced option ranked in the top ten funds across all time periods from one to ten years.

### Active management

This is where we select which countries, industries and investments we think will outperform the broader market. Our active approach has added to our strong performance against other funds. Our international shares portfolio performed particularly well during the year, as did our infrastructure, property and private equity assets.

### Internal management

We use a mix of in-house and external fund managers to manage members' retirement savings. We've been gradually increasing the amount of assets our in-house investment team manages, which is helping to lower costs and access better investments for members. Currently, our internal team manages around \$26 billion, which is 22% of members' assets.

Find out more about internal investment on pages 24 to 27.

### Quality assets

One of the benefits of our scale is that it enables us to acquire significant physical assets, like infrastructure and property, that have a long-term investment horizon like many members' investment time-frames. These assets improve diversification in portfolios by combining strong income and capital growth, with generally less volatility than shares.

Ausgrid is a prime example of our internal management strategy in action. AustralianSuper and IFM Investors purchased a 50.4% stake in Ausgrid in December in one of Australia's largest infrastructure deals ever.

### The importance of net results

We're always looking at ways we can add the most value for members so we can generate the best possible net returns - that's the return we deliver after costs and tax. After all, this is what's going to make the biggest difference to members' retirement outcomes.

# Active ownership

We're committed to investing in a responsible way that can help members enjoy a better future.

## A long-term ambition

As long-term investors, we understand that how we invest now can impact the wellbeing of future generations. Delivering the best retirement outcomes for members requires strong investment returns over decades, not years.

An important part of this is having a responsible approach to managing environment, social and governance (ESG) issues. Research shows, for example, that US companies ranked in the top third by ESG scores outperformed those in the bottom third by 18% between 2005 to 2015.\*

## Active owner program

We manage ESG issues through our active owner program, which is included in our investment process in three ways.

### 1. Integration

We assess ESG risks and value drivers before we invest and review on an ongoing basis.

## 2 Stewardship

We use our rights and responsibilities as an asset owner. Our size and credibility enables us to effectively engage with companies and influence their behaviour.

### 3. Choice

We give members choices that reflect their values.

## Sustainable Development Goals

The United Nations has developed a set of 17 Sustainable Development Goals (SDGs) to help end poverty, fight inequality and injustice, and tackle climate change by 2030.

We believe the SDGs are important and have the opportunity to significantly improve the quality of people's lives around the world and create sustainable economic development.

AustralianSuper is contributing to the objectives of a number of these goals through our active owner program and the investments we make.

## Areas of focus

Here's what we've been doing in our active owner program during the year, and how it's contributing to some of the SDGs.

## ESG engagement

Direct engagement with companies is important as it enables us to influence the make-up of boards and encourage positive behaviour on issues that impact members.

### Key activities

- + Attended or supported 272 meetings with ASX-listed companies, on material ESG issues, directly or via our engagement partner, the Australian Council of Superannuation Investors (ACSI).
- + Voted on 1,327 resolutions for ASX-listed companies.

## Executive remuneration

Our active owner program aims to ensure remuneration frameworks deliver appropriate pay for performance outcomes, reasonable pay levels and transparent disclosure.

### Key activities

- + Had 64 direct meetings with company chairs and/or chairs of remuneration committees.
- + Voted against 5% of ASX company remuneration reports.



## Climate change

Climate change has the potential to affect the longevity of assets and their valuations in a variety of ways.

Climate change risks are incorporated into our consideration of key value drivers for equity investments and the ESG ownership plans we're developing for unlisted assets.

We actively engage with companies on the risks relating to future fossil fuel consumption and physical changes in the climate.

AustraliansSuper commissions environmental data experts, Trucost, to analyse the exposure to carbon in our Australian and international share portfolios every two years. Our Australian share portfolio is 10.63% less carbon intensive than the S&P/ASX 300 Index.<sup>†</sup>

### Key activities

- + Signed the Investor Group on Climate Change (IGCC) global investor letter to G7 & G20 governments which supported climate change policy frameworks. This includes the Paris Agreement targets and enhanced climate change related financial reporting frameworks.
- + Participated in the Principles for Responsible Investment (PRI) carbon footprint disclosure project.
- + Measured ESG performance of our property managers, including energy efficiency, water usage and impact on society as assessed by Global Real Estate Sustainability Benchmark (GRESB).

- + Conducted physical impact and risk assessments for four large infrastructure assets (NSW Ports, Transurban Queensland, Perth and Brisbane Airports).
- + Were ranked 18 out of the world's 500 largest asset owners on climate-risk management by the Asset Owners Disclosure Project.



## Gender diversity

Gender diversity is more than an important social issue, it can lead to better governance and investment performance. ‡

That's why we include gender diversity when we think about key ESG value drivers for equity investments.

### Key activities

- + Introduced a policy of voting against director re-elections on ASX 200 companies with single gender boards unless the company could demonstrate its commitment to gender diversity in the future. We voted against two director nominations last year.
- + Wrote to 17 ASX 200 companies notifying them of our policy, six of which have since appointed women to their boards.
- + Excluded ASX 200 companies with single gender boards in our Socially Aware option.



## Human rights and labour supply chain

Inadequate supply chain management can expose companies to risks relating to child or forced labour, equality and discrimination and poor working conditions.

### Key activities

- + Signed the PRI investor statement and supported ACSI's submission on the proposed Australian Modern Slavery Act. The Act aims to improve transparency on how Australian companies are managing modern slavery risks in their operations and supply chains.
- + Signed the Share Action Workforce Disclosure Initiative, which aims to improve transparency on workforce disclosure including companies' global operations and supply chain structures.
- + Included human rights and supply chain issues in the ESG scoring undertaken for companies as part of our equities investment process.
- + Surveyed our external fund managers on human rights and labour supply chain issues and engaged with Australian companies where we've identified material issues.

For more on our active owner program visit [australiansuper.com](http://australiansuper.com)

\* ESG: good companies can make good stocks - December 2016, Bank of America/Merrill Lynch

† Truecost 30 September 2015

‡ Credit Suisse Research Institute, The CS Gender 3000: The Reward for Change - September 2016

# Investment case study: King's Cross

## Internal investment and active ownership in practice.

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

King's Cross is one of Europe's largest urban regeneration projects and is transforming a former industrial area into a unique place to live, work, study and play. When complete, the 740,000 square metre estate will house 7,000 residents, 30,000 workers and 5,000 students.

### London's newest postcode NIC

King's Cross is already a popular leisure destination with 26 acres of public space, cultural attractions and events, and four kilometres of retail frontage. Around 10 million people are expected to pass through King's Cross in 2017 - more than London's entire population.

The prime location, facilities and community focus are attracting quality retailers and office tenants who want to be part of this exciting estate. Over the last year, we:

- + Signed leases with new retail tenants Jigsaw, & Other Stories, Carhartt WIP, 18 Montrose and Radio Hair. These tenants will join major occupiers: Google, Universal Music Group, Havas, Louis Vuitton, New Look and University of the Arts London.
- + Completed a residential building and two commercial buildings.
- + Sold 60 apartments - average residential prices in King's Cross have risen by more than 80% since 2009, higher than the average for prime London.\*



### A model in sustainability

The King's Cross development is built on sustainable principles, which are woven through its design, construction and operations.

In partnership with developer and part-owner, Argent King's Cross Limited Partnership, AustralianSuper is helping to create a Human City in the heart of London. At its heart, it's fostering more sustainable ways of living by combining minimal environmental impact with cultural and social diversity and community connections.

Sustainability initiatives include:

#### Affordable housing

Nearly 2,000 new homes are being built at King's Cross, a significant proportion of these are affordable. Across the development there is a mix of social rented apartments, supported housing apartments as well as shared ownership homes.





### Employment

KX Recruit, an on-site recruitment agency, and the Construction Skills Centre are connecting local people with jobs and opportunities created by the development. Through its apprenticeship programs and training courses in construction, more than 550 students have achieved vocational qualifications since 2008 and 97 apprentices were placed on site each month in 2016.

