



Annual Report – 30 September 2019

TAL Superannuation Limited ABN 69 003 059 407 AFSL 237851
TAL Superannuation and Insurance Fund ABN 20 891 605 180

For ARC Master Trust and ARC Classic Super members

The Annual Report is to be read in conjunction with your Annual Statement and is provided by the Trustee of the TAL Superannuation and Insurance Fund, TAL Superannuation Limited. It provides you with the information you need to understand the management, financial condition and investment performance of your investment option(s) and product, as well as the Fund as a whole. The information contained in this Annual Report is current as at 30 September 2019.

Your Annual Statement provides details of your accumulated benefit entitlement in the Fund, including details of opening and closing balances, transactions, and investment options (including long term returns).

If you would like a printed copy of this report or have any questions, please call us on 1300 209 088 or email customerservice@tal.com.au quoting your member number.

Contents

| | |
|---|----|
| Directory | 1 |
| Your superannuation strategy | 2 |
| Important information about the management of your superannuation | 3 |
| Overview of governance arrangements | 6 |
| Fund information | 8 |
| About the investment information | 9 |
| Investment information as at 30 September 2019 | 10 |
| Compliance with industry standards | 16 |
| Contact us | 17 |

Directory

Superannuation Fund
TAL Superannuation and Insurance Fund
ABN 20 891 605 180

Issuer & Trustee
TAL Superannuation Limited
ABN 69 003 059 407
AFSL 237851
RSE L0000642

Customer Service
1300 209 088
Monday to Friday
8.00am – 7.00pm (AEST/AEDT)

customerservice@tal.com.au

TAL Superannuation Limited
GPO Box 5380, Sydney NSW 2001

Terms used in this Annual Report

| | |
|---------------------------------|---|
| ABN | Australian Business Number |
| Administrator | the body corporate that provides administration services to the Trustee for the Fund |
| AEST/AEDT | Australian Eastern Standard Time/Australian Eastern Daylight Time |
| AFCA | Australian Financial Complaints Authority |
| AFSL | Australian Financial Services Licence |
| AML/CTF Act | Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) |
| APRA | Australian Prudential Regulation Authority |
| ATO | Australian Taxation Office |
| Board | The Board of Directors of TAL Superannuation Limited |
| Composite Performance Benchmark | A composite index used to measure the performance of a diversified investment option which is based on movements in sector-specific indices that are weighted by the investment option's asset allocation |
| CPI | Consumer Price Index |
| Disclosure Document | A product disclosure statement, customer information brochure or other disclosure document provided to members to assist them in deciding whether to acquire a product |
| ERF | Eligible Rollover Fund |
| ESG | Environmental, social and governance |
| the Fund | TAL Superannuation and Insurance Fund |
| Insurer | A life insurer who provides life insurance policies to the Trustee to support members' benefits |
| Investment Provider | An investment manager who provides investments and related services, including implemented asset consulting, to the Trustee |
| Mercer | Mercer Investments (Australia) Limited (Mercer) ABN 66 008 612 397 |
| RSEL | RSE Licence |
| Scheme | a registered managed investment scheme pursuant to chapter 5C of the <i>Corporations Act 2001</i> |
| Service Provider | An Administrator, Insurer and/or Investment Provider, as appropriate |
| Trust Deed | The Fund's trust deed dated 1 June 1989, as amended |
| 'we', 'us', 'our', 'Trustee' | TAL Superannuation Limited and its agents including, where relevant, the Administrator, Insurer and/or Investment Provider |
| Underlying Manager | An investment manager appointed by the Responsible Entity of a Scheme to manage all or part of the Scheme's assets |
| 'you', 'your', 'member' | Member of the Fund |

Disclaimer

TAL Superannuation Limited (nor any of its related bodies corporate and their respective directors and associates) does not guarantee any particular rate of return, or the repayment of capital or income, or the performance of any of the products or investment options referred to in this Annual Report unless otherwise stated. The information contained in the Annual Report is general information only. It does not take into account your individual investment objectives, financial situation or particular needs. You should obtain your own advice from a financial adviser with respect to your own individual investment objectives, financial situation and particular needs.

Your superannuation strategy

Whether you've just started working or are nearing retirement age, keeping track of your superannuation is important. You should review your investment strategy regularly and make sure details such as your address and nominated beneficiaries are up to date.

Keep your superannuation up to date

Key life events such as changing jobs, getting married or preparing for retirement usually trigger a need for you to review your financial situation. Superannuation is often a major part of a long term savings plan which is why it's important to review your investment strategy regularly. Your investment strategy has a significant impact on your final superannuation balance so it's a good idea to keep on top of your superannuation and consult a financial adviser if you need to. If you don't have a financial adviser and would like to be put in touch with one, please contact us. Don't forget to let us know about any changes to your account details such as your address, so we can keep you up to date on your superannuation.

How to nominate or update your beneficiaries

Understanding who receives your superannuation (and any applicable insurance) in the event of your death is important. If you would like to nominate or update your beneficiary details for your superannuation benefit, please call us on 1300 209 088 to obtain the appropriate form. Alternatively, email us at customerservice@tal.com.au quoting your member number.

For more information on how we pay death benefits from the Fund, please refer to the Customer Education module titled '[Superannuation death benefits](#)'.

