

# relevant disclosures

## H.E.S.T. Australia Ltd

January 2019

We seek to maintain the highest standards of fund governance. Good governance requires strong control mechanisms that encourage robust decision-making, accurate and timely execution of decisions, clear and effective accountability, regular review and assessment of governance policies and procedures, and transparency.

HESTA is run by a trustee company — H.E.S.T. Australia Ltd. The Trustee Directors and staff put all their efforts into maximising the retirement incomes of HESTA members, most of who work in health and community services. We do this through our investment strategy, high quality services and education and advice programs.

H.E.S.T. Australia Ltd, is an APRA and ASIC licensed trustee company with Guarantors (who don't receive dividends). Guarantors represent employee and employer organisations and some are eligible to nominate Directors to the Board.

## Trustee Directors

There are 14 Trustee Directors on the Board, with an Independent Chair, an Independent Director who serves as the Chair of the Investment Committee, and equal appointments from employee and employer organisations in the health and community services sector. This ensures the voices of both employers and members are heard and that their views are taken into account when decisions are made.

The rules relating to the nomination, appointment and removal of Trustee Directors can be found in our Constitution, available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

The Board meets up to eight times a year, overseeing every aspect of the Fund including investments, administration, communications and service delivery.

Specialised responsibilities are delegated to Board-appointed committees consisting of Directors who report to the full Board Meeting. The committees comprise the Audit and Risk Committee, Governance and Remuneration Committee and the Investment Committee. In addition to five Board Members and an Independent Chair, two External Independent Advisers also sit on the Investment Committee.

We are required to disclose information about Trustee Directors' attendance at Board and Committee meetings for the last seven financial years. This information is available in the relevant *Annual Report* at [hesta.com.au/annualreport](https://hesta.com.au/annualreport)

The role of the Board is to determine strategic direction and to monitor operations, ensuring the Fund is administered in accordance with the Trust Deed, relevant legislation and regulations.

More information about our individual Trustee Directors, their qualifications and experience is available at [hesta.com.au/aboutus](https://hesta.com.au/aboutus) or read the latest *Annual Report* at [hesta.com.au/annualreport](https://hesta.com.au/annualreport)

The Trustee holds indemnity insurance to protect itself and the Directors, in the event of legal action.

## **Trust Deed and Constitution**

HESTA is governed by a Trust Deed, a legal document that outlines the way HESTA is managed. The Trustee has a Constitution, which together with the Trust Deed, forms the governing rules for HESTA and the Trustee. Copies of the Trust Deed and Constitution are available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

## **Executive Management Team**

The day-to-day management of HESTA is the responsibility of our highly skilled and experienced Chief Executive Officer and team of seven Executives. More information about our individual Executives, their qualifications and experience is available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

## **Payments and benefits relating to executive officers**

As an industry super fund, HESTA is run only to benefit members and our remuneration practices reflect this, together with the need to ensure we have adequate resources to provide quality benefits and services to members.

## **Trustee Director Remuneration:**

Our Board is responsible for the overall governance and strategic direction of HESTA to ensure we meet our obligations to members. Accordingly, the Board and individual Directors are subject to an internally conducted annual assessment of its performance, with an independent external consultant engaged every three years to perform this assessment process. The Board is assessed against its functions as outlined in the Board Charter whilst Directors are also assessed against their performance and contributions at Board meetings and general compliance with any other applicable policies.

Key areas evaluated as part of annual review include:

- a) Governance and composition of the Board;
- b) Effectiveness of Board Meetings, Board Agendas and Reports;
- c) Board and Management relationships;
- d) Strategy of organisation; and
- e) Monitoring and evaluation

HESTA confirms that the performance evaluations for 2017/18 year were undertaken in accordance with its processes and policies.