### Education

King's Cross Academy is a new primary school co-located with the Frank Barnes School for Deaf Children. The Academy teaches sign language with both schools sharing spaces for children to communicate and learn together. There are also collaboration and learning opportunities with King's Cross tenants: Google, the Guardian and the Waitrose cookery school.

### Wellbeing and community

The development is creating high quality safe space for social interactions, fitness facilities and satisfying working environments. Forty percent of the estate is made up of open public spaces. There is a thriving cultural and arts scene, with more than 325,000 people attending the events program in 2016.

### Environmental management

The office buildings have been designed to achieve environmental performance at least 40% greater than required in building regulations - seven buildings have achieved BREEAM Outstanding and Excellent ratings for building energy performance.

The development aims to provide more affordable access to low carbon energy and waste minimisation. The on-site energy centre provides close to 100% of the estate's heating and hot water needs and 80% of electricity needs are offset. Solar panels are expected to generate over 180,000 kwh of renewable electricity, powering the equivalent of 94 homes a year. Eighty-one per cent of public waste is recycled with 0% directed to landfill in the last two years. In 2016, 100,000 cubic metres of rain water and grey water had been collected and recycled, equal to around 42 Olympic swimming pools.

To discover more about King's Cross and the people who live, work, study and play there visit [www.kingscross.co.uk](http://www.kingscross.co.uk).

\* Focus on: King's Cross 2016, Knight Frank

## In-house investment program

# Internal investment delivers more for members.

AustralianSuper has been increasing the amount of investments it manages in-house over the last five years. We now manage 22%, or \$26 billion of assets internally.

This year internal management has added an extra \$100 million for members through good performance, cost savings and doing things more efficiently.

### How internal investment delivers more for members

Since 2012, the retirement savings of AustralianSuper members have grown from \$50 billion to \$120 billion. Internal investment enables us to pass on the benefits of this scale to members through better net returns.

It does this by delivering:

#### 1. Cost savings that grow as the fund grows

As our size increases, we are able to reduce the costs of most of our investment activities, which means better returns for members. By 2021, we want 50% of members' assets to be managed by our internal team, which will continue to deliver significant savings.

#### 2. Access to better investments

As a long-term investor, we use our size, proprietary research and relationships to access better investments and deliver more value for members.

We are more agile in the way we buy and sell assets, and have more control over members' investments. Having teams of investment specialists in-house enables us to make more holistic investment decisions and assess investment opportunities through different lenses. This 'one-fund' approach has been an integral part of some of our recent purchases, which have required large teams from different areas to implement.

An example of this is the Ausgrid acquisition, which was a result of the collaborative efforts of our infrastructure, equity, income and investment operations teams.

#### 3. Efficiency gains

More efficient and active cash management within asset class portfolios has also increased returns for members.

Our size has enabled us to negotiate lower fees with a number of service providers, and pass those cost savings onto members.

Below are three examples of how managing assets internally is helping us deliver better net returns to members.

### Infrastructure - Ausgrid

In December 2016 AustralianSuper made one of the biggest infrastructure investments ever in Australia when, with IFM Investors, we acquired a 50.4% stake in Ausgrid from the NSW Government. Ausgrid delivers electricity to around 1.7 million homes and businesses in NSW, and its network covers over 48,000 kilometres of total circuit length.

AustralianSuper's size, investment capability and long-term focus have opened the door to very large direct investment opportunities like this.

### Australian and international shares

AustralianSuper's internal team has been investing in Australian shares since October 2013. Since this time, they have consistently outperformed internal and external performance benchmarks. The equities team includes both small and large capitalisation specialists.

Our scalable platform enables us to increase our portfolio management capabilities over time. We've recently built our international shares capability which has opened up investment to around 50 international markets.

The internal teams are not only delivering great returns, but their cost of investing is substantially lower than external teams meaning even more in members' accounts.

### Direct credit

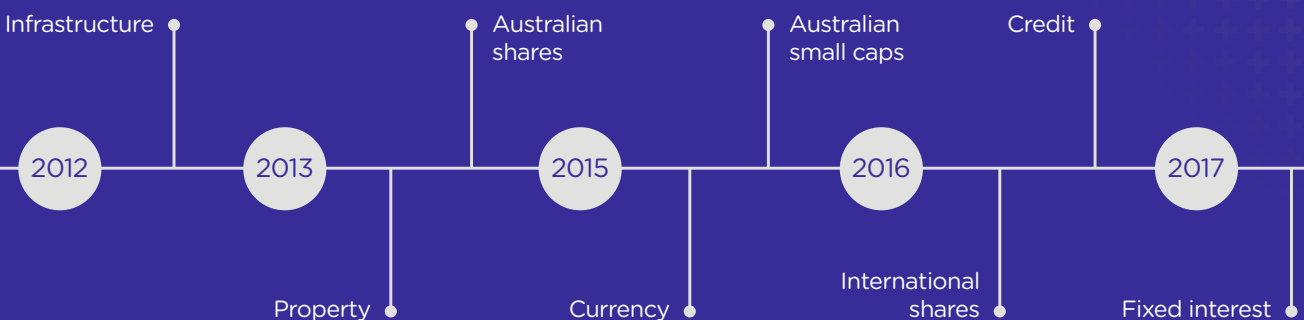
AustralianSuper has been directly lending to a number of organisations since 2016. Some of these include Port of Brisbane, National Storage, Visy and AGL.

As a patient long-term provider of capital, AustralianSuper has a distinct advantage in this space. Traditionally, banks have participated in corporate credit terms of five years or less, while we can offer much longer terms, and support longer term projects. Our 'one-fund' approach means we can draw on the expertise and analysis of investment specialists in other asset classes to assess opportunities and risks.

Credit investments offer the potential for higher yields than other fixed income type assets, with lower volatility than growth assets.

## The journey so far

This year marks five years since starting our internal investment program. During this time, we've been gradually building our in-house capabilities in each asset class. We expect our internal assets under management to grow to 30% next year, and reach more than 50% by 2021.



# Investment performance and asset allocation as at June 30 2017

## High Growth

### Superannuation returns pa



### Retirement returns pa



● AustralianSuper ● Benchmark

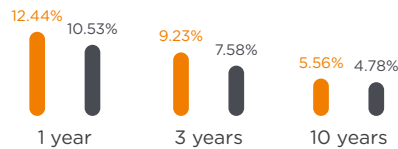
#### Investment aims

- + To beat CPI by 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

## Balanced

### Superannuation returns pa



### Retirement returns pa



#### Investment aims

- + To beat CPI by 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

## Socially Aware

### Superannuation returns pa



### Retirement returns pa

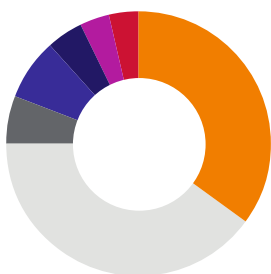


#### Investment aims

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

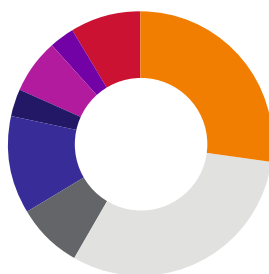
**Minimum investment timeframe:** At least 10 years

## Asset Allocation as at 30 June 2017



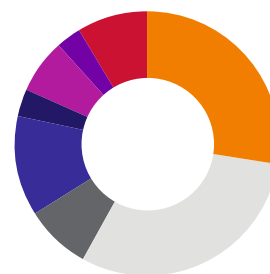
● Australian shares	35.1%
● International shares	40.0%
● Direct property	5.9%
● Infrastructure	7.4%
● Private equity	4.6%
● Credit	3.4%
● Cash	3.6%

## Asset Allocation as at 30 June 2017



● Australian shares	27.3%
● International shares	31.1%
● Direct property	8.2%
● Infrastructure	12.0%
● Private equity	3.2%
● Credit	6.7%
● Fixed interest	2.9%
● Cash	8.6%