Costs of distributing death benefits

Where we incur legal or other costs in relation to the distribution of a death benefit to a specific beneficiary, we may recover those costs from the death benefit payable to that beneficiary.

Important information about the management of your superannuation

Processing of contributions and withdrawals

Subject to regulatory approval (where required) we may temporarily suspend or restrict the processing of some or all transactions where:

- market disruptions or extraordinary circumstances mean that it would not be fair and reasonable to continue processing transactions
- for whatever reason, we are unable to determine the unit price(s) at which transactions should be processed, or
- one or more investment options are illiquid in that they do not have sufficient assets that can reasonably be expected to be realised and converted into cash to satisfy redemption requests within the timeframe set by legislation or the Trust Deed.

Additionally, if we do not receive all the necessary information we may, at our absolute discretion, reject an application for units in whole or in part.

The temporary suspension or restriction of processing of transactions will be lifted when the risk to members has abated sufficiently to make it fair and reasonable to resume processing transactions.

If we believe that processing withdrawals would have a significant adverse effect on the financial position of the Fund or the interests of other members of the Fund, we may seek approval from APRA for a suspension of withdrawals lasting more than 30 days.

Identification requirements

Current Anti-Money Laundering and Counter-Terrorism Financing legislation requires us to identify you and verify your identity when you make withdrawals from your investment. Generally, you will need to provide certain documents (such as a certified copy of your passport or current Driver Licence) to establish or verify your identity. If you do not provide identifying documents, or if we are unable to adequately verify your identity, we may not be able to process your withdrawal. This legislation also imposes reporting obligations on us if we form suspicions about the identity of someone we are transacting with or about the purpose of the transaction itself. In these circumstances we may decide to delay or decline to process that transaction and report it to the regulator if we are concerned that the request or transaction may be in breach of the provisions of the AML/CTF Act or cause us to commit an offence under that Act. If we take this step, we will not incur any liability to you.

Privacy

The way we collect, handle, secure and disclose your personal information is set out in the TAL Privacy Policy which is available on our website www.tal.com.au/Privacy-Policy or a printed copy is available free of charge on request by calling us on 1300 209 088 or emailing customerservice@tal.com.au quoting your member number..

We have processes in place to help to prevent unauthorised people from gaining access to your information. However, there are some steps that you can take to help protect your personal information from unauthorised access or use. The website of the Office of the Australian Information Commissioner at www.oaic.gov.au contains useful information on how you can protect your personal information.

Unit pricing

The following section provides information about unit pricing. Our current process may differ to the description in your original product terms. We reserve the right to alter our process at any time without notice.

How unit pricing works

When you invest money in an investment option, your money is pooled together with that of other members. The Investment Provider then uses this pool of money to buy assets which are managed on behalf of all members. All units within each investment option have an equal value. Unit prices for these investment options are determined daily (for each business day) by dividing the total net asset value of the investment option by the number of units on issue within that investment option.

The net asset value of all investment options includes the market value of the assets and provisions for fees, taxes, transaction costs and any other expenses of the option. The most recent best estimate of these provisions is included in each day's net asset value. These estimates are updated regularly and may be subject to change.

Withdrawals and benefit payments

TAL's current process is to calculate the withdrawal value using the unit price for the date of receipt of the last requirement, at the time of calculating the payment. This current process may differ from the benefit calculation procedure in your original product terms.

Adjustments

Unfortunately, from time to time, administration or unit pricing errors occur that may affect the value of accrued benefits in the Fund. When a material error has been identified, members' accounts will be adjusted as follows:

- for current members, their investment will be adjusted to ensure it is in the same economic position it would have been in had the error not occurred; and
- for exited members, compensation may be paid where the adjustment is \$20 or more.

Where an exited member has been overpaid we reserve our right to recover the overpayment from the exited member.

Fees

We will provide you with at least 30 days' prior written notice before introducing additional fee(s) or before increasing existing fee(s) (other than CPI increases or increases which are not material).

Lost members

The ATO maintains a register of 'lost members'. You may search this register to help trace any superannuation entitlements that may have been transferred to an eligible rollover fund. It is important to ensure that we are always advised of any change of address.

Unclaimed superannuation

Your benefit in the Fund will become subject to the unclaimed superannuation laws in the following circumstances:

| Member category | Criteria |
|--|---|
| Unclaimed superannuation for members 65 years or older | <ul style="list-style-type: none">• The member has reached 65 years of age• We have not received an amount for the member in the past 2 years, and• After a period of five years since we last had contact with the member, we have been unable to contact the member again after making reasonable efforts. |
| Unclaimed superannuation for non-member spouses | <ul style="list-style-type: none">• A payment split applies to a splittable payment for an interest that a member has in the Fund• As a result of the payment split, the non-member spouse (or their legal personal representative if they have died) is entitled to be paid an amount, and• After making reasonable efforts and after a reasonable period has passed, we are unable to ensure that the non-member spouse or their legal personal representative will receive the amount. |
| Unclaimed superannuation for deceased members | <ul style="list-style-type: none">• The member has died• We determine that a death benefit is immediately payable to the member• We have not received an amount for the member within the past 2 years, and• After making reasonable efforts and after a reasonable period has passed, we are unable to ensure that the death benefit will be received by the person entitled to it. |
| Former temporary residents | <p>If the ATO believes a former temporary resident has superannuation in the Fund, they will issue us with a notice requiring to pay the amount to them as unclaimed superannuation. A member is a former temporary resident at a point in time if:</p> <ul style="list-style-type: none">• they held a temporary visa that lapsed at least 6 months previously and they left Australia at least six months previously• they are not the holder of a temporary visa, a permanent visa or a prescribed visa, and have not made a valid application for a permanent visa, and• they are not an Australian or New Zealand citizen. |
| Small or insoluble lost member accounts | <p>A lost member account is taken to be unclaimed superannuation if:</p> <ul style="list-style-type: none">• the balance of the lost member account is less than \$6,000 (small lost member account), or• the lost member account has been inactive for 12 months and we are satisfied that it will never be possible to pay an amount to the member (insoluble lost member account). |

