

CARE SUPER PTY LTD (ACN 006 670 060)

Annual Member Meeting

MINUTES

TIME/DATE

6pm-7.30pm
Thursday
3 March 2022

LOCATION

Via webinar

Item	Action/Status																																				
<p>1 Formalities The meeting commenced at 6pm.</p>																																					
<p>1.1 Attendance and Apologies The following Directors were present:</p> <table border="0"> <tr> <td>Mr Terry Wetherall</td> <td>Chair, Employer Director</td> </tr> <tr> <td>Ms Linda Scott</td> <td>Deputy Chair, Member Director</td> </tr> <tr> <td>Mr Tony Cavanagh</td> <td>Member Director</td> </tr> <tr> <td>Ms Michelle Gardiner</td> <td>Employer Director</td> </tr> <tr> <td>Ms Rebecca Girard</td> <td>Member Director</td> </tr> <tr> <td>Mr Jeremy Johnson</td> <td>Employer Director</td> </tr> <tr> <td>Ms Merran Kelsall</td> <td>Employer Director</td> </tr> <tr> <td>Ms Vanessa Seagrove</td> <td>Member Director</td> </tr> <tr> <td>Mr Robert Potter</td> <td>Member Director</td> </tr> <tr> <td>Ms Kathie Sampson</td> <td>Employer Director</td> </tr> </table> <p>Apologies Nil</p> <p>The following Executives and other official roles were present:</p> <table border="0"> <tr> <td>Ms Julie Lander</td> <td>Chief Executive Officer</td> </tr> <tr> <td>Ms Belinda Ray</td> <td>Chief Risk Officer/Company Secretary</td> </tr> <tr> <td>Mr Sam Horskins</td> <td>Chief Financial Officer</td> </tr> <tr> <td>Mr Tas Tzoulis</td> <td>Acting Chief Marketing Officer</td> </tr> <tr> <td>Ms Suzanne Branton</td> <td>Chief Investment Officer</td> </tr> <tr> <td>Mr Paul Northey</td> <td>Chief Development Officer</td> </tr> <tr> <td>Mr Mark Lyons</td> <td>Chief Capability Officer</td> </tr> <tr> <td>Ms Nicole Osborne</td> <td>Partner PwC, Auditor</td> </tr> </table>	Mr Terry Wetherall	Chair, Employer Director	Ms Linda Scott	Deputy Chair, Member Director	Mr Tony Cavanagh	Member Director	Ms Michelle Gardiner	Employer Director	Ms Rebecca Girard	Member Director	Mr Jeremy Johnson	Employer Director	Ms Merran Kelsall	Employer Director	Ms Vanessa Seagrove	Member Director	Mr Robert Potter	Member Director	Ms Kathie Sampson	Employer Director	Ms Julie Lander	Chief Executive Officer	Ms Belinda Ray	Chief Risk Officer/Company Secretary	Mr Sam Horskins	Chief Financial Officer	Mr Tas Tzoulis	Acting Chief Marketing Officer	Ms Suzanne Branton	Chief Investment Officer	Mr Paul Northey	Chief Development Officer	Mr Mark Lyons	Chief Capability Officer	Ms Nicole Osborne	Partner PwC, Auditor	
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<p>2 Welcome</p>																																					
<p>2.1 Welcome and introduction of speakers – Paul Northey Mr Northey, as host, opened the Annual Member Meeting with an Acknowledgement to Country and paid respect to Elders past and present.</p> <p>Mr Northey thanked members for joining and provided an overview of the agenda for the meeting noting updates would be provided by the Fund Chair, Terry Wetherall, the Chief Executive Officer, Julie Lander and the Chief Investment Officer, Suzanne Branton. These</p>																																					

updates would then be followed by a question and answer session and described the process for submitting questions.

Mr Northey advised that the meeting was being recorded and that a copy of the meeting recording will be available to CareSuper members. In addition, the minutes of the meeting as well as responses to all questions asked will be available on the CareSuper website at caresuper.com.au/governance by 1 April 2022. He reminded attendees that information provided during the meeting is general information only and not specific to personal circumstances or needs.