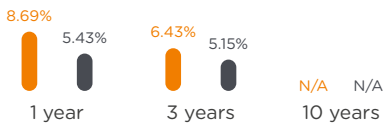
## Asset Allocation as at 30 June 2017



● Australian shares	27.7%
● International shares	30.6%
● Direct property	7.9%
● Infrastructure	12.4%
● Private equity	3.2%
● Credit	6.7%
● Fixed interest	3.0%
● Cash	8.5%

### Indexed Diversified

#### Superannuation returns pa



#### Retirement returns pa



#### Investment aims

- + To achieve CPI plus 3.5% pa over the medium to longer term

**Minimum investment timeframe:** At least 10 years

### Conservative Balanced

#### Superannuation returns pa



#### Retirement returns pa



#### Investment aims

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

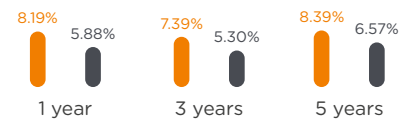
**Minimum investment timeframe:** At least 5 years

### Stable

#### Superannuation returns pa



#### Retirement returns pa

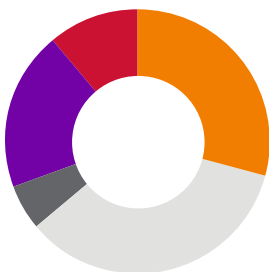


#### Investment aims

- + To beat CPI by 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 2017



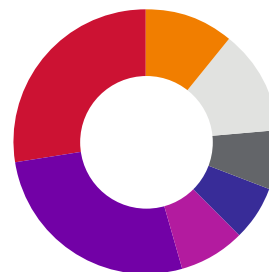
● Australian shares	29.2%
● International shares	34.8%
● Listed property	5.5%
● Fixed interest	19.6%
● Cash	10.9%

#### Asset Allocation as at 30 June 2017



● Australian shares	19.5%
● International shares	22.2%
● Direct property	6.5%
● Infrastructure	6.8%
● Private equity	1.3%
● Credit	6.8%
● Fixed interest	20.0%
● Cash	16.9%

#### Asset Allocation as at 30 June 2017



● Australian shares	11.1%
● International shares	12.7%
● Direct property	7.1%
● Infrastructure	6.8%
● Credit	7.9%
● Fixed interest	27.0%
● Cash	27.4%

# Investment performance and asset allocation as at June 30 2017

## Capital Guaranteed

### Superannuation returns pa



### Retirement returns pa



● AustralianSuper ● Benchmark

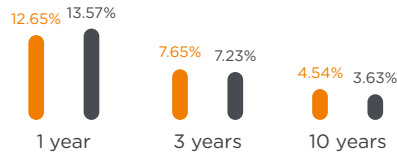
#### Investment aims

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

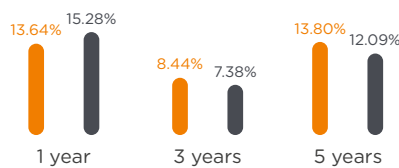
**Minimum investment timeframe:** At least 1 year

## Australian Shares

### Superannuation returns pa



### Retirement returns pa



#### Investment aims

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

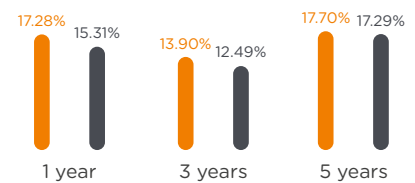
**Minimum investment timeframe:** At least 12 years

## International Shares

### Superannuation returns pa



### Retirement returns pa



#### Investment aims

- + To beat the MSCI World All Countries (ex Australia) Unhedged Index over the medium to long term

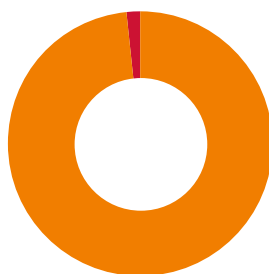
**Minimum investment timeframe:** At least 12 years

## Asset Allocation as at 30 June 2017



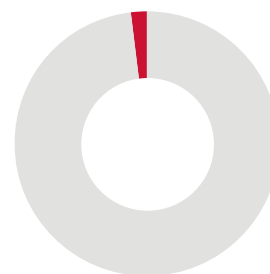
● Cash 100.0%

## Asset Allocation as at 30 June 2017



● Australian shares 98.5%  
● Cash 1.5%

## Asset Allocation as at 30 June 2017



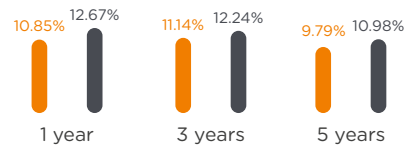
● International shares 98.2%  
● Cash 1.8%

### Property

#### Superannuation returns pa



#### Retirement returns pa



#### Investment aims

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

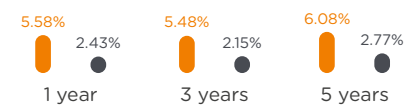
**Minimum investment timeframe:** At least 5 years

### Diversified Fixed Interest

#### Superannuation returns pa



#### Retirement returns pa



#### Investment aims

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

**Minimum investment timeframe:** At least 3 years

### Cash

#### Superannuation returns pa



#### Retirement returns pa

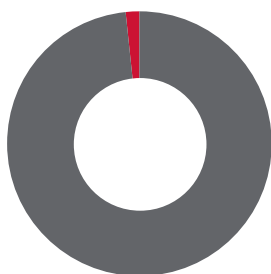


#### Investment aims

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

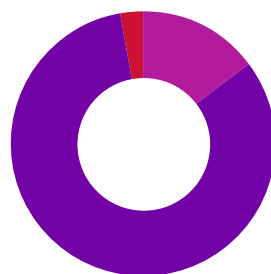
**Minimum investment timeframe:** At least 1 year

#### Asset Allocation as at 30 June 2017



● Direct property 98.4%  
● Cash 1.6%

#### Asset Allocation as at 30 June 2017



● Credit 14.8%  
● Fixed interest 82.6%  
● Cash 2.6%

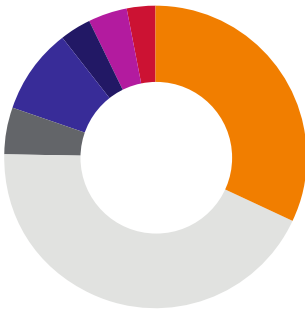
#### Asset Allocation as at 30 June 2017



● Cash 100.0%

# Strategic asset allocation 2017-18

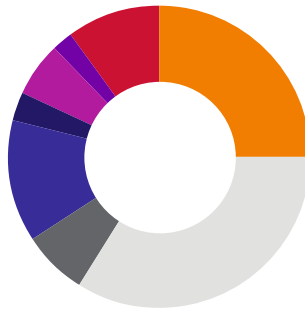
## High Growth



● Australian shares	<b>32.0%</b> (20-50%)
● International shares	<b>43.5%</b> (20-50%)
● Direct property	<b>5.0%</b> (0-30%)
● Infrastructure	<b>9.0%</b> (0-30%)
● Private equity	<b>3.5%</b> (0-10%)
● Credit	<b>4.0%</b> (0-20%)
● Fixed interest	<b>0%</b> (0-20%)
● Cash	<b>3.0%</b> (0-10%)
● Other	<b>0%</b> (0-5%)

Asset allocation ranges are shown in brackets

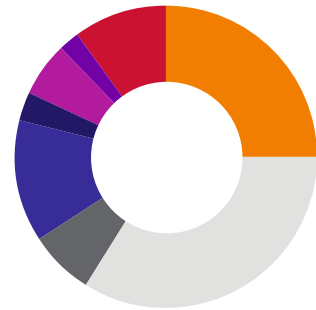
## Balanced



● Australian shares	<b>25.0%</b> (10-45%)
● International shares	<b>34.0%</b> (10-45%)
● Direct property	<b>7.0%</b> (0-30%)
● Infrastructure	<b>13.0%</b> (0-30%)
● Private equity	<b>3.0%</b> (0-10%)
● Credit	<b>6.0%</b> (0-20%)
● Fixed interest	<b>2.0%</b> (0-25%)
● Cash	<b>10.0%</b> (0-15%)
● Other	<b>0%</b> (0-5%)