| Member category | Criteria |
|-------------------------------|--|
| Inactive low-balance accounts | <p>If at the unclaimed money day (currently 31 December and 30 June):</p> <ul style="list-style-type: none"> the member's account balance is less than \$6,000, and we have not received a contribution, rollover or other amount into the member's account for a continuous period of 16 months, and there have been no changes in the previous 16 months to the member's insurance cover, investment options or nominated beneficiary details, and the member has not met any of the prescribed conditions of release, and the member has not written to the ATO to declare their account is to be exempt from these rules. |

A person has a lost member account in the Fund if they are either:

1. uncontactable because we have never held their postal or email address,
2. uncontactable because:
 - o we have sent written communications to their last known address and we reasonably believe they can no longer be contacted at that address
 - o they have not contacted us in the last 12 months,
 - o they have not accessed details about their superannuation from our website in the last 12 months, and
 - o we have not received a contribution or rollover for them in the last 12 months, or
3. inactive in that they were enrolled as a member of the Fund by their employer and we have not received a contribution or rollover for them in the last five years.

We must pay unclaimed superannuation to the ATO. To claim any benefit transferred to the ATO, you or your dependants will need to contact the unclaimed money service of the ATO. Their contact details are:

Call 13 10 20

Website www.ato.gov.au

On transfer to the ATO, any benefit entitlement (including any optional insurance benefit(s), where applicable) that you have in the Fund will cease.

Superannuation surcharge

The superannuation surcharge was abolished with effect from 1 July 2005. However, if a surcharge assessment is still outstanding, it will be deducted from your account balance. Details of any such deduction will be shown on your Annual Statement.

Division 293 tax

Division 293 tax is for high income individuals who receive concessional superannuation contributions. You may complete a release authority form to authorise us to withdraw funds from your superannuation account to pay for the assessed amount of due and payable Division 293 tax. Please refer to www.ato.gov.au for more information.

Eligible rollover fund (ERF)

We are required by superannuation law to select an ERF to which we may transfer your withdrawal benefit. We have established a policy setting out the circumstances under which we may transfer your withdrawal benefit to an ERF. These circumstances include:

- to provide compensation to you after you have left the Fund where you do not give us instructions on how the compensation is to be paid, or
- to facilitate the closure of a product where we conclude that it would not be in the interests of affected members to keep the product open.

We will write to you and give you an opportunity to transfer your superannuation to another product or fund. If you do not transfer your superannuation to another product or fund within the notice period shown in the following table, your superannuation will be transferred to an ERF:

| Reason for the transfer | Minimum notice period (calendar days) |
|---|---------------------------------------|
| Payment of compensation to an exited member | 30 days' notice |
| Closure of a member's product | 60 days' notice |
| Closure of a member's product where they hold insurance | 90 days' notice |

We reserve the right to alter these circumstances and notice periods at any time. If we pay your benefit to an ERF, you cease to be a member of the Fund and become a member of the ERF. On transfer to the ERF, any benefit entitlement (including any optional insurance benefit(s), if applicable) that you have in the Fund will cease. You are able to transfer or withdraw your benefit from the ERF as permitted by superannuation law.

We have nominated the Australian Eligible Rollover Fund as the Fund's ERF. Their contact details are:

Australian Eligible Rollover Fund
Locked Bag 5429
Parramatta NSW 2124
Call 1800 677 424
Email aerfenquiries@perpetual.com.au
Website www.perpetual.com.au/super-funds-aerf.aspx

Overview of governance arrangements

Our primary duty is to administer the Fund solely in the interests of members within the parameters of the superannuation law, prudential standards issued by APRA and the Trust Deed. To this end, the following Governance Principles are designed to support trustee decision-making within these parameters.

Lay solid foundations for management and oversight

- The Board has established processes to govern the Trustee and the Fund, both directly and through the Office of the Trustee. These processes are documented in various charters and governance policies, which include charters for our Remuneration Committee and Audit, Compliance and Risk Management Committee.
- The Remuneration Committee reviews and makes recommendations regarding the remuneration of our directors and officers. The Audit, Compliance and Risk Management Committee provides an objective non-executive review of the effectiveness of the Fund's financial reporting and our risk management framework.
- The Office of the Trustee is an independent executive office which facilitates the roles and responsibilities of the Board which have been delegated to it in the Charter for the Office of the Trustee.
- The Administrator, Investment Provider and Insurer provide, respectively, administration, investment and life insurance services for the Fund. These services are governed by the terms of contracts, including life insurance policies, between the Trustee and the Service Provider.
- The Office of the Trustee ensures that the Service Providers meet their obligations to the Trustee under these contracts, and continue to have adequate human, technological and financial resources.
- We externally benchmark the administration, investment and life insurance services the Trustee receives every three years to ensure they continue to be in the best interests of members.
- The operations of the Office of the Trustee and the Service Providers are subject to independent review by the TAL Group internal audit function and/or the Fund's external auditor.