3 Presentations

3.1 Board Chair – Terry Wetherall

The Chair spoke to the following items:

- Welcome and acknowledgment that this is his final presentation to members as Chair with his term concluding at the end of March 2022.
- Confirmation that Linda Scott will be the next Chair of CareSuper.
- Acknowledgement of and thanks to all Directors present at the meeting and to Keith Harvey who retired from Board on 31 January 2022.
- Continued strategic focus of the fund during Covid-19.
- Acknowledgement of the CEO and staff for their commitment during the year.
- CareSuper's long term investment objective and record investment return outcome for 30 June 2021.
- Impact of the introduction of 'stapling' and concern that members could be stapled to an underperforming fund.
- Introduction of Trustee Indemnity reforms from 1 January 2022 including the judicial advice sought by CareSuper and the transfer 0.10% of CareSuper's net asset to a new reserve held by the Trustee.
- Observation on superannuation fund mergers.
- Net Zero by 2050 commitment.
- Commitment to continuing focus on members' interests first.

3.2 Chief Executive Officer – Julie Lander

The Chief Executive Officer spoke to the following items:

- The impact of Covid-19 on members and the community, businesses, staff working from home and the responses of Governments both Federal and State.
- Acknowledgement of additional effort required and thanks to CareSuper staff and service providers.
- Confirmation that acting in our members' best interests has always been at the core of CareSuper's Board, management and staff.
- Key statistics of the Fund for the financial year including:
 - Funds under management grew by \$3 billion to almost \$20 billion;
 - Member numbers – welcomed nearly 30,000 new members to the fund;
 - Recognition by independent ratings agencies as one of Australia's top super funds, based on multiple factors including governance, product features, member services and differentiated, active and long-term approach to investing; and

Item	Action/Status
<ul style="list-style-type: none"> - Insurance benefits – 468 insurance claim applications with 89.4% paid, totalling \$71.3 million to members and beneficiaries. • Organisational structure review to set CareSuper up for continued future success and changes that are outcomes focused. • Plans for further digital enhancements including Member Online and the mobile app, noting changes already made to launch the Pension Payment Hub. • Update on social responsibility actions including Carbon Neutral certification and development of a framework to assess risk of Modern Slavery. • Legislative update including the abolition of the \$450 per month income threshold for the payment of contributions, increase in Superannuation Guarantee, annual APRA performance test, and stapling. • CareSuper’s philosophy and benefits including net benefit, the ability to obtain financial advice as a benefit of membership and 12 investment options. • Reference to annual member outcomes assessment on the website. 	
<p>3.3 Chief Investment Officer – Suzanne Branton</p> <p>The Chief Investment Officer spoke to the following items, noting that the report focused on investment outcomes for the year ended 30 June 2021:</p> <ul style="list-style-type: none"> • Investment results for the year ended 30 June 2021: <ul style="list-style-type: none"> - Highest returns in CareSuper’s 35-year history. - Balanced option return for the year ended 30 June 2021 of 18.49% and the benefit of looking at the long-term performance. - Option returns over one-and ten-year timeframes. • Markets and impact on returns including: <ul style="list-style-type: none"> - Asset Class market returns over 20 years. - Asset Class returns for past financial year. • Important factors for investors into the future including: <ul style="list-style-type: none"> - The last year is not a good benchmark to set expectations or assess future market performance as listed markets produced extraordinarily high returns. - Markets were strong to the end of December 2021 however in recent months investment conditions have shifted. This is due to moving to a recovery phase – economies, businesses, governments are normalising and getting back to business as usual. - Two important factors for investors now are inflation and interest rates with the expectation of higher interest rates. - Greater volatility in markets is appearing and members were reminded that it is normal to see market cycles including periods of strong returns followed by periods of moderate and sometimes even negative returns. - CareSuper’s investment approach remains focused on being active and protecting the downside to give members a less volatile, smoother ride over time. 	
<p>4 Question and Answers</p>	
<p>Mr Northey thanked the speakers and introduced the question and answer (Q&A) session for the next half hour.</p>	

Mr Northey introduced the panel available to answer questions, in addition to the earlier presenters, being the following:

- **Dan Bridgland** – Manager of Financial Planning
- **Nicole Osborne**, Partner, PwC – External Auditor
- **Linda Scott**, Director and Chair of Governance & Remuneration Committee
- **Robert Potter**, Director and Chair of Member and Employer Services Committee
- **Merran Kelsall**, Director and Chair of Compliance, Audit and Risk Management Committee
- **Michelle Gardiner**, Director and Chair of Investment Committee
- **Jeremy Johnson**, Director and Chair of Insurance and Claims Committee

4.1 Question 1:

AMM 2021/22?

Response: Paul Northey

Before we go to our first question tonight, can I just remind our members that the annual member meeting tonight is for the financial year to 2021. That is the financial year to June 2021.

4.2 Question 2:

What is CareSuper's view on the market as it relates to the conflict in Ukraine? What's the impact been on my super?