Asset allocation ranges are shown in brackets

## Socially Aware



● Australian shares	<b>25.0%</b> (10-45%)
● International shares	<b>34.0%</b> (10-45%)
● Direct property	<b>7.0%</b> (0-30%)
● Infrastructure	<b>13.0%</b> (0-30%)
● Private equity	<b>3.0%</b> (0-10%)
● Credit	<b>6.0%</b> (0-20%)
● Fixed interest	<b>2.0%</b> (0-25%)
● Cash	<b>10.0%</b> (0-15%)

Asset allocation ranges are shown in brackets

## Indexed Diversified



● Australian shares	<b>32.0%</b> (20-50%)
● International shares	<b>38.0%</b> (20-50%)
● Listed property	<b>0.0%</b> (0-10%)
● Fixed interest	<b>17.0%</b> (0-30%)
● Cash	<b>13.0%</b> (0-30%)

Asset allocation ranges are shown in brackets

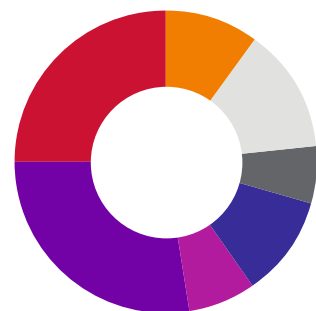
## Conservative Balanced



● Australian shares	<b>17.5%</b> (5-35%)
● International shares	<b>23.5%</b> (5-35%)
● Direct property	<b>6.0%</b> (0-25%)
● Infrastructure	<b>11.0%</b> (0-25%)
● Private equity	<b>1.5%</b> (0-5%)
● Credit	<b>7.0%</b> (0-25%)
● Fixed interest	<b>20.0%</b> (0-40%)
● Cash	<b>13.5%</b> (0-30%)
● Other	<b>0%</b> (0-5%)

Asset allocation ranges are shown in brackets

## Stable



● Australian shares	<b>10.0%</b> (0-20%)
● International shares	<b>13.5%</b> (0-20%)
● Direct property	<b>6.0%</b> (0-15%)
● Infrastructure	<b>11.0%</b> (0-20%)
● Private equity	<b>0%</b> (0-3%)
● Credit	<b>7.0%</b> (0-25%)
● Fixed interest	<b>27.5%</b> (0-45%)
● Cash	<b>25.0%</b> (0-50%)
● Other	<b>0%</b> (0-5%)

Asset allocation ranges are shown in brackets





Jules, member since 2016

# Major shareholdings and total fund exposure

## Top 20 Domestic Equity Holdings as at 30 June 2017

Australian Shares	% of total portfolio
Commonwealth Bank of Australia	8.3%
Westpac Banking Corp	6.6%
Australia & New Zealand Bank	6.1%
National Australia Bank	4.5%
CSL	4.3%
BHP Billiton	3.8%
Wesfarmers	3.5%
Woolworths	2.5%
Macquarie Group	2.4%
Telstra Corp	2.4%
Rio Tinto	2.3%
Suncorp Group	2.2%
Transurban Group	1.7%
Healthscope	1.5%
Link Administration	1.4%
Insurance Australia	1.4%
AGL Energy	1.4%
Sydney Airport	1.3%
AMP	1.3%
James Hardie Industry	1.2%

## Top 20 International Equity Holdings as at 30 June 2017

International Shares	Country listed in	% of total portfolio
Tencent Holdings	Hong Kong	1.9%
Amazon.com	United States	1.8%
Alphabet (Google)	United States	1.6%
Oracle Corp	United States	1.6%
Alibaba Group Holding	United States	1.5%
Facebook	United States	1.5%
Baidu	United States	1.5%
Visa	United States	1.4%
Tesla	United States	1.4%
Diageo	Great Britain	1.4%
Samsung Electronics	South Korea	1.4%
British American Tobacco	Great Britain	1.3%
Thermo Fisher Scient	United States	1.2%
Accenture	United States	1.2%
Illumina	United States	1.2%
Microsoft	United States	1.1%
Citigroup	United States	1.0%
Time Warner	United States	1.0%
Nestle	Switzerland	1.0%
Reckitt Benckiser	Great Britain	1.0%

# Global shares

AustralianSuper invests in more than 50 global equity 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](http://australiansuper.com/investments)

## International Equity Country Holdings as at 30 June 2017

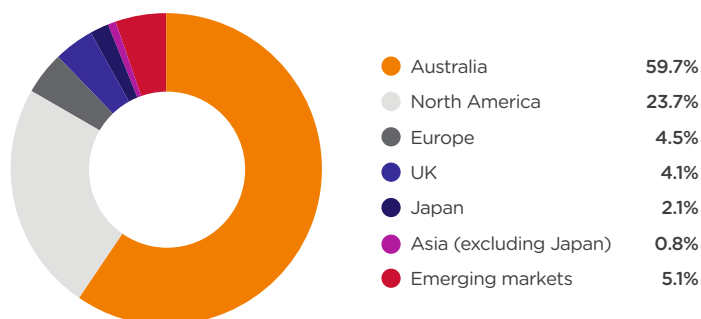
Country	Actual weights %
Argentina	0.43%
Austria	0.01%
Brazil	0.97%
Canada	1.21%
Chile	0.10%
China	3.11%
Colombia	0.06%
Denmark	0.10%
Egypt	0.04%
France	4.00%
Germany	3.32%
Hong Kong	4.10%
Hungary	0.17%
India	1.38%
Indonesia	0.44%

Country	Actual weights %
Italy	0.25%
Ivory Coast	0.01%
Japan	7.62%
Kenya	0.01%
Luxembourg	0.01%
Malaysia	0.13%
Mexico	0.68%
Morocco	0.01%
Netherlands	1.61%
New Zealand	0.87%
Nigeria	0.07%
Norway	0.03%
Philippines	0.06%
Poland	0.01%
Portugal	0.04%

Country	Actual weights %
Russia	0.81%
Singapore	0.07%
South Africa	0.48%
South Korea	2.56%
Spain	1.18%
Sweden	0.24%
Switzerland	4.05%
Taiwan	1.24%
Thailand	0.48%
Tunisia	0.01%
Turkey	0.28%
United Kingdom	6.37%
United States	51.34%
Vietnam	0.02%

## Total Fund Exposure as at 30 June 2017

AustralianSuper invests over A\$119 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 2017, we have over \$70 billion invested in domestic assets and \$49 billion in international assets as seen in the chart right.



# Investment managers

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

In appointing investment managers, AustralianSuper takes into consideration their:

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

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

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

As at 30 June 2017, the following combination of investments represented more than 5% of total Fund assets:  
IFM Investments: 25.11%.