Structure the Board and the Office of the Trustee to add value

- The Board Charter sets out the role, responsibilities, authority and membership of the Board, the protocols for Board meetings, and the requirements for and tenure of directors. The performance of the Board and individual directors is reviewed on an annual basis.
- We have a majority independent Board with an independent Chairperson. There is a significant female presence on the Board.
- Our directors and officers, and senior managers of Service Providers who are responsible for the delivery of administration services to members, have been appointed as responsible officers of the Trustee under its AFSL and RSEL.
- Our Fit and Proper Policy sets out the processes that the Board uses to ensure that our responsible officers are fit and proper persons. These processes include the confirmation of the fitness and propriety of responsible officers on appointment and annually thereafter.
- Our Diversity Policy sets out how gender equity on the Board is maintained. We ensure that the Service Providers maintain diversity policies consistent with recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations.

Promote ethical and responsible decision-making

- Our Prudential Frameworks (including the Risk Management, Investment Governance and Insurance Management Frameworks discussed below) provide the structure within which we promote, among other things, an effective governance culture and remain a good corporate citizen.
- Key elements of these Frameworks include the charters and delegations that have been established to set out, among other things, the decision-making authority and processes for the Board, the Office of the Trustee and other persons who act for the Trustee. This authority is constrained by our duties at law and under the Trust Deed.

- These charters and delegations are reviewed on a regular basis to ensure that they remain effective and relevant controls, and that they are appropriately designed, adequately implemented and operating effectively.
- Where a decision falls outside of a delegate's authority limit, it must be referred to the Office of the Trustee or the Board, as appropriate.
- Conflicts of interests and duty have been identified and documented, and are managed to an outcome that is consistent with the best interests of members under our Conflicts Policy.

Safeguard the integrity of Fund assets

- Our Investment Strategy and Insurance Strategy for the Fund set out, respectively, the types of investment options and life insurance cover that may be made available to members.
- The Office of the Trustee ensures that the Insurer and Investment Provider meet their obligations to the Trustee under the relevant contracts, and continue to have adequate human, technological and financial resources.
- We have appointed a custodian to hold and transact in the underlying assets of the investment options (i.e. Schemes).
- Our AML/CTF Joint Program sets out how the identity of members is verified when withdrawals are requested.
- The Fund's annual financial statements and APRA statistical returns are subject to an independent external audit.
- Business Continuity Plans and associated measures are in place to ensure the successful resumption of the operations of the Office of the Trustee and Service Providers following an incident including loss of key personnel, loss of system, loss of building access or complete destruction of the building/local area.

Make timely and balanced disclosure to members

- Members received a Disclosure Document when they took out their product which describes the significant characteristics and features of the product, including the benefits available, the risks associated with the product and the cost of the product.
- Members receive an Annual Statement which provides the information they need to understand their investment in their product, including details of opening and closing balances, transactions, and investment options (including long term returns).
- The Fund's Annual Report provides members with the information they need to understand the management, financial condition and investment performance of the Fund. The Annual Report is published on our website.
- The superannuation law sets out when and how members must be informed of a material change or significant event, such as a change to their product or investment options. If members are not required to be notified before the change or event occurs, notification will usually be made through the Annual Report.

Respect the rights of members

- Where a member has suffered a financial loss as a result of a default by us or a Service Provider, we will (or ensure that Service Provider will) put the member into the same economic position they would have enjoyed had the default not occurred or provide an appropriate amount of compensation.
- Compensation may not be provided where the cost of recovering / delivering the compensation is greater than the amount of the compensation.
- This obligation is supported by our Operational Risk Financial Requirement and by the indemnity insurance described below. The adequacy of these arrangements is reviewed annually.
- A process is in place to ensure that member inquiries and complaints are properly considered and dealt with in 90 days.

Recognise and manage key material risks

- Our Risk Management Framework provides the structure within which we manage, among other things, our key material risks to an acceptable level within our risk appetite.
- Key elements of the Framework include our Business Strategy and the Risk Management Strategy for our key material risks. The Risk Management Strategy sets out the process through which we recognise, assess, manage and report on risk.
- The Business and Risk Management Strategies are reviewed each year to ensure they remain effective and relevant because they are appropriately designed, adequately implemented and operating effectively.
- Compliance with and the adequacy of the Risk Management Strategy is subject to an independent external audit each year.
- Our Investment Governance Framework and Insurance Management Framework, which include the Fund's Investment Strategy and Insurance Strategy (respectively), manage the risks that the investments and life insurance provided through the Fund are not in the best interests of members and/or do not comply with the superannuation law.
- We maintain adequate financial resources to absorb the costs arising from the materialisation of a key material risk without disruption within our sources of funding, which include the Operational Risk Financial Requirement and indemnity insurance discussed below.

