

29/11/23

General Manager  
Macro and Industry Insights  
Australian Prudential Regulation Authority  
Level 12, 1 Martin Place  
Sydney NSW 2000

Via email: [superdatatransformation@apra.gov.au](mailto:superdatatransformation@apra.gov.au)

Dear General Manager,

**Re: Superannuation Data Transformation publications and confidentiality consultation**

AustralianSuper welcomes the opportunity to provide feedback on the Australian Prudential Regulation Authority's (APRA's) Superannuation Data Transformation (SDT) publications and confidentiality consultation.

AustralianSuper is Australia's largest superannuation fund, with over 3.3 million members, and over \$300bn in member assets under management. Our purpose is to help members achieve their best financial position in retirement.

As Australia's largest superannuation fund, we aim to maintain the highest standards of governance and support members' trust by being as open and transparent as possible. The 2023 Global Pension Transparency Benchmark report rated AustralianSuper third overall out of 75 funds globally: an improvement from seventh last year. We continue to be an industry leader when it comes to the provision of clear, usable, and transparent information about our operations and investment holdings. We therefore welcome reforms to increase transparency of the way superannuation funds spend members' money with a view to ensuring members achieve their best retirement outcome. This support is accompanied by the caveat that transparency, for transparency's sake, can undermine an RSE's ability to maximise member value.

Our submission focuses on the proposed changes to the reporting of fees and costs, as well as the confidentiality framework for the new data collections. We believe that these changes have significant implications for the professionals who are involved in managing the investment portfolios and liquidity needs of superannuation funds.

Subject to the considerations set out in this letter, we broadly support the proposal to determine as non-confidential certain data under reporting standards SRS 332.0 Expenses (SRS 332.0), SRS 550.0 Asset Allocation (SRS 550.0), SRS 605.0 RSE Structure (SRS 605.0) and SRS 606.0 RSE Profile (SRS 606.0). We separately appreciate that the proposal has incorporated key pieces of industry feedback but note the lack of focus on harmonising reporting standards to date. We fear this could result in member confusion, undermining the purpose of the data's release.

Consistent with our previous submissions, we are concerned that release of discrete data fields will adversely impact:

- the way Australian superannuation funds enter, maintain, or review the terms of commercially sensitive contracts,
- the financial terms of investments, including negotiating the pricing of assets, and
- mandate negotiations in the highly competitive global funds management industry.

We believe that focus should be placed on aggregating data where the commercial benefit of keeping it confidential outweighs the public interest.

These issues will be exacerbated by APRA's additional proposal to publish data at the option level. This would provide other global market participants, not subject to the same disclosure obligations, with a clear advantage when negotiating.

As a matter of good public policy and usability/context, we believe that the release of this data should be accompanied by information prepared by APRA to assist members and interested members of the community to accurately interpret the information provided, and what it means for their retirement outcomes.

Our detailed feedback covering commerciality and international competitiveness, comparability, consistency across different expenses reporting regimes, and related suggestions are found in the Attachment. We believe that, with some minor changes, this proposal can be delivered in a way that significantly enhances transparency without compromising outcomes for members.

Should you have any questions, please contact [REDACTED], Head of Government Relations & Public Policy via email at: [REDACTED] or [REDACTED], Senior Manager, Regulatory Reporting via email at: [REDACTED].

Yours sincerely,

[REDACTED]

[REDACTED]  
Chief Officer, Strategy & Corporate Affairs

## Attachment: Detailed Comments

### Commerciality and international competitiveness

Superannuation funds have a duty to act in accordance with members' best financial interests. This includes ensuring that contracts entered into offer value for money and are competitively priced.

Based on the current proposal, third parties can, and will, be able to determine how we calculate commercial terms in third party contracts, investment deals, and other commercially sensitive arrangements. In some cases, the identity of our service providers will be obvious by cross referencing to other reports or documents that the fund is required to make publicly available. As we have stated in previous submissions, this will undermine our commercial procurement strategy as other pension funds globally are not subject to the same requirements.

To address this, focus should be placed upon aggregating data where the commercial benefit of keeping it confidential outweighs the public interest. As APRA already possesses the relevant data it should place focus on considering aggregating specific data fields where superfunds, investment options, industry, asset or expense type have a single or less than 5 providers, or investments. This is particularly relevant to infrastructure assets where the 90-day delay in releasing the data would likely be insufficient to appropriately conceal the value of the asset. This is also why AustralianSuper believes that aggregate reporting at the fund level fulfils the public interest motivation, while also appropriately mitigating the potential commercial damage that can come with disclosing sensitive information.