Investment Managers	Sector	Value \$'000
Airlie Funds Management	Australian Equities	1,744,591
Alphinity Investment Management Pty Ltd	Australian Equities	2,480,791
Arnhem Investment Management Pty Ltd	Australian Equities	55,508
AustralianSuper Internal Investments	Australian Equities	13,198,543
Celeste Funds Management Ltd	Australian Equities	202,566
Eley Griffiths Group Ltd	Australian Equities	400,245
FIL Ltd	Australian Equities	3,746,041
Industry Funds Management Pty Ltd	Australian Equities	6,961,485
Member Direct	Australian Equities	976,204
Paradise Investment Management Pty Ltd	Australian Equities	256,414
Perpetual Investment Management Ltd	Australian Equities	1,756,094
Yarra Capital Management	Australian Equities	760,799
AustralianSuper Internal Investments	Capital Guaranteed	442,209
Industry Funds Management Pty Ltd	Cash	16,342,406
AustralianSuper Internal Investments	Currency and Option Overlays	414,358
AustralianSuper Internal Investments	Fixed interest	4,203,720
Barings LLC	Fixed interest	662,333
BCA Mezzanine Debt Trust	Fixed interest	113
Bentham Asset Management Pty Ltd	Fixed interest	3,147,751
Brandywine Global Investment Management LLC	Fixed interest	2,016,167
Bridgewater Associates, LP	Fixed interest	286,486
Fidante Partners	Fixed interest	322,402
Henderson Global Investors (Australia)	Fixed interest	1,441,653
Industry Funds Management Pty Ltd	Fixed interest	1,713,832
Marathon Asset Management, LP	Fixed interest	1,020,186
MaxCap Group Pty Ltd	Fixed interest	161,599
ME Portfolio Management Limited	Fixed interest	58,895
Oak Hill Advisors L.P.	Fixed interest	931,844
Q-BLK ARS III - Institutional, Ltd	Fixed interest	142

Investment Managers	Sector	Value \$'000
Vanguard Investments Australia Ltd	Indexed Diversified	226,058
AustralianSuper Internal Investments	Infrastructure	5,600,257
Industry Funds Management Pty Ltd	Infrastructure	6,270,879
Infrastructure Capital Group Limited	Infrastructure	259,403
Macquarie Specialist Asset Management Limited	Infrastructure	560,249
Alphinity Investment Management Pty Ltd	International Equities	214,511
AustralianSuper Internal Investments	International Equities	3,766,361
Baillie Gifford Overseas Ltd	International Equities	4,731,459
Causeway Capital Management LLC	International Equities	3,528,690
First State Investments International Ltd	International Equities	555
Genesis Asset Managers LLP	International Equities	1,066,460
GQG Partners LLC	International Equities	880,110
Harris Associates LP	International Equities	2,165,318
Independent Franchise Partners LLP	International Equities	2,610,835
Jackson Square Partners, LLC	International Equities	2,789,184
LSV Asset Management	International Equities	1,439,067
MFS Institutional Advisors Inc	International Equities	4,525,600
Orbis Investment Management Limited	International Equities	3,130,320
Russell Investments Group, LLC	International Equities	222
State Stree Global Advisors Australia Limited	International Equities	1,036,320
Westwood Management Corp	International Equities	775,438
Airtree Ventures Pty Ltd	Private Equity	14,390
AustralianSuper Internal Investments	Private Equity	2,398,610
Brandon Capital Partners	Private Equity	8,173
Frontier Investment Consulting Pty Ltd	Private Equity	1,384
Industry Funds Management Pty Ltd	Private Equity	396,866
Industry Super Holdings Pty Ltd	Private Equity	212,805
Members Equity Bank Pty Limited	Private Equity	378,844
Quay Partners Pty Ltd	Private Equity	14,111
AgCAP Pty Ltd	Property	50,089
AMP Investment Funds	Property	6,057
AustralianSuper Internal Investments	Property	3,852,451
Eureka Funds Management Ltd	Property	13
Fortius Funds Management Pty. Ltd.	Property	5,755
Franklin Templeton Investments Australia Limited	Property	11,348
ISPT Pty Ltd	Property	3,932,911
LaSalle Australian Core Plus	Property	11,593
Macquarie Specialist Asset Management Limited	Property	309
Primewest Industrial Income Trust	Property	1,923
QIC Property Funds Pty Ltd	Property	2,138,991
Russell Real Estate Advisors Inc.	Property	17,276
Sandbourne Holdings Pty Ltd	Property	999
AustralianSuper Internal Investments	Reserves	562,948

## Board of directors

Our Board is responsible for the overall governance and strategic direction of AustralianSuper.

It's their role to ensure that we meet our obligations to members, employers and shareholders – and comply with super legislation.

This involves making sure an appropriate governance framework is not only in place, but is well maintained.

Our Board is made up of up to six member representatives, up to six employer representatives and up to two independent representatives. We currently have five member representatives, five employer representatives, and one independent director.

### Governance

The Trustee is AustralianSuper Pty Ltd. The Trustee is governed by a Board of Directors. All Directors are non-executive and independent of management. Member Directors are appointed by ACTU Super Shareholding Pty Ltd. Employer Directors are appointed by a major employer organisation, the Australian Industry Group. All Director appointments are subject to ratification by the Board.

The Board comprises five member representatives and five employer representatives as well as one independent Director.

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

### Management

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

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

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



For further information on the AustralianSuper board and governance visit [australiansuper.com/about-us](https://australiansuper.com/about-us)



**Heather Ridout**  
Chair – Employer Director



**Dave Oliver**  
Deputy Chair – Member Director



**Paul Bastian**  
Member Director



**Jim Craig**  
Independent Director



**Brian Daley**  
Member Director



**Lucio Di Bartolomeo**  
Employer Director



**Daniel Walton**  
Member Director



**Grahame Willis**  
Employer Director



**Innes Wilcox**  
Employer Director

**Commenced 30 August 2017**



**Julia Angrisano**  
Member Director



**Gabrielle Coyne**  
Employer Director

# Board of directors

## Board and Committee membership as at 30 June 2017

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

## Board and Committee attendance

	Board		ACRMC		BRC		IC		MESC		NRC	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Directors</b>												
Paul Bastian	6	6	4	5	-	-	-	-	-	-	-	-
Brian Daley	6	6	-	-	-	-	7	7	4	4	3	3
Lucio Di Bartolomeo	6	6	-	-	-	-	-	-	4	4	-	-
Jim Craig	2	2	-	-	-	-	7	7	-	-	-	-
John Ingram	4	4	3	4	-	-	5	5	-	-	-	-
Scott McDine	2	2	-	-	-	-	-	-	-	-	2	2
Dave Oliver	6	6	-	-	-	-	-	-	0	1	2	2
Gemma Pinnell	5	5	-	-	1	1	-	-	-	-	-	-
Heather Ridout	6	6	-	-	-	-	-	-	4	4	4	4
Daniel Walton	3	4	-	-	-	-	-	-	-	-	-	-
Grahame Willis	6	6	5	5	3	3	-	-	-	-	-	-
Innes Willox	5	6	-	-	-	-	-	-	-	-	4	4
<b>Alternate Directors</b>												
Nixon Apple	-	-	-	-	-	-	7	7	-	-	-	-
Mark Boyd	-	-	-	-	-	-	-	-	-	-	-	-
Peter Burn	-	-	-	-	-	-	7	7	-	-	-	-
Brad Crofts	1	1	5	5	-	-	7	7	-	-	-	-
Anne Flanagan	-	-	4	5	-	-	-	-	-	-	-	-
Warren Kensett-Smith	-	-	4	5	-	-	-	-	-	-	-	-
Bob Lewtas	-	-	-	-	3	3	-	-	-	-	-	-
Michelle O'Neil	-	-	-	-	-	-	-	-	2	3	-	-
George Stamas	-	-	-	-	-	-	-	-	4	4	-	-
<b>Committee Members</b>												
Russell Maddox	-	-	-	-	-	-	7	7	-	-	-	-
Mike Nicolaides	-	-	-	-	-	-	-	-	4	4	-	-
Stephanie Weston	-	-	-	-	-	-	7	7	-	-	-	-

A = number of meetings attended

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



# Farewell and welcome

Throughout the year there were a number of changes to the directors of the Board. Saying farewell to familiar faces and welcoming new ones is all part of ensuring the Board has the right mix of skills and experience to govern and lead the strategic direction of the Fund.

## Thank you John Ingram AM

John Ingram has retired after eleven years as an AustralianSuper Director, five of them as Deputy Chair of the Fund. During his time as a Director of the Fund, members' assets have risen from \$21bn to \$119bn, while membership of the fund grew from 1.2 million to over 2.2 million.



Prior to his appointment as an AustralianSuper Director, John served for five years on the Board of Superannuation Trust of Australia (STA).