Encourage enhanced performance

- The contracts with our Service Providers set out the service standards under which they provide administration, investment and life insurance services and their general standard of care when doing so. These contracts also set out what happens if the Service Provider fails to meet these standards.
- The Office of the Trustee ensures that the Service Providers have met their obligations to the Trustee under these contracts, and continue to have the human, technological and financial resources they need to deliver the relevant services and meet their financial obligations.

Fund information

The Fund

The Fund is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993 (Cth).

Products

We currently issue a range of investment and risk-only superannuation products from the Fund.

Investment superannuation products allow members to make a financial investment towards their retirement from the workforce by contributing to one or more investment options available through the Fund. The product pays a benefit from the Fund when the member retires, or dies or becomes permanently incapacitated before they retire. In some cases, a member can augment these benefits with optional insurance cover against death, temporary incapacity and/or permanent incapacity.

Risk-only superannuation products, such as Accelerated Protection, allow members to manage the financial risk of being unable to work, either permanently or temporarily, before they retire by contributing to a life insurance policy issued by the Insurer through the Fund. The product is designed to pay a benefit from the Fund when the member dies, becomes temporarily incapacitated or becomes permanently incapacitated before they retire. Unlike investment superannuation products, risk-only products do not have an account balance – all contributions are paid to the Insurer as premiums for the insurance cover.

Operational Risk Financial Requirement

The Trustee maintains an operational risk reserve on its balance sheet. In accordance with superannuation law, this reserve can only be used to rectify a loss to members caused by the materialisation of an operational risk.

Indemnity insurance

We are covered under a professional indemnity insurance policy which meets the requirements of our AFS Licence.

Trust Deed

A legal document called a Trust Deed sets out the Fund's governing rules. We are responsible for ensuring that the Fund operates according to the Trust Deed and that it complies with the superannuation law.

Members may inspect the Trust Deed at any time by arrangement with us (see Directory for our contact details).

Fund review date

The annual fund review date is 30 September. This is the date each year when your account balance is valued specifically for the purpose of:

- determining and reporting your benefits to you (i.e. as at the end of the reporting period), as required by the superannuation law, and
- preparing the Fund's financial statements (see 'Financial Information' for further information) and annual statistical return to APRA.

Please note that where applicable, your member account balance as at 30 June each year is used to determine your minimum and maximum pension levels for the financial year ahead.

Financial information

The Fund's financial statements have been prepared in accordance with the Australian Accounting Standard AASB 1056 *Superannuation Entities*, and the rules set out in the Trust Deed and relevant legislative requirements.

Fund expenses

We are entitled (and may commence) to recover reasonable expenses from the Fund by giving 30 days' notice to members. Any such expense recoveries may be made by deducting the relevant amounts from the Fund's assets as a whole.

Investment management arrangements

The investment options invest into one or more Schemes selected by the Trustee after considering advice from the Investment Provider. In this regard, the Investment Adviser may recommend that the Trustee invest in Schemes issued by it or a related party. Underlying Managers are appointed to manage the Scheme's assets.

All contributions and rollovers received for investment superannuation products are invested into the investment option(s) that the member has selected. These investment options invest in Schemes issued by Mercer. Each investment option has an investment strategy and objective set by us.

Asset allocations and benchmarks

Asset allocations as at 30 September 2019 and 30 September 2018 for each of the investment options have been rounded to the nearest one decimal place. The actual allocations may vary from an investment option's benchmark from time to time due to market fluctuations and investment decisions. A limited portion of the investment portfolio of the ARC Australian Shares investment option may be held as cash for liquidity or other investment purposes from time to time. For further information about asset allocation benchmarks and minimum and maximum ranges, please contact your financial adviser, call us on 1300 209 088 or visit the [ARC website](#), and select 'Investment Options' from your product's tab, then click on 'Actual Asset Allocation'.

Changes to the asset allocation benchmarks

As part of our ongoing commitment to continually improve outcomes for members, we regularly review the benchmark asset allocation of each investment option. The benchmark asset allocation is the weighting to asset classes that we believe is required to achieve an option's investment objective based on long-term risk and asset return expectations. Any changes to the benchmark asset allocation are detailed in the 'Investment information as at 30 September 2019' section.

Risk and return profile

Volatility can be simply defined as fluctuations in the returns of an investment and is the most common way to measure the risk associated with certain asset classes such as shares, fixed interest and property. An investment which is more volatile than another is said to be riskier. This is because the greater the volatility of an investment, the greater the chance that its return could be less than expected. It is widely accepted that over long periods of time, a relationship exists between the risk and return of each investment option. Generally, the investment options with the potential for earning higher returns carry a higher risk (i.e. have higher volatility of returns). If you would like details for each of the investment options available to you as a member (including asset allocation benchmarks and ranges), call us on 1300 209 088 or visit the [ARC website](#), and select 'Investment Options' from your product's tab, then click on 'Actual Asset Allocation'.

Investment options available

The ARC investment options are managed by Mercer. ARC offers two types of investment options.

Diversified options

Diversified investment options are designed to suit a range of investors and provide exposure to a range of investments, through allocations to selected asset classes using one or multiple Underlying Managers, within pre-determined asset allocation ranges. The asset classes are split into two types of investments: growth investments and defensive investments. The asset allocations are based on the investment strategy and objectives for each diversified investment option.