Response: Suzanne Branton

Ms Branton stated that beyond the obvious human tragedy, global financial markets have also been affected by Russia's invasion of Ukraine. She observed share market volatility has increased. However, we're yet to see a very significant decline in share markets that some may have expected had we been able to foresee these events. This is because some investors anticipate central banks may not increase interest rates as quickly as previously thought, and due to the relatively modest size of Russia in context of the global economy (two to three per cent of global GDP). Ms Branton said countries have felt the impact of the war in other ways - such as the impact of government sanctions on Russian exports, rising commodity prices and higher inflation.

In terms of CareSuper's exposure to Russian securities, Ms Branton said prior to the crisis CareSuper had a small holding in Russian equities and bonds. However, we worked proactively with our investment managers to reduce this exposure to a residual holding in Russian stocks (i.e. less than 0.001% of our overall assets) and are now pleased with how the fund is positioned.

Looking forward, Ms Branton said the Investments team is anticipating a move towards deglobalisation and reduced trade activity, continued higher inflation and commodity prices, and higher share market volatility. In relation to CareSuper specifically, we were already well-placed and cautiously positioned in the market prior to these events unfolding. Our active approach to investing was critical to this advantageous position, and our long-standing focus on controlling risk and protecting and defending members' savings will be particularly important moving forward.

4.3 Question 3:

What are the current rules around making additional contributions to my super - age, amount, tax implications etc.?

Response: Dan Bridgland

Mr Bridgland replied that the question is a broad one and that financial advice would be beneficial to ensure that personal circumstances are taken into account. He noted that advice on contribution strategies is included in CareSuper membership.

4.4 Question 4:

In relation to the new laws that Terry was talking about earlier, what type of penalties or fines could the Trustee for CareSuper become liable for?

Response: Julie Lander

Ms Lander noted that the list of penalties is quite extensive and covers breaches of the Corporations Act, the ASIC Act, the Superannuation Industry Supervision Act (SIS) Act, Anti-Money Laundering or Counter-Terrorism, Privacy Act or Modern Slavery Act as well as some of the Tax Acts, including late payment of tax.

Therefore it's a serious issue for funds and for trustees, and why CareSuper has taken action to protect CareSuper and the interests of our members.

4.5 Question 5:

Julie - can you assure me that no jobs with CareSuper that are done by workers from home will be sent offshore?

Response: Julie Lander

Ms Lander provided assurance that the work performed by CareSuper employees at home will not be sent offshore.

4.6 Question 6:

I know there was some new legislation introduced last year regarding a new test for super funds. Can you provide more info and how CareSuper fared?

Response: Suzanne Branton

Ms Branton advised that the performance test is calculated by the regulator, APRA. It looks at the performance of default MySuper options of all funds against a set of benchmarks across a seven-year timeframe. Whilst it is good for members to have a source of benchmarking and comparison that is independent, we believe there are some challenges with the specific measures and not all these options are comparable.

CareSuper's performance metric is positive, and our strong investment track record is reflected in this performance test. In fact, CareSuper shows as one of the top performing funds in the industry and passed that test with a wide buffer.

That buffer means that we have the flexibility to continue our long-term, active investment approach to ensure we're investing in a way that's in the interests of members and considers their needs.

4.7 Question 7:

Does CareSuper have any plans to merge with any other fund(s)?

Response: Terry Wetherall

Mr Wetherall responded by acknowledging members would have seen reports of merger activity in the superannuation industry in recent times, both between large funds and where smaller funds have merged into larger ones.

CareSuper is open to merger conversations as scale is important, however is not actively in discussions at present. The Board has some strong considerations and caveats when considering mergers. The first is our active and nimble investment strategy, which has served our members well. The second major consideration is the strong member-first culture that's developed within the fund. Any merger must be in members' best interests.

4.8 Question 8:

I'm feeling a bit nervous about investment markets. Does CareSuper see a big market correction on the horizon?

Response: Suzanne Branton

Ms Branton commented that given the events seen around the world, it is not surprising that some members are feeling somewhat apprehensive. However, forecasting a big decline in markets is very difficult. It's always possible that something quite adverse can occur, although there are some positive indications in the investment backdrop. She opined that the world is continuing to enjoy an economic recovery. However, when there are increased risks such as those in Europe, it raises the prospect that there will be some reassessment of markets in the future, and it does make investors more risk averse. CareSuper is not positioning for a significant collapse, but she cautioned members that it's going to be trickier and potentially more difficult to navigate markets.

She noted that this is exactly what our investment approach is all about and why we adopt some caution in our methodology. The way CareSuper invests aims to give members confidence in their superannuation and that CareSuper is actively managing that on their behalf, always. We're well prepared for a variety of conditions.