John's long-standing commitment to the interests of AustralianSuper's members is demonstrated by his membership of every Committee during his time on the Board.

The Board and staff thank John for his enormous contribution to the Fund and his commitment to the interests of members over so many years.

## Farewell and welcome

During the 2016-17 year Scott McDine and Gemma Pinnell resigned from the Board.

Gemma was appointed in 2013 and served on the Budget Review Committee. She took a wide interest in how the Fund managed member advice and the application of digital technology to improve member outcomes.

Scott joined the Board in 2014 and during his time served on and chaired both the Budget Review Committee and the Nomination and Remuneration Committee. Scott was a powerful advocate for members' interests.

We thank both for their service and very significant contribution to the Fund over the past few years.

In December 2016 Daniel Walton joined the Board as a Member Director. Daniel is the National Secretary of the Australian Workers' Union, and has already made a valuable contribution to the Fund.

## Jim Craig appointed Independent Director

The most recent addition to AustralianSuper's Board was Jim Craig in March 2017 who was appointed as an Independent Director. Jim has been a member of the Investment Committee since June 2016, and is now Chair of that Committee.

Prior to joining AustralianSuper Jim held a number of senior roles with the Macquarie Group in the resources, infrastructure and fund management areas. He led Macquarie's businesses in Europe from 2003 to 2008 and was Chairman of Macquarie Capital (Melbourne) from 2008 to 2014.

'Jim brings a wide range of experience, expertise and knowledge to the Investment Committee and Board and we are delighted he has joined the Board and is chairing the Investment Committee,' Chair, Heather Ridout said.

## Our executive team

The Fund's leadership team manages day-to-day operations.



**Ian Silk**  
Chief Executive

Led by Ian Silk, the leadership team ensures that our business strategy is implemented effectively so we can achieve our goal of providing the best possible retirement outcome for members.

I am responsible for the overall management of the fund and providing advice to the board. It's my role to ensure all of our staff and business partners are working to deliver our business plan and longer term strategic goals.

This year I'll be focusing on the Fund earning the trust members place with us by delivering the best possible net return outcomes, growing the fund in a sustainable way, ensuring we have the right products and services, managing risks in a prudent and appropriate manner and fostering our unique culture.

We will continue to work with the industry to encourage greater accountability, transparency and exemplary governance reflecting our privileged position of being the stewards of millions of members' retirement outcomes.



**Mark Delaney**  
Deputy Chief Executive and  
Chief Investment Officer

It is my job, and the job of the investment team, to invest members' money wisely in a way that generates the best possible returns for them.

This year I'll be focusing on leading the team to deliver on their investment return objectives, continue to manage the portfolio to reduce fees and costs and ensure the long-term sustainability of the fund, so members have confidence in their investments with AustralianSuper.



**Shawn Blackmore**

Group Executive,  
Member Experience & Advice

I am responsible for overseeing the provision of super, retirement and insurance services to members and employers.

This year my team will be focusing on the re-development of our website, enhancing our mobile app and ensuring members and employers have easy access to the information and support they need, when they need it.

We will be extending our seminar and workplace education services, expanding our financial adviser network and helping those members who need to claim on their insurance.



**Tony Cavanagh**

Group Executive,  
Corporate Services

I oversee all legal, risk, compliance, financial and accounting matters for AustralianSuper.

Further enhancing our approach to Risk Management will be a major focus for my team this year, ensuring we recognise and manage risk to protect members' assets and data in a way that helps deliver value for them.

Ensuring the fund is operating as cost efficiently as possible is also a key focus. Keeping fees low helps members have more money for their retirement.



**Jane Foley**

Group Executive,  
Strategy, People & Performance

I am responsible for the Fund's strategy development and business planning, data governance and reporting of the Fund's performance, together with human resources and IT services, and the project management office.

This year we will deliver the IT infrastructure and support our staff need to efficiently and effectively do their job, manage projects, large and small and monitor the Fund's business plan performance.

Continued focus on creating a workplace and nurturing our culture will ensure our people have the environment and support they need to deliver outstanding results.



**Rose Kerlin**

Group Executive, Membership

Growing the Fund's membership is my responsibility and ensuring members have access to the most cost effective life insurance possible.

This year my team will be focusing on strengthening our relationships with key stakeholders, promoting our new AustralianSuper Select option to suitable businesses, raising our profile with potential members and rolling out our new insurance approach.

Increasing our size enables us to leverage scale and deliver more for members.



**Paul Schroder**

Group Executive,  
Product, Brand & Reputation

I am responsible for understanding what members and businesses want, delivering products and services in a sustainable and successful way, ensuring members know and prefer what we offer, as well as advocating on their behalf.

This year my team will further embed insights and commercial rigour into our decision making process, continue to build the AustralianSuper brand, extend and enhance our offer, review key communications to ensure they are simple and effective, and actively manage our reputation.



For further information on the AustralianSuper leadership team and their areas of responsibility, visit [australiansuper.com](http://australiansuper.com)

## Our people and culture

At AustralianSuper we believe that every working Australian has the right to a long and happy retirement.

This united purpose guides us in all we do. We strive to always improve, innovate, perform so we can deliver the best outcomes for members.

### Embracing difference

AustralianSuper values diversity – both in our organisation and the companies we invest in – and we are fostering it in order to create better returns.

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

We're proud of the work we do to ensure AustralianSuper maintains a workforce that reflects our members' diversity. Women make up 48% of our workforce, and hold 40% of management positions.

Our staff engagement surveys return strong results, with a diversity score of 90% demonstrating that our staff believe we live up to our commitment to a diverse and inclusive workforce.

AustralianSuper also recently conducted its first diversity and inclusion audit, which had a strong participation rate of 70%. The survey shows that AustralianSuper has an ethnically diverse workforce, with a more positive view on gender equality than similar institutions in the financial sector.

As a non-public sector employer with more than 100 employees, the Fund reports annually to the Workplace Gender Equality Agency (WGEA). AustralianSuper's 2016/17 Compliance Report has been submitted to the WGEA and a copy of the report is available on our website. Any comments about the report can be directed to AustralianSuper ([australiansuper.com/contact](http://australiansuper.com/contact)) or WGEA.

AustralianSuper has been awarded the Workplace Gender Equality Agency citation four years in a row for being an employer of choice for women.





Emma, member since 2007

### Developing and retaining our people

As part of its commitment to staff, AustralianSuper continues to invest in its people through formal training, coaching by managers or peers and development on the job. Core learning programs include:

- + People Essentials Foundation Program: Reflecting the performance management cycle, the focus of this program is on how staff can use their strengths at work to help achieve the Fund's objectives and organisational values.
- + Leadership development: Programs aimed at both our senior and developing leaders, building skills and capability in areas such as leadership, strategic thinking, unconscious bias, performance and internal consulting.

AustralianSuper also developed appropriate policies, procedures and training to ensure professional, ethical and trustworthy standards of behaviour that support AustralianSuper's values.

The return to work rate after parental leave was 100%.

### Staff survey

The Fund received a response rate of 91% for the annual staff survey, which provides feedback on AustralianSuper's performance as an employer against key metrics. An overall favourable engagement score of 79% was achieved, which is 7% above the Australian norm.

---

# 79%

overall favourable engagement score

---



### Volunteer, donate, participate!

Throughout the year, our staff-led Sustainability and Community Group organised activities focused around people, the environment, fundraising and volunteering. AustralianSuper partners with a number of organisations, such as Skilling Australia and McAuley Community Services, and over the past year our employees donated approximately 530 volunteer hours to not for profit organisations.

# Our people and culture

A Diversity and Inclusion Strategy for 2017-2021 was approved by the Board and this strategy will continue the focus on recruitment and retention, performance, talent and succession, gender pay equity and the development of staff, with a particular focus on gender equality across these areas. Key measures and targets are put in place to monitor progress.