AustralianSuper recognises and supports the need for transparency while also being an active participant in the international funds management community. Anything that makes it less appealing to accept a mandate from an Australian superannuation fund, such as disclosing highly commercial management fees, will impact retirement outcomes as the potential downside will be effectively baked into the asset managers' pricing strategy. APRA should consider the balance of providing sufficient information against the hypercompetitive and inherently restricted international funds management industry.

#### Recommendation 1:

Options to combine data fields should be explored where possible, potentially where funds, investment options, industry, asset or expense type have a single or less than 5 providers, or investments. For example, combining 'total asset class type' would allow for transparency without compromising the ability of superannuation funds to negotiate competitive contracts.

#### Recommendation 2:

Table 1 'Wholly Owned Subsidiaries' within the 'Expense Margin Contribution' tab as outlined in the SRS 332.0 Publication Mock Up should be excluded. We support APRA's proposal to publish margin and profit to related party service providers, but only when the monies leave the fund's consolidated group. Payments made to wholly owned subsidiaries are not 'profit' and do not impact members' funds as the monies do not exit the funds corporate group.

### Comparability

As it stands there are data consistency issues between funds due to scale, legal entity structures, internal cost allocation methodologies, and operating models, resulting in different reporting locations of similar costs under SRS 332.0, that prevent a 'like-for-like' comparison of funds and the data reported.

Additionally, funds are of varying size which impacts the costs of services required. The larger the fund, the larger the contracts they may need to enter into, although, these contracts may be more financially beneficial to members due to scale benefits. The proposed reporting fails to represent funds under management, the total number of

members, or performance. Separating expenses from returns could lead to members choosing sub-standard funds which have lower operating costs, but worse returns. It could also incentivise funds to lower the quality of their providers to be more cost competitive.

Given the 12-month nature of the reporting, APRA should provide sufficient guidance to help members understand that a 12-month expense reporting period, without accompanying returns or ancillary benefit data does not provide a holistic overview of net member outcomes by fund.

### Recommendation 3:

When publishing this data, APRA should provide context, which could include ratios incorporating the size of funds, for example showing totals in basis points of fund under management, or total expenses per member.

## **Consistency across different expenses reporting regimes**

Superannuation funds are currently required to report expenses under two regimes:

- Annual Member Meeting notice disclosure (AMM) requirements in accordance with paragraph 29P(3)(b) of the *Superannuation Industry (Supervision) Act 1993* and regulation 2.10 of the *Superannuation Industry (Supervision) Regulations 1994*; and
- ASIC's Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements* (RG 97).

The release of data collected under SRS 332.0, represents welcome additional transparency for the way superannuation funds spend members' money.

However, we note the inconsistencies between APRA reporting requirements, ASIC RG 97 fees and cost disclosures in PDSs and periodic statements, and Annual Member Meeting notice expenditure disclosures.

The discrepancies in the categories below are of specific concern:

Category of payment	Comments
Promotion, Marketing or Sponsorship Expense	AMM requires contract amounts to be disclosed (which could include multiple years), while SRS 332.0 shows expenditure during the financial year.
Related party payments	AMM and APRA use different definitions of 'related party', which will result in different entities being classified as related parties.

In addition to the inconsistency in expense reporting regimes, we note the potential inconsistency present between the data provided in form SRS 550.0 *Asset Allocation* and the Portfolio Holdings Disclosure (PHD) regulations.

As outlined in a previous AustralianSuper submission to APRA on 2 December 2022 on Superannuation Data Transformation Project Minor Amendments, we remain 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 thereof. 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”<sup>1</sup>.

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.

Seeking to harmonise the reporting standards prior, should be a priority to protect member trust in public disclosures. It will also reduce likely consumer confusion of this information. At the least, APRA should provide sufficient accessible guidance to articulate the difference between the fields and timeframes that are reported across different standards.

#### Recommendation 4:

When publishing this data, APRA should also provide guidance outlining how the data fields and the reporting periods provided under this release vary from other publicly available information, including Annual Member Meeting expenditure disclosures and RG 97 fees and cost information in PDSs and periodic statements.

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<sup>1</sup> The Hon Stephen Jones MP, Media Release, “Increasing super fund transparency”, 23 November 2022.