Single Sector options

Single Sector investment options are invested in a single asset class using one or more Underlying Managers.

Investment in derivatives

Derivatives such as futures, forwards, options and swaps (as applicable) may be used, within agreed limits, by the Underlying Managers in managing the various asset classes.

Changes to the investment options

We reserve the right to withdraw or close an investment option. We may also change any other aspect of any investment option that you invest in at any time. You will be notified in writing of any such change. If an investment option is withdrawn, we will transfer your investment to the nearest equivalent option available at that time.

Not all investment options are available to all members. Please refer to the table below and/or relevant member booklet, available at www.arcmt.com.au for details of the investment options available to your product.

| ARC Master Trust, including IT Super | ARC Classic Super Series 1 and 2 |
|--------------------------------------|----------------------------------|
| ARC Australian Shares | ARC Australian Shares |
| ARC Cash | ARC Cash |
| ARC Defensive | ARC Defensive |
| ARC Conservative | ARC Conservative |
| ARC Moderate | ARC Moderate |
| ARC Growth | ARC Growth |
| ARC High Growth | ARC High Growth |

| ARC Classic Super Series 3 | ARC Classic Super Series 4 |
|----------------------------|----------------------------|
| ARC Cash | ARC Australian Shares |
| ARC Guaranteed Cash | ARC Guaranteed Cash |
| ARC Defensive | ARC Guaranteed Cash S2 |
| ARC Conservative | ARC Capital Protected |
| | ARC Capital Protected S1 |
| | ARC Conservative |
| | ARC Moderate |
| | ARC Growth |
| | ARC Growth S1 |

Investment option profiles

Actual asset allocations for 30 September 2019 and 30 September 2018 for each of the investment options are shown below, and have been rounded to the nearest one decimal place.

| • ARC Australian Shares | | | |
|-------------------------|--|-----------------------|-----------------------|
| Investment objective | To achieve an investment return (before fees and taxes) that exceeds the S&P/ASX300 Accumulation Index. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> invest in shares and unit trusts listed or about to be listed on the Australian Securities Exchange individually or collectively achieve the asset allocation, and may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> Risk band: 6 Risk label: High Estimated number of negative annual returns over any 20 year period: 4 to less than 6 | | |
| Investment timeframe | 7+ years | | |
| Asset allocation | Asset class | 30 September 2019 (%) | 30 September 2018 (%) |
| | Australian shares | 100.0 | 100.0 |

| | | | |
|--|--|---------------------------------------|---------------------------------------|
| <ul style="list-style-type: none"> • ARC Cash • ARC Guaranteed Cash • ARC Guaranteed Cash S2 | | | |
| Investment objective | To achieve an investment return (before fees and taxes) that exceeds the Bloomberg AusBond Bank Bill Index. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in portfolio of short term securities and cash • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 1 • Risk label: Very low • Estimated number of negative annual returns over any 20 year period: Less than 0.5 | | |
| Investment timeframe | Up to 1 year. | | |
| Asset allocation | Asset class Cash and short-term securities | 30 September 2019 (%) 100.0 | 30 September 2018 (%) 100.0 |

| | | | |
|--|--|---|---|
| <ul style="list-style-type: none"> • ARC Defensive | | | |
| Investment objective | To achieve an investment return (after fees and taxes) that exceeds CPI increases by at least 0.5% pa over rolling 5 year periods | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in a diversified portfolio mix with exposure to growth investments around 15% and defensive investments around 85% • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 3 • Risk label: Low to medium • Estimated number of negative annual returns over any 20 year period: 1 to less than 2 | | |
| Investment timeframe | 3+ years | | |
| Asset allocation | Asset class Australian fixed interest Australian shares Cash International fixed interest International listed property International shares | 30 September 2019 (%) 19.0 7.0 42.0 24.0 2.0 6.0 | 30 September 2018 (%) 19.9 7.0 40.9 24.1 1.0 7.1 |

| | | | |
|--|--|---|---|
| <ul style="list-style-type: none"> • ARC Conservative • ARC Capital Protected • ARC Capital Protected S1 | | | |
| Investment objective | To achieve an investment return (after fees and taxes) that exceeds CPI increases by at least 1% pa over rolling 5 year periods. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in a diversified portfolio mix with exposure to growth investments around 30% and defensive investments around 70% • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 4 • Risk label: Medium • Estimated number of negative annual returns over any 20 year period: 2 to less than 3 | | |
| Investment timeframe | 3+ years | | |
| Asset allocation | Asset class Australian fixed interest Australian shares Cash International fixed interest International listed property International shares | 30 September 2019 (%) 19.0 10.5 32.4 18.5 7.1 12.5 | 30 September 2018 (%) 19.9 10.7 31.0 19.0 5.4 14.0 |

The Insurer guarantees that the value of Capital Protected units when redeemed will not be less than the price at which the units were purchased less amounts subsequently deducted to cover tax on contributions and the cost of insured benefits (if any). The Insurer receives a fee equal to 15% of the net investment earnings of ARC Capital Protected and ARC Capital Protected S1 in consideration for the guarantee it provides for these investment options.