Name	Position held	Position commenced	Position ceased	Financial year	Short-term employee benefits		Post-employment Benefits	Recipient
					Cash salary and short-term compensated absences	Pension and superannuation benefits		
Angela Emslie	Director	15/12/1994	-	2018	\$168,788	\$16,035	Self	
				2017	\$165,818	\$15,753	Self	
Mark Burgess	Director	03/04/2017	-	2018	\$137,970	\$13,107	Self	
				2017	\$36,403	\$3,458	Self	
Lloyd Williams	Director	01/01/2012	-	2018	\$63,770	\$6,058	Health & Community Services Union	
				2017	\$60,285	\$5,727	Health & Community Services Union	
Klaus Zimmermann	Director	01/01/2012	-	2018	\$69,270	\$6,581	Self	
				2017	\$63,785	\$6,060	Self	
Anna Claude	Director	01/01/2017	-	2018	\$45,694	\$4,341	Australian Nursing and Midwifery Federation (NSW Branch)	
				2017	\$21,475	\$2,040	Australian Nursing and Midwifery Federation (NSW Branch)	
Catherine Smith	Director	25/09/2015	-	2018	\$48,194	\$4,578	Self	
				2017	\$47,990	\$4,559	Self	
David Smith	Director	1/01/2018	-	2018	\$24,313	\$2,310	Australian Services Union	
Daniel Sims	Director	1/01/2016	-	2018	\$46,694	\$4,436	Self	
				2017	\$44,990	\$4,274	Self	
Deborah Cole	Director	01/01/2015	-	2018	\$46,694	\$4,436	Dental Health Services Victoria	
				2017	\$44,990	\$4,274	Dental Health Services Victoria	
Gary Humphrys	Director	18/05/2015	-	2018	\$56,194	\$5,338	Self	
				2017	\$47,490	\$4,512	Self	
Helen Gibbons	Director	4/02/2016	-	2018	\$47,154	\$4,480	United Voice	
				2017	\$46,490	\$4,417	United Voice	
Michael Borowick	Director	26/06/2015	-	2018	\$45,694	\$4,341	Australian Council of Trade Unions	
				2017	\$44,990	\$4,274	Australian Council of Trade Unions	
Saranne Cooke	Director	1/01/2018	-	2018	\$22,473	\$2,135	Self	

## Executive Management Team remuneration:

HESTA Executives are also assessed annually by the CEO, with input from the Board Chair and Deputy Chairs. Each Executive's performance is assessed against the documented organisational framework developed in our performance management system against their position responsibilities and Key Performance Indicators which are tied to organisational strategic objectives. Assessment covers:

- adherence to high standards of integrity, performance and risk management;
- display of strategic thinking in application to consideration of industry trends, areas of competitive advantage, sustainability and reputation; and
- contribution to and influence on the long term direction and purpose of HESTA.

All employees undertake an annual performance review with their manager, and the performance evaluation for our senior management was undertaken during the 2017/18 year in accordance with our processes and policies.

Name	Position held	Position commenced	Position ceased	Financial Year	Short-term employee benefits			Post-employment	Other Benefits	
					Cash salary and short-term compensated absences	Performance Payment*	Other short-term benefits <sup>^</sup>	Pension and superannuation benefits	Long-term employee benefits <sup>+</sup>	Termination benefits
Debby Blakey	CEO	02/03/2015	-	2018	\$619,619	-	-	\$24,998	-	-
				2017	\$551,424	-	-	\$34,229	-	-
Lisa Samuels	Executive - Marketing & People	02/04/2018	-	2018	\$285,327	-	-	\$20,049	-	-
	Executive - Marketing Strategy	13/07/2015	2/04/2018	2017	\$252,654	-	-	\$19,616	-	-
Megan Bolton	Executive - Finance & Corporate Services	2/04/2018	-	2018	\$320,835	-	-	\$20,049	-	-
	Executive - Finance & Risk	01/02/2017	2/04/2018	2017	\$119,652	-	-	\$12,485	-	-
	Executive - Finance & Investment Operations	12/09/2016	1/02/2017	2017	\$112,473	-	-	\$11,736	-	-
Neil Saxton	Executive - Partnership Engagement	02/04/2018	-	2018	\$286,808	-	\$12,551	\$24,998	-	-
	Executive - Engagement Strategy	17/11/2014	02/04/2018	2017	\$249,591	-	\$6,105	\$24,358	\$25,246	-
Rob Fowler	Executive - Investment Execution	24/04/2017	-	2018	\$550,002	-	-	\$24,998	-	-
				2017	\$99,368	-	-	\$6,283	-	-
Sonya Sawtell-Rickson	Chief Investment Officer	20/01/2004	24/04/2017	2017	\$441,965	-	-	\$27,946	-	-
				2018	\$533,607	\$205,850	-	\$19,278	-	-
Stephen Reilly	Chief Operating officer	24/08/2015	-	2018	\$372,678	-	-	\$20,049	-	-
				2017	\$340,839	-	-	\$19,616	-	-

\*In FY2018, HESTA introduced an incentive plan for the Chief Investment Officer position. The plan rewards high performance with an incentive linked to the medium and long-term investment outcomes for our members, as well as the CIO's performance against the role's objectives. The Cash Medium Term Incentive (MTI) applicable to FY2018 is approved by the Governance and Remuneration Committee post 30 June and paid in October, subsequent to the end of the financial year. Apart from the CIO, no other Executives are entitled to participate in an Incentive Plan. For FY2018 the MTI Bonus Opportunity available to the CIO was 40% of total remuneration package with a performance basis of 60/40 (Investment performance/Leadership). For FY2018 the CIO was granted 35.8% of total remuneration package as a Cash Medium Term Incentive Bonus, with 4.2% forgone. It is anticipated that the MTI Bonus Opportunities will be available on the same basis in the 2019 financial year.

