

2/12/2022

General Manager, Data Analytics
Australian Prudential Regulation Authority
Level 12
1 Martin Place
Sydney NSW 2000

Via email: superdatatransformation@apra.gov.au

Dear General Manager,

AustralianSuper submission to Superannuation Data Transformation Project Minor Amendments

AustralianSuper welcomes the opportunity to provide a submission to APRA's November 2022 discussion paper on 'Superannuation Data Transformation Project Minor Amendments'.

AustralianSuper is Australia's leading superannuation fund and is run only to benefit members. Over 2.9 million Australians are members of AustralianSuper and we invest over \$260 billion of their retirement savings on their behalf. Our purpose is to help members achieve their best financial position in retirement.

As we have previously stated, we believe that improved transparency and accountability supports better outcomes for members, including by facilitating improved member engagement and decision making through the provision and simple, consistent reporting of holdings, performance, expenditure, fees and costs data.

Consistency in reporting and disclosure

We are concerned by multiple and often conflicting data requirements and reporting. We encourage government and regulators to work together to align on requests for information and data and the reporting of same. Such an approach supports both member understanding and decision making through consistent use of information and data, as well as efficiency within funds, reducing the cost of compliance which is ultimately borne by members.

For example, on 23 November 2022 the Assistant Treasurer and Minister for Financial Services announced proposed legislation aimed at providing "a single source of granular, consistent information to compare funds' performance and expenditure".¹

It is unclear to what extent this requirement will align with APRA's data reporting regime in respect of expenses, related party definitions and definitions of profit and other disclosure requirements, including in relation to funds' financial statements and other expenditure disclosures.

As such, we encourage APRA to defer amending the reporting standard on expenses, related parties and profit, until the details of requirements in the Super Transparency Report are settled.

While APRA can propose to make 'minor amendments' to investment categories currently under consultation, we believe there is a substantial risk the new expenses reporting requirements and related party reporting will become

¹ The Hon Stephen Jones MP, Media Release, "Increasing super fund transparency", 23 November 2022.

redundant, or funds will need to make substantial changes to their reporting once the Super Transparency Report is finalised. This will lead to further costs and confusion for funds, regulators and superannuation fund members. We also note that funds will require sufficient time to implement changes on a best endeavours basis in respect of reporting for the 2022-23 financial year.

Confidentiality and publication of data

We welcome APRA's comments on the confidentiality of some data. In particular on page 6 of the discussion paper, APRA notes that:

"Determining the new superannuation data to be non-confidential will increase industry transparency, enabling meaningful insights and comparisons as well as fostering confidence in the industry and its performance in delivering to its members. However, APRA recognises that there may be situations where further consideration is required with regards to the confidentiality of a number of the data items being collected".

As we have stated in our previous submissions to APRA and to government, AustralianSuper supports transparency in the best financial interests of members, noting this gives rise to two considerations:

- Meeting our obligation to act in members' best financial interests includes ensuring we can create and extract value for members to achieve their best financial position in retirement. Doing so may require us to keep confidential certain information, including commercial in confidence information relating to us or our commercial and investment partners; and
- Ensuring members are provided with appropriate information about their retirement savings and operations of their Fund. This means that, where possible, information should be simple, consistent, accurate and with neutrality across the sector.

As we have previously submitted, we believe the regulatory framework for funds' disclosure and reporting must support the achievement of these dual outcomes as both are in members' best financial interests.

Best endeavours reporting and continued challenges in data gathering

The discussion paper states that the new reporting requirements under Phase 1 of the Superannuation Data Transformation (SDT) project "represented a step change for the industry with the introduction of granular data reporting for all investments options and all expenses."

AustralianSuper's general ledger and ERP systems are configured to support the Fund comply with existing financial and other reporting obligations. APRA's look through basis for investment options and expenses is different to our other current reporting obligations. As such, to comply with multiple differing reporting obligations, changes to our internal systems have been required and this is ongoing. While AustralianSuper has made significant progress in gathering and classifying data based on these new requirements, the following challenges (similar to other industry participants) remain:

- APRA's look through basis for investment options and expenses is not yet fully systemised in AustralianSuper's general ledger or ERP systems and requires manual adjustments and reclassifications, and continuing changes to look through definitions, classifications and expectations by APRA further extends the implementation time of any systemised solution.
- Similar challenges are being faced by the Fund's custodian, administrator and other third party providers.
- A high level of manual intervention is currently required to obtain additional data, review, re-classify and summarise information from both internal and external sources to provide this granular data to APRA.

- As set out above, should the Super Transparency Report introduce a new tranche of requirements for different data and reporting, these challenges will be further compounded, resulting in higher risk of error or non-compliance, as well as cost.

As stated by APRA on page 4 of the discussion paper, “Consistent and quality reporting is essential to enabling publication and broader industry use of this data to commence.” AustralianSuper fully supports the intent of this statement, which aligns with the principles set out above. However, it is clear from our experience that a move away from best endeavours reporting is only possible once there is simplicity and consistency across our regulatory requirements for reporting, and sufficient time has been allowed for superannuation funds, custodians, administrators and other third-party providers to implement systemised solutions, updated automated processes and end-to-end controls.

These challenges are shared by others in the industry as outlined in the ‘Confidentiality and best endeavours reporting’ section of the submission to this discussion paper by the Australian Institute of Superannuation Trustees (AIST).