| | | | |
|---|--|---|---|
| <ul style="list-style-type: none"> • ARC Moderate | | | |
| Investment objective | To achieve an investment return (after fees and taxes) that exceeds CPI increases by at least 2% pa over rolling 5 year periods. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in a diversified portfolio mix with exposure to growth investments around 50% and defensive investments around 50% • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 5 • Risk label: Medium to high • Estimated number of negative annual returns over any 20 year period: 3 to less than 4 | | |
| Investment timeframe | 4+ years | | |
| Asset allocation | Asset class Australian fixed interest Australian shares Cash International fixed interest International listed property International shares | 30 September 2019 (%) 17.1 20.6 17.5 15.3 8.1 21.4 | 30 September 2018 (%) 19.0 20.5 16.0 16.0 6.6 21.9 |

| | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> • ARC Growth • ARC Growth S1 | | | |
| Investment objective | To achieve an investment return (after fees and taxes) that exceeds CPI increases by at least 3% pa over rolling 7 year periods. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in a diversified portfolio mix with exposure to growth investments around 70% and defensive investments around 30% • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 6 • Risk label: High • Estimated number of negative annual returns over any 20 year period: 4 to less than 6 | | |
| Investment timeframe | 7+ years | | |
| Asset allocation | Asset class Australian fixed interest Australian shares Cash International fixed interest International listed property International shares | 30 September 2019 (%) 10.0 30.7 8.2 11.3 8.1 31.7 | 30 September 2018 (%) 12.1 30.8 6.1 12.0 6.6 32.4 |

| | | | |
|--|--|--|--|
| <ul style="list-style-type: none"> • ARC High Growth | | | |
| Investment objective | To achieve an investment return (after fees and taxes) that exceeds CPI increases by at least 4% pa over rolling 7 year periods. | | |
| Investment strategy | The investment option may invest in one or more Schemes that: <ul style="list-style-type: none"> • invest in a diversified portfolio mix with exposure to growth investments around 85% and defensive investments around 15% • individually or collectively achieve the asset allocation, and • may use derivatives to implement investment strategies. | | |
| Standard risk measure | <ul style="list-style-type: none"> • Risk band: 6 • Risk label: High • Estimated number of negative annual returns over any 20 year period: 4 to less than 6 | | |
| Investment timeframe | 7+ years | | |
| Asset allocation | Asset class Australian fixed interest Australian shares Cash International fixed interest International listed property International shares | 30 September 2019 (%) 3.0 41.5 4.8 6.9 5.1 38.7 | 30 September 2018 (%) 5.0 41.5 3.9 6.9 3.5 39.2 |

Changes to investment options

The following table shows the changes in fees and costs related to the investment options. Please note not all investment options are available in all products. Refer to the relevant Member Booklet for more information.

| ARC Investment Option | Fees and costs prior to 1 October 2019 | | | | | Fees and costs from 1 October 2019 | | | | |
|--------------------------|--|---------------------------|------------------------------------|-----------------------------|---|------------------------------------|---------------------------|------------------------------------|-----------------------------|---|
| | Investment Manager Fee | Estimated Performance Fee | Estimated Performance Related Fees | Estimated Expense Allowance | Estimated Transactional & Operational Costs | Investment Manager Fee | Estimated Performance Fee | Estimated Performance Related Fees | Estimated Expense Allowance | Estimated Transactional & Operational Costs |
| ARC Australian Shares | 0.39% | 0.00% | 0.11% | 0.17% | 0.11% | 0.39% | 0.00% | 0.05% | 0.14% | 0.11% |
| ARC Cash | 0.07% | 0.00% | 0.00% | 0.12% | 0.01% | 0.07% | 0.00% | 0.00% | 0.13% | 0.01% |
| ARC Guaranteed Cash | 0.07% | 0.00% | 0.00% | 0.12% | 0.01% | 0.07% | 0.00% | 0.00% | 0.13% | 0.01% |
| ARC Guaranteed Cash S2 | 0.07% | 0.00% | 0.00% | 0.12% | 0.01% | 0.07% | 0.00% | 0.00% | 0.13% | 0.01% |
| ARC Defensive | 0.24% | 0.00% | 0.01% | 0.14% | 0.07% | 0.25% | 0.00% | 0.00% | 0.13% | 0.07% |
| ARC Conservative | 0.26% | 0.00% | 0.01% | 0.15% | 0.09% | 0.27% | 0.00% | 0.00% | 0.14% | 0.07% |
| ARC Capital Protected | 0.26% | 0.18% | 0.01% | 0.15% | 0.09% | 0.27% | 0.54% | 0.00% | 0.14% | 0.07% |
| ARC Capital Protected S1 | 0.26% | 0.42% | 0.01% | 0.15% | 0.09% | 0.27% | 0.70% | 0.00% | 0.14% | 0.07% |
| ARC Moderate | 0.32% | 0.00% | 0.02% | 0.16% | 0.11% | 0.33% | 0.00% | 0.01% | 0.14% | 0.10% |
| ARC Growth | 0.39% | 0.00% | 0.03% | 0.16% | 0.13% | 0.39% | 0.00% | 0.02% | 0.14% | 0.11% |
| ARC Growth S1 | 0.39% | 0.00% | 0.03% | 0.16% | 0.13% | 0.39% | 0.00% | 0.02% | 0.14% | 0.11% |
| ARC High Growth | 0.48% | 0.00% | 0.04% | 0.17% | 0.12% | 0.47% | 0.00% | 0.03% | 0.14% | 0.12% |