<sup>^</sup> Other short term benefits include salary packaging arrangements (excluding salary sacrificed superannuation, which is included in pension and superannuation benefits)

<sup>+</sup> Long-term employee benefits represents Long Service Leave taken

## Trustee Director and Executive Management Team termination information:

Name	Position held	Position commenced	Position ceased	Financial year	Short-term employee benefits		Post-employment benefits	Other benefits		Recipient
					Cash salary and short-term compensated absences	Other short-term benefits <sup>^</sup>	Pension and superannuation benefits	Long-term employee benefits <sup>+</sup>	Termination benefits	
David Morris	Executive - Finance and Investment Operations	14/11/2011	17/08/2016	2018	-	-	-	-	-	-
				2017	\$42,533	-	\$7,394	\$33,643	\$76,107	-
Julie Watkins	Executive - People Strategy	16/10/2017	22/06/2018	2018	\$183,045	-	\$13,235	-	\$4,351	-
Justin McMinn	Executive - Advice Strategy	10/07/2013	02/04/2018	2018	\$191,935	-	\$15,105	-	-	-
				2017	\$240,985	-	\$19,616	-	-	-
Sophie Sigalas	Executive - People Strategy	20/01/2014	25/10/2017	2018	\$55,298	-	\$8,013	-	-	-
				2017	\$226,711	-	\$28,628	-	-	-
Brett Holmes	Director	28/09/2000	31/12/2016	2018	-	-	-	-	-	-
Lisa Darmanin	Director	14/03/2013	31/12/2017	2018	\$23,167	-	\$2,201	-	-	NSW Nurses and Midwives' Association
				2017	\$44,990	-	\$4,274	\$0	-	Australian Services Union
Paula (Pip) Carew	Director	01/05/2014	30/06/2018	2018	\$46,994	-	\$4,464	-	-	Australian Nursing and Midwifery Federation (Vic Branch)
				2017	\$46,990	-	\$4,464	\$0	-	Australian Nursing and Midwifery Federation (Vic Branch)
Valerie Lyons	Director	01/01/2013	31/12/2017	2018	\$24,327	-	\$2,311	-	-	Self
				2017	\$49,490	-	\$4,702	\$0	-	Self

<sup>^</sup> Other short term benefits include salary packaging arrangements (excluding salary sacrificed superannuation, which is included in pension and superannuation benefits)

<sup>+</sup> Long-term employee benefits represents Long Service Leave taken

## Changes to Director and Executive Positions

Director / Executive	Position held	Position Started	Position Ceased
Sophie Sigalas	Executive People Strategy	20/01/2017	02/07/2018
Julie Watkins	Executive People Strategy	25/10/2017	20/06/2018
Megan Bolton	Executive Finance & Risk	12/09/2016	31/03/2018
Megan Bolton	Executive Finance & Corporate Services	01/04/2018	
Justin McMinn	Executive Advice Strategy	15/7/2013	02/07/2018
Lisa Samuels	Executive Marketing Strategy	13/07/2015	31/03/2018
Lisa Samuels	Executive Marketing & People	01/04/2018	
Neil Saxton	Executive Engagement Strategy	8/11/2006	31/03/2018
Neil Saxton	Executive Partnership Engagement	01/04/2018	
Pip Carew	Director	01/05/2014	30/06/2018
Lori-Anne Sharp	Director	01/07/2018	
Matthew Halpin	Executive Member Engagement	02/7/2018	
Nicola Roxon	Chair of the Board of Directors	01/01/2019	
Angela Emslie	Director and Chair of the Board of Directors	15/12/1994	31/12/2018
Michael Borowick	Director	26/06/2015	31/12/2018

## Register of relevant interests

The Trustee maintains a Register of Relevant Duties and Relevant Interests for itself and its responsible persons including all Directors and Executive Managers.

A relevant duty is, for example, other directorships or employment that an individual may hold, and a relevant interest is, for example, major shareholdings.