## AustralianSuper's management team by gender and age as at June 30 2017

	Female	Male	Age under 30	Age 30-50	Age 50+
Board	1 (3*)	8	0	2	7
Executive	2	5	0	3	4
Management	52	72	1	82	41
Total	55	85	1	87	52

\* As at 30 August 2017

## AustralianSuper's workforce by gender and working arrangements (including contractors) as at June 30 2017

	Full-time			Part-time			Total
	Female	Male	Total	Female	Male	Total	
Asia	1	1	2	0	0	0	2
UK	2	3	5	0	0	0	5
ACT	1	0	1	0	0	0	1
NSW	7	20	27	5	0	5	32
NT	0	2	2	1	0	1	3
QLD	2	2	4	3	0	3	7
SA	2	5	7	0	0	0	7
TAS	1	1	2	0	0	0	2
VIC	202	260	462	42	6	48	510
WA	7	4	11	3	0	3	14
<b>Sub-total</b>	<b>225</b>	<b>298</b>	<b>523</b>	<b>54</b>	<b>6</b>	<b>60</b>	<b>583</b>

## New hires 2016-17

Total	Female	Male	Age under 30	Age 30-50	Age 51+
139	63	76	18	102	19

## Staff turnover

Age	Turnover rate %
18-34	12.69%
35-54	13.61%
55+	22.45%



# Remuneration

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

The Fund's remuneration practices are designed to help AustralianSuper to:

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

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

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

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

## Directors' remuneration

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

## Directors' remuneration

Fees as at 30 June 2017	Chair \$	Member \$	Board Deputy Chair \$
Board	145,500	36,400	53,500
Investment Committee *	136,300	54,500	
Member & Employer Services Committee	31,700	18,100	
Audit, Compliance & Risk Management Committee **	56,000	21,800	
Nomination & Remuneration Committee	18,700	10,700	
Budget Review Committee	15,100	8,600	

A per meeting fee of \$1,800 is paid for attendance at meetings of any sub-committees formed by the Board, and not for the above Committees, and to Alternate Directors who attend Board and Committee meetings in that capacity.

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

\*Independent Investment Committee member fee is \$71,400 per annum.

\*\*Independent Audit, Compliance and Risk Management Committee member fee is \$38,700 per annum.



## Directors' remuneration

Directors and Alternate Directors	2017			2016		
	Cash fees \$	Superannuation \$	Total \$	Cash fees \$	Superannuation \$	Total \$
N. Apple	92,000	8,740	100,740	94,069	8,937	103,006
P. Bastian <sup>1</sup>	58,200	5,529	63,729	57,100	5,425	62,525
P. Burn <sup>2</sup>	54,500	5,178	59,678	53,500	5,083	58,583
J. Craig	104,806	9,957	114,763	3,081	293	3,374
B. Crofts <sup>3</sup>	78,100	7,420	85,520	74,900	7,116	82,016
B. Daley <sup>4</sup>	134,689	12,796	147,485	128,800	12,236	141,036
L. Di Bartolomeo	79,300	7,534	86,834	77,800	7,391	85,191
A. Flanagan	38,700	3,677	42,377	25,918	2,462	28,381
J. Ingram	80,867	7,682	88,549	125,031	11,878	136,909
W. Kensett-Smith <sup>5</sup>	21,800	2,071	23,871	7,643	726	8,369
R. Lewtas <sup>4</sup>	4,674	444	5,118	-	-	-
R. Maddox	71,400	6,783	78,183	70,100	6,660	76,760
S. McDine <sup>5</sup>	17,919	1,702	19,621	65,519	6,224	71,744
M. Nicolaidis <sup>1</sup>	18,100	1,720	19,820	17,800	1,691	19,491
D. Oliver <sup>6</sup>	62,831	5,969	68,800	80,800	7,676	88,476
M. O'Neil <sup>7</sup>	14,362	1,364	15,726	1,800	171	1,971
G. Pinnell <sup>8</sup>	42,235	4,012	46,247	36,277	3,446	39,723
H. Ridout	175,495	16,672	192,167	171,100	16,255	187,355
G. Stamas	18,100	1,720	19,820	17,800	1,691	19,491
D. Walton <sup>5</sup>	19,783	1,879	21,662	-	-	-
S. Weston	71,400	6,783	78,183	70,100	6,660	76,760
G. Willis	101,000	9,595	110,595	96,938	9,209	106,147
I. Willox <sup>2</sup>	54,204	5,149	59,353	41,349	3,928	45,278

The following Alternate Directors did not receive any compensation during the year ended 30 June 2017:  
J. Angrisano, F. Jordan and M. Boyd, F. Jordan did not receive any compensation in 2016.

1. These fees are paid to the Australian Manufacturing Workers' Union.
2. These fees are paid to the Australian Industry Group.
3. These fees are paid to Eureka Economics Pty Ltd.
4. These fees are paid to United Voice (to B. Daley from 1 October 2015).
5. These fees are paid to the Australian Workers' Union.
6. These fees are paid to the Australian Council of Trade Unions (to D. Oliver from 31 January 2017).
7. These fees are paid to the Textile, Clothing and Footwear Union.
8. These fees were paid to the Australian Council of Trade Unions.

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

# Remuneration

## Executive remuneration

Remuneration is comprised of one or more of the following:

### 1. Fixed annual remuneration

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

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

### 2. Investment Performance Payment Plan

AustralianSuper operates an Investment Performance Payment Plan (IPPP) which applies to a limited number of senior investment staff.

The level of performance pay is set with reference to levels necessary to recruit and retain staff with the relevant skills and experience, and to remuneration levels in the Fund and the relevant market.

In 2016-17, changes were made to the IPPP to align performance payment outcomes under the plan with the investment performance objectives of the Balanced option by moving to a three-year rolling performance period.

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 annual basis; and
- + an individual's performance with respect to personal objectives in their role in the Fund.

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

- + investment performance of the AustralianSuper Balanced option is positive over a rolling three-year period;
- + investment performance of the AustralianSuper Balanced option is above inflation over a rolling three-year period;
- + investment performance of the AustralianSuper Balanced option is above the median performance of the SuperRatings SR50 Median Balanced Option over a rolling three-year period; and
- + the participant's overall individual performance and behaviours assessment is rated as 'Meets Expectations' or higher on both assessments over a one-year period.

The Investment Performance Payment Plan is based on:

Role	Fund Performance (Balanced Option) Measure Weighting	Portfolio Performance Measure Weighting	Cost Management Measure Weighting
CIO	80%	0%	20%
Investment Senior Team (Heads of)	70%	15%	15%
Other participants	30%	55%	15%

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

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

## Performance of the Fund in 2016-17 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	4.46%	9.23%	Achieved
Investment performance of the AustralianSuper Balanced option is above that of the median Balanced fund in the relevant SuperRatings SR50 survey over a rolling three-year period	7.58%	9.23%	Achieved

## Executive remuneration at 30 June 2017

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

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

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

(C) The movement in the annual leave accrual for each person for the financial year was as follows:

I. Silk \$20,904, M. Delaney \$8,272, P. Curtis \$12,186, J. Peasley \$28,029, I. McKeand \$28,464.

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

## Executive remuneration at 30 June 2016

	Salary <sup>(A)</sup> \$	Superannuation \$	Fixed remuneration \$	Performance payment <sup>(B)</sup> \$	Non-monetary benefits <sup>(C)</sup> \$	Total \$
I. Silk	746,000	35,000	781,000	-	17,196	798,196
M. Delaney	655,715	35,000	690,715	584,566	-	1,275,281
P. Curtis	456,150	35,000	491,150	399,567	-	830,717
J. Peasley	437,120	30,000	467,120	325,314	-	792,434
I. McKeand	473,920	35,000	508,920	306,630	-	815,550

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

(B) Represents performance payment actually paid for year ended 30 June 2016.