4.9 Question 9:

What's the difference between active/passive investing?

Response: Suzanne Branton

Passive investing is investing in line with an index. For example, the index that represents the Australian share market is the ASX 300. A passive investor in Australian shares would just invest in a portfolio that reflects that ASX 300 – the same companies, in the same proportions. Decisions are not made about whether the companies are good or not, or riskier or not, or able to generate high returns – the portfolio is the same as the whole market. That investment style is very easy, and very cheap to do.

However, we don't philosophically think that that is the best way to invest members' money because we think it is preferable to be discerning about what we invest in by having more in some companies, less in others. This enables us to assess every security and the outlook for the portfolio, and eliminate those that are likely to produce lower returns. That is what is meant by active investing. CareSuper deliberately chooses investment managers that analyse everything that they invest in on behalf of our members and not just accepting what's in a benchmark or in a passive index as being the right way to invest. The aim of this approach is not only to add extra return, but it's also to avoid investment risks.

4.10 Question 10:

If CareSuper's size is at a sweet spot why is money being spent advertising to recruit new members? Does this dilute member benefits?

Response: Julie Lander

Ms Lander responded that she regards the sweet spot as a 'sweet range', noting that there's plenty of scope in the range and having more members and more funds under management helps the fund benefit from scale. She noted that it is in members' interests to grow the fund, but not to the point where the investment strategy and the strong active investment philosophy employed by CareSuper would need to change.

She explained that superannuation is now a very competitive marketplace, and it is our obligation to attract new members to replace those who leave and to grow the fund to continue and improve benefits of scale.

4.11 Question 11:

At what age should you convert a super account to a super pension account? Given that I am now 65 and will be 66 in October of this year.

Response: Dan Bridgland

Mr Bridgland noted that personal circumstances will dictate when it is the right time to convert a super account into a pension account. He also observed that in an account-based pension, the earnings and growth are tax free, and therefore net earnings are usually higher than in an accumulation account where tax is paid.

4.12 Question 12:

Can you explain the recent performance on the Fixed Interest option and the outlook for this investment option?

Response: Suzanne Branton

Ms Branton began by noting that fixed interest securities or bonds are securities, and that the return of those securities is not fixed. Rather, it's the interest payments that are fixed. CareSuper's Fixed Interest investment option has returned very well over the past 10 and 20 years. She referred to her presentation that showed that the 20-year average premium return on fixed interest was 5% or 6% per annum, which is quite high. She reminded members that looking at that past return can be misleading because fixed interest securities and bonds aren't like cash. It is possible that the value of those securities can go down, despite their defensive nature.

When interest rates on fixed interest in bonds rise, that translates to a reduction in value of fixed interest securities and when that occurs, negative returns are possible. Fixed interest returns have

historically been stronger than cash, but that is because fixed interest investors are bearing slightly more risk for that extra return. It's really important for investors to understand the way rising interest rates affect fixed interest securities or bonds because we are now coming to a period where we're more likely to see occasions when interest rates rise and therefore the return on this asset class will be challenged.

Ms Branton directed members to the CareSuper website for a video and FAQs on the Fixed Interest investment option and the difference between fixed interest and cash. She stated the option could remain appropriate for investors, but they need to be realistic about the type of returns that are possible. Members are encouraged to contact us and seek some financial advice if they have queries about this asset class.

4.13 Question 13:

Do you expect the high level of legislative change to continue? Will the Federal Government continue its laser focus on the super sector?

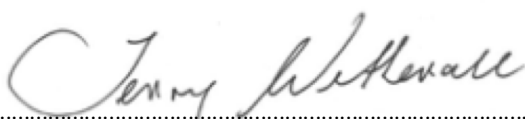
Response: Julie Lander

Ms Lander opined that there will always be legislative change because the environment in which super funds operate changes, requiring consequential changes to the settings. It's our goal to not only make the changes, but to help members understand them and how they would affect their super balances.

5 Close

Mr Northey thanked members for attending and reminded them that a copy of the minutes of the meeting and questions and answers including those asked this evening and questions we could not answer will be available on the fund's website within 30 days, by 1 April 2022.

There being no further business, the meeting closed at 7.30pm.

Signed.....
Chair

Date 31 March 2022

The following questions were submitted during the Annual Member Meeting, however due to time restraints they were not addressed during the session.