Go to [hesta.com.au/disclosure](https://hesta.com.au/disclosure) to find out more about the relevant duties and interests of our Trustee Directors and Executive Managers, or read the *HESTA Conflicts Management Summary* available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

## Related party investments and transactions

### At 30 June 2018 the Fund had:

- A 31% (2017: 31%) shareholding of ordinary shares valued at \$1,710,775 (2017: \$1,676,328) in Frontier Advisors Pty Ltd.

Frontier receives fees from the fund for investment consulting services. These fees were \$3,721,731 (2017: \$3,012,407).

Ms A.C. Emslie (as nominee of H.E.S.T. Australia Ltd) is a Director of Frontier Advisors Pty Ltd and received fees of \$14,442 (2017: \$14,160).

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

There were no transactions between the fund and the Trustee of the Fund (H.E.S.T. Australia Ltd) during the year (2017: \$nil).

## Other shareholdings and transactions

### As at 30 June 2018 the Fund had:

- A 17.7% (2017: 15.9%) shareholding in Industry Super Holdings Pty Ltd (ISH) valued at \$147,657,984 (2017: \$102,915,486).

Industry Funds Management Pty Ltd (IFM) is a subsidiary of ISH and manages investments totalling \$10,232,508,108 (2017: \$8,758,773,999) on behalf of the Fund.

ISH has other subsidiaries with which the Fund transacts. Industry Fund Services Pty Ltd (IFS) provides financial planning and debt collection services to the Fund. IFS Insurance Solutions Pty Ltd provides insurance services to the Fund. Industry Super Australia Pty Ltd (ISA) provides marketing, advocacy, policy development and research services to the Fund. The New Daily Pty Ltd is also a subsidiary of ISH and provides online news.

Ms C. Smith and Ms A.C. Emslie's partner, Mr G Weaven are directors of The New Daily Pty Ltd.

Mr G. Weaven is a Director of ISA and Chair of ISH and IFM.

Ms D.J. Blakey, as a nominee of H.E.S.T. Australia Ltd, is a Director of ISA.

- a 18.7% (2017: 16.7%) shareholding in ME Bank valued at \$223,257,306 (2017: \$183,353,976). ME Bank is the manager of the Super Members Home Loan program and the Super Loans Trust. The investment in the Super Loans Trust was valued at \$13,507,408 (2017: \$23,454,091). The Fund also had \$193,788,705 (2017: \$447,341,159) invested in cash and term deposits with ME Bank at year end and investments in subordinated notes totalling \$nil (2017: \$15,112,950).
- a 3.8% (2017: 3.8%) shareholding in ISPT Pty Ltd valued at \$1 (2017: \$1). ISPT is the trustee and manager of four unlisted direct investment property trusts which the Fund invests in. In addition, ISPT Pty Ltd provides management services to IGPT Pty Ltd in its capacity as trustee of the ISPT Grosvenor International Property Trust on a cost recovery basis.

ISPT Pty Ltd in its capacity as trustee and manager, managed investments totalling \$2,224,104,756 (2017: \$1,988,578,592) on behalf of the Fund.

Mr K. Zimmermann, as a nominee of H.E.S.T. Australia Ltd, is a Director of ISPT Pty Ltd and IGPT Pty Ltd.

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

## Financial statements

The financial statements of the Trustee can be viewed at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

An extract of the *Statement of Financial Position* and *Operating Statement* for the Fund, for the year ended 30 June 2018 is available in our *Annual Report* at [hesta.com.au/annualreport](https://hesta.com.au/annualreport)

## Responsibility to members

### Significant event notices

We notify members about any material change to a matter, or significant event that affects a matter, being a matter that would have been required to be specified in a Product Disclosure Statement. This could be a change to fees and costs, a change to insurance cover offered, or where a member's benefit may be transferred without their consent.

The message we send to affected members, advising them of these changes and their possible impact on retirement savings is known as a *Significant Event Notice*.

For a summary of significant event and material change notices issued in the past two years go to [hesta.com.au/disclosure](https://hesta.com.au/disclosure)

## Other documents and information

- We produce three Product Disclosure Statements (PDS): HESTA, HESTA Personal Super and HESTA Income Stream. The most recent copies of each PDS is available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)
- The most recent Annual Report is available at [hesta.com.au/annualreport](https://hesta.com.au/annualreport) together with Annual Reports from previous years.
- Our Financial Services Guide (FSG) is available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)
- Information about our outsourced service providers, who provide a service which may affect a material business activity of the Fund is available at [hesta.com.au/disclosure](https://hesta.com.au/disclosure)
- Our share voting policies are available [hesta.com.au/disclosure](https://hesta.com.au/disclosure)