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

(D) The movement in the annual leave accrual for each person for the financial year was as follows:

I. Silk (\$43,234), M. Delaney \$33,884, P. Curtis \$9,994, I. McKeand \$14,520, J. Peasley \$11,021.

(E) The movement in the long service entitlements accrued but not taken during the year as required to be recognised under legislation were I. Silk \$58,857, M. Delaney \$30,017, P. Curtis \$18,013, I. McKeand \$17,520, J. Peasley \$14,596.

### Non-management staff

AustraliansSuper staff are employed under the AustraliansSuper Enterprise Agreement 2016-19. Staff whose salaries are set under the Agreement receive annual increases to their remuneration.

### Remuneration consultants

AustraliansSuper 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 AustraliansSuper's core tenet of being a members-first fund.

# Financial statements

## Statement of financial position as at 30 June 2017

	2017 \$m	2016 \$m Restated <sup>1</sup>
<b>Assets</b>		
Investments <sup>2</sup>	121,661	102,391
Other assets	627	530
<b>Total assets</b>	<b>122,288</b>	<b>102,921</b>
<b>Liabilities</b>		
Tax payable	2,216	1,432
Other payables	552	599
<b>Total liabilities</b>	<b>2,768</b>	<b>2,031</b>
<b>Net assets available for members' benefits</b>	<b>119,520</b>	<b>100,890</b>
Members' benefits	118,992	100,215
<b>Net assets</b>	<b>528</b>	<b>675</b>
<b>Equity - Reserves</b>		
Operational risk reserve	295	245
Other reserves	233	430
<b>Total reserves</b>	<b>528</b>	<b>675</b>

## Income statement for the year ended 30 June 2017

	2017 \$m	2016 \$m Restated <sup>1</sup>
<b>Revenue</b>		
Investment income	13,146	4,541
Other income	152	86
<b>Total revenue</b>	<b>13,298</b>	<b>4,627</b>
<b>Expenses</b>		
Investments	(408)	(419)
Trustee service fee	(297)	(262)
<b>Total expenses</b>	<b>(705)</b>	<b>(681)</b>
<b>Operating result</b>	<b>12,593</b>	<b>3,946</b>
Less net benefits allocated to members'	(11,703)	(3,904)
<b>Operating result before income tax</b>	<b>890</b>	<b>42</b>
Income tax (expense)/benefit	(791)	(22)
<b>Operating result after income tax</b>	<b>99</b>	<b>20</b>

## Statement of changes in members' benefits for the year ended 30 June 2017

	2017 \$m	2016 \$m
<b>Opening balance of members' benefits</b>	<b>100,215</b>	<b>91,341</b>
Contributions received	9,464	8,009
Transfers from other superannuation plans	6,275	5,047
Income tax on contributions	(976)	(899)
<b>After tax contributions</b>	<b>14,763</b>	<b>12,157</b>
Benefits paid and payable	(7,637)	(6,850)
Insurance premiums charged to members	(661)	(637)
Death and disability benefits credited to members	362	300
Net benefits allocated to members' accounts	11,950	3,904
<b>Closing balance of members' benefits</b>	<b>118,992</b>	<b>100,215</b>

## Statement of changes in reserves for the year ended 30 June 2017

	Operational risk reserve \$m	Investment reserve \$m Restated <sup>1</sup>	Administration reserve \$m	Insurance reserve <sup>3</sup> \$m	Total reserves \$m
<b>Balance as at 1 July 2015</b>	<b>216</b>	<b>320</b>	<b>88</b>	<b>31</b>	<b>655</b>
Net transfers to/from reserve	23	(16)	(7)	-	-
Operating result	6	(29)	(16)	59	20
<b>Balance as at 30 June 2016</b>	<b>245</b>	<b>275</b>	<b>65</b>	<b>90</b>	<b>675</b>
Net transfers to/from reserve	40	(26)	(13)	0	1
Transfers to members' accounts <sup>2</sup>	-	(247)	-	-	(247)
Operating result	10	9	0	80	99
<b>Balance as at 30 June 2017</b>	<b>295</b>	<b>11</b>	<b>52</b>	<b>170</b>	<b>528</b>

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

- 1 The financial position and results of operations of the Fund were affected by the adoption of AASB 1056 *Superannuation Entities* that applies to annual reporting periods beginning on or after 1 July 2016. As a result the Fund has restated amounts previously reported under AAS 25 *Financial Reporting by Superannuation Plans* for the year ended 30 June 2016.
- 2 As a result of AASB 1056 implementation, the measurement of investments changed from "net market value" to fair value resulting in the write back of disposal costs.
- 3 Insurance reserve - The reserve is operated in accordance with Insurance Reserve Policy. The purpose of the reserve is to cover timing differences between the charging of insurance premiums to members' accounts and premiums becoming due to the insurer under insurance contracts, noting that premiums due to the insurer may be adjusted upwards or downwards under the Fund's Premium Adjustment Model (incorporated in the Fund's insurance contract) depending upon claims experience.

## Audited financial statements

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

This annual report was issued in 2017 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](http://australiansuper.com/pds) or by calling **1300 300 273**.

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

### **Calculating performance**

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

### **Derivatives**

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

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

Our investment managers may also use derivatives when investing in assets. Where this is the case, AustralianSuper considers the risks and the controls in place by reviewing each investment manager's derivatives risk statement, and receives regular reports of the investment manager's compliance with their derivatives risk statement.

The statement details the use of derivatives, the controls on their use and the process for assessing the investment manager's compliance with these controls. The derivatives charge ratio (the percentage of the Fund's assets being used as security for derivative investments) did not exceed 5% of AustralianSuper's assets at any time during the year.

### **Transfer of account**

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

AUSfund is an eligible rollover fund into which lost super fund members or members with small inactive accounts may be transferred. If your account is transferred to AUSfund, you'll no longer be a member of AustralianSuper and any insurance cover you had with AustralianSuper will cease. To contact AUSfund, visit [ausfund.com.au](http://ausfund.com.au), call 1300 361 798 or write to Locked Bag 5132, Parramatta, NSW, 2124. By law, AustralianSuper must transfer lost super accounts with balances under \$6,000 or those that are unidentified and have been inactive for more than 12 months, to the Australian Taxation Office. To find out more, visit [www.ato.gov.au](http://www.ato.gov.au)

### Privacy and compliance

During the year there were no breaches of the Privacy Act determined by the Privacy Commissioner, and there were no losses of customer data. AustralianSuper has not been subject to any significant fines or other sanctions for failure to comply with laws or regulations.

### Temporary residents permanently leaving

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

### Related parties

Related party disclosures are contained in the Fund's audited financial statements available in early October, along with the auditor's report, at [australiansuper.com/about-us](http://australiansuper.com/about-us) or by calling **1300 300 273**.

### Benchmarks

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

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

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

Socially Aware - SR50/SRP50 Balanced (60-76) Index

Indexed Diversified - Average annual return of CPI + 3.5% pa

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

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

Capital Guaranteed - RBA Cash Index

Australian Shares - S&P/ASX300 Accumulation Index

International Shares - MSCI AC World ex Australia (in \$A) Index

Property - Mercer/IPD Australia Unlisted Wholesale Property Fund Index (NAV weighted Post Fee)

Diversified Fixed Interest - CPI+0.5%. (Prior to 1 July 2015, the benchmark for the option was CPI+1%)

Cash - Bloomberg AusBond Bank Bill Index



## How to contact us

### Industry and Personal Division

[australiansuper.com](http://australiansuper.com)  
T 1300 300 273  
[australiansuper.com/email](mailto:australiansuper.com/email)

AustralianSuper  
GPO Box 1901,  
Melbourne VIC 3001

### Retirement Income Division

[australiansuper.com/retirement](http://australiansuper.com/retirement)  
T 1300 300 273  
[australiansuper.com/email](mailto:australiansuper.com/email)

AustralianSuper  
Locked Bag 6,  
Carlton South VIC 3053

### AustralianSuper has offices in:

Melbourne (head office)  
Adelaide  
Brisbane  
Darwin  
Perth  
Sydney

Beijing  
London