- AustralianSuper concurs with the AIST’s submission that, subject to issues being resolved as soon as possible, and necessarily well before 30 June 2023, best endeavours reporting should continue until at least 30 June 2023.
- AustralianSuper also concurs with the AIST recommendation that APRA establish an ad hoc working group involving fund representatives, audit firms, custodians and administrators to specifically address and resolve issues with granularity of look through requirements, in order to provide the information required by APRA in an accurate and consistent manner for its supervisory and other requirements.

AustralianSuper encourages APRA to continue to engage with superannuation funds, custodians, administrators and other service providers to obtain a holistic view of the time required to make systems and process changes prior to moving off best endeavours reporting.

Our responses to the proposed amendments in the discussion paper, including cross references to the submission by the AIST, and additional comments are provided in the Attachment. Where AustralianSuper concurs with the AIST submission, we have not repeated the rationale, which is detailed within the AIST submission.

We would be pleased to provide additional information or to discuss this submission in further detail. If that would be of assistance, please do not hesitate to contact [REDACTED]

[REDACTED]

Regards

[REDACTED]

[REDACTED]

[REDACTED]

Attachment: Responses to Proposed Amendments and Additional Comments

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Ref	Proposed amendment	Applicable section(s) in AIST submission	AustralianSuper response	Additional comments
1.1	[SRS 332.0 <i>Expenses</i>] Continuity of a materiality threshold	Materiality threshold	<p>AustralianSuper concurs with the AIST's submission, in particular:</p> <ul style="list-style-type: none"> AustralianSuper welcomes the application of a materiality threshold in some circumstances, but submits that this should be supplemented by consistent definitions of materiality, a materiality guide and for the materiality threshold to be incorporated into SRS 332.0; and AustralianSuper submits that for both data reporting and for CPS 230 <i>Operational Risk Management</i>, the materiality of service providers needs to be better and consistently defined. 	<ul style="list-style-type: none"> AustralianSuper recommends APRA to work with audit firms to establish a practical and consistent approach to the application of materiality.
1.2	[SRS 332.0 <i>Expenses</i>] Look through and alignments to other disclosure requirements	<p>Look through and alignments to other disclosure requirements (including Annual Member Meeting notification requirements)</p> <p>Confidentiality and best endeavours reporting</p>	AustralianSuper concurs with the AIST's submission.	<p>Refer to the 'Consistency in reporting and disclosure' section in the body of this letter for further comments on alignment to other disclosure requirements.</p> <p>Refer to the 'Best endeavours reporting and continued challenges in data gathering' section in the body of this letter for further comments on moving off best endeavours reporting.</p>
1.3	[SRS 332.0 <i>Expenses</i>]	Restructure of classifications and	<ul style="list-style-type: none"> AustralianSuper concurs with the AIST's submission. 	<ul style="list-style-type: none"> AustralianSuper is run only to profit members, and our view is that the 'Profit'

Ref	Proposed amendment	Applicable section(s) in AIST submission	AustralianSuper response	Additional comments
	Rationalisation and restructure of classifications and clarifications to definitions to enable consistent, meaningful and comparable reporting	clarifications of definitions		category is not applicable to profit-to-member funds like AustralianSuper.
2.1	[SRS 550.0 <i>Asset Allocation</i>] Look-through guidance	Confidentiality and best endeavours reporting	Refer to the ' Best endeavours reporting and continued challenges in data gathering ' section in the body of this letter for further comments on moving off best endeavours reporting.	Refer to the ' Best endeavours reporting and continued challenges in data gathering ' section in the body of this letter for further comments on moving off best endeavours reporting.
2.2	[SRS 550.0 <i>Asset Allocation</i>] Asset allocation classifications	N/A	AustralianSuper is supportive of the proposed amendments to improve consistency and comparability of classifications. <ul style="list-style-type: none"> AustralianSuper recommends APRA to include the updated information and instructions that are currently captured in the discussion paper or FAQs within the reporting standard under the instructions section to provide a single source of the updated requirements. 	-
2.3	[SRS 550.0 <i>Asset Allocation</i>] Strategic asset allocation	N/A	-	-
3	Investment Option Reporting	Central reporting database	AustralianSuper (like the AIST) welcomes APRA's support for the industry developing a central reporting database for certain types of external products (e.g. DIO) to ensure consistency in reporting to APRA.	<ul style="list-style-type: none"> AustralianSuper is open to engaging with APRA, industry bodies, and third parties to collaboratively explore the development and operation of a central reporting database.

Ref	Proposed amendment	Applicable section(s) in AIST submission	AustralianSuper response	Additional comments
4	Fee and cost arrangements	N/A	-	-
5	Reducing the frequency of ad-hoc submissions	Reporting of ad hoc changes	AustralianSuper (like the AIST) supports the proposed arrangements for quarterly reporting of ad-hoc changes.	-
6	Allowing additional time for reporting on investment objective performance and on investments	Additional time for reporting	<p>AustralianSuper (like the AIST) appreciates the additional time for reporting on investment objective performance and on investments; however, we concur with the AIST submission that:</p> <ul style="list-style-type: none"> A 35-day reporting period should also be provided for all items in SRS 550.0 and tables in SRS 705.1. 	-