Changes to investment options

The following tables shows the changes to the benchmark asset allocation benchmarks for the diversified investment options that became effective from 1 October 2019.

| Investment option | Asset class | Old Benchmark (%) | New Benchmark (%) |
|-------------------|-------------------------------|-------------------|-------------------|
| ARC Defensive | Australian fixed interest | 20 | 23 |
| | Australian shares | 8 | 8 |
| | Cash | 40 | 36 |
| | International fixed interest | 25 | 26 |
| | International listed property | 2 | 2 |
| | International shares | 5 | 5 |

| Investment option | Asset class | Old Benchmark (%) | New Benchmark (%) |
|---|-------------------------------|-------------------|-------------------|
| ARC Conservative ARC Capital Protected ARC Capital Protected S1 | Australian fixed interest | 20 | 20.5 |
| | Australian shares | 12 | 12 |
| | Cash | 30 | 27 |
| | International fixed interest | 20 | 22.5 |
| | International listed property | 7 | 7 |
| | International shares | 11 | 11 |

| Investment option | Asset class | Old Benchmark (%) | New Benchmark (%) |
|-------------------|-------------------------------|-------------------|-------------------|
| Moderate | Australian fixed interest | 18 | 17 |
| | Australian shares | 22 | 22 |
| | Cash | 15 | 12 |
| | International fixed interest | 17 | 21 |
| | International listed property | 8 | 8 |
| | International shares | 20 | 20 |

| Investment option | Asset class | Old Benchmark (%) | New Benchmark (%) |
|-----------------------------|-------------------------------|-------------------|-------------------|
| ARC Growth ARC Growth S1 | Australian fixed interest | 11 | 12 |
| | Australian shares | 32 | 32 |
| | Cash | 6 | 5 |
| | International fixed interest | 13 | 13 |
| | International listed property | 8 | 8 |
| | International shares | 30 | 30 |

| Investment option | Asset class | Old Benchmark (%) | New Benchmark (%) |
|-------------------|-------------------------------|-------------------|-------------------|
| ARC High Growth | Australian fixed interest | 4 | 4 |
| | Australian shares | 43 | 43 |
| | Cash | 4 | 3 |
| | International fixed interest | 7 | 8 |
| | International listed property | 5 | 5 |
| | International shares | 37 | 37 |

Although we are not a member of the Financial Services Council (FSC), we voluntarily comply with FSC Standard No 20 Superannuation Governance Policy which includes the following requirements:

| Requirement | Status as at 30 September 2019 |
|---|--------------------------------|
| The board of a superannuation fund trustee must consist of a majority of independent directors and also have an independent chair | Met |
| Directors may not hold competing directorships, i.e. acting as a director of a trustee of a competing superannuation fund | Met |
| Disclosure of environmental, social and governance risk reporting for MySuper investment options | See below |
| A policy concerning diversity of board membership | Met |
| Disclosure of proxy voting records | See below |

ESG considerations

Mercer builds sustainability principles into the Schemes that look beyond traditional factors to consider the potential investment impacts of corporate governance as well as environmental and social issues – such as an ageing population, energy and resource constraints and climate change.

Mercer believes that ESG factors may have a material impact on long-term risk and return outcomes.

The Underlying Managers appointed to the Schemes are encouraged to consider relevant ESG factors (from the following table) when assessing investment risk and opportunities.

| Environmental | Social | Governance |
|---|---|--|
| <ul style="list-style-type: none"> Climate change Energy efficiency Pollution control Resource scarcity Renewable energy Water management | <ul style="list-style-type: none"> Employee labour standards (including wages, working hours and diversity) Occupational health and safety Employee regulations Human rights Supply chain labour practices (including child and forced labour) Talent attraction and retention Manufacturing of tobacco products | <ul style="list-style-type: none"> Community engagement Corporate citizenship Anti-bribery and corruption Remuneration Board balance and diversity Operational and risk management |

Proxy voting

We do not hold direct and immediate voting rights in the underlying assets of the Schemes, which include shares listed on the Australian Securities Exchange because of the interposition of a trust structure, i.e. the Schemes, between the Fund and the ultimate investments. However, voting rights attached to units in the Schemes themselves will be exercised in the best interests of members.

Contact us

Enquiries

If you have a general enquiry or require further information on your membership, call us on 1300 209 088, Monday to Friday between 8.00am – 7.00pm (AEST/AEDT). Alternatively, email us on customerservice@tal.com.au quoting your member number or write to us at the following address:

TAL Superannuation Limited
GPO Box 5380
Sydney NSW 2001

Complaints

We have established a procedure to deal fairly with member complaints. All complaints will be handled in a courteous and confidential manner.

To lodge a complaint, contact us by phone, email, online or mail.

TAL Complaints Manager
GPO Box 5380
Sydney NSW 2001

Call 1300 209 088
Email CustomerResolutionTeam@tal.com.au
Website www.tal.com.au/Contact-TAL

Australian Financial Complaints Authority

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Call 1800 931 678
Email info@afca.org.au
Website www.afca.org.au
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001