5.1 Question:

Could you please describe how CareSuper will implement the Australian Portfolio Holdings Disclosure Regulations 2021. I understand that this will mean that once implemented, the name, value and weightings of assets across different asset classes will be published:

- How will assets such as equities that CareSuper outsources to fund managers be presented?
- How will unlisted assets be presented?
- Are there any identifiable risks and what is the expected
- Implementation time frame?

Response:

CareSuper will publish Portfolio Holdings Disclosure reporting for each of its Managed and Asset Class investment options and for the Direct Investment Option by 31 March 2022, in compliance with the relevant legislation. The data shown will be as at 31 December 2021.

For this disclosure, we will publish values and weightings for each investment within each investment option. The information will be available on our website, accessible in a PDF document or data (.csv) format.

In line with the requirements of the legislation, the Fund's direct holdings of equities and other listed securities typically traded by our appointed, outsourced investment managers will be aggregated by company or security (across all our investment managers) and grouped into tables. Separate tables will be published for listed equities, listed property, listed alternatives and listed infrastructure for each listed investment, the name, exchange code and Sedol code will be provided, as well as the market value in AUD and the weighting within the investment option. Fixed Interest is presented differently compared to the listed securities to align with ASIC's presentation guidelines. In this regard there will be a specific table For Fixed Interest (including Credit), with investments aggregated by investment manager.

Unlisted investments will be presented in distinct tables, with investments aggregated by the appointed investment manager, as prescribed by ASIC. Separate tables will be published for unlisted equities, unlisted property and unlisted infrastructure.

The tables required by ASIC are quite prescriptive, and they differ from the way we usually group our investments in terms of asset classes, as presented in our Product Disclosure Statements and Investment Guide. Although we agree that a standardised approach across the industry enables better comparability between super providers, we feel that aggregation into ASIC's prescribed tables does not allow us to present investment holdings in a way that is consistent with our investment strategy as set out as in our product disclosures.

We'll update our website with our latest portfolio holdings every six months (within 90 days of 30 June and 31 December).

5.2 Question:

Given that CareSuper outsources much of its funds management to external fund managers, what specific actions does CareSuper take when one of these fund managers decides to add, remove or modify the quantity of a particular asset in its portfolio? For example, in the September Report for the DNR Socially Responsible Fund, one of the funds that CareSuper deploys for Sustainable Australian shares, it was stated that the fund had sold out CBA shares due to a 40 % premium on the share price 'to fund a range of other purchases'. Additionally, the Fund sold Super Retail Group shares for 'other underlying reasons'.

Response:

CareSuper undertakes a rigorous research and due diligence process when deciding to allocate capital to an external fund manager. This process allows us to determine if the manager's investment strategy is an appropriate fit for the Fund's strategy and for its members.

The external fund managers are closely monitored to ensure any actions align with the expectations of the investment strategy for that manager. If an appointed fund manager changes their view on a particular investment held by CareSuper, then this change in view is reflected in the CareSuper portfolio at the same time. This is because the fund manager, in this case DNR, has authority to instruct the sale of individual securities such as CBA within the portfolio being managed for CareSuper.

5.3 Question:

By what percentage has the value of CareSuper's unlisted assets such as property, private equity, credit, absolute return and infrastructure increased or decreased during the last 2 years?

Response:

Over the last 2 years to 30 June 2021, the values of the following asset classes have increased by the amounts specified below on a net of fee basis:

- Direct Property: 4.23% p.a.
- Private Equity: 18.76% p.a.
- Credit: 4.26% p.a.
- Absolute Return: 1.02% p.a.
- Infrastructure: 5.16% p.a.

Please note:

1. That the Credit and Absolute Return asset classes are predominately liquid.
2. Absolute Return is a defensive asset class that we typically compare to Cash or Fixed Interest. So, while the return appears low, this result should be assessed against an even lower return on Cash and Fixed Interest which performed more strongly at times during that period, but more recently has experienced some weakness.

5.4 Question:

The Federal Government has stated that the primary objectives of the 'Retirement Income Covenant', due to be implemented in July 2022 are to:

- Maximise retirement income
- Manage risks to stability and sustainability of income
- Have some flexibility to access savings in retirement.

How will CareSuper ensure that these objectives are met?

Response:

To meet the requirements of the Retirement Income Covenant by July 2022, CareSuper has established an internal project team and engaged the services of international advisory firm Willis Towers Watson to assist with the assessment of underlying metrics and the formulation of our Retirement Income Strategy.

We're currently working to determine how CareSuper will distinguish the various cohorts of membership, and how we might best service members in the cohorts. We believe we have existing investment products that can serve members in all cohorts well and importantly, we focus on providing members with information, education, projection tools and

financial advice to help them with their retirement goals and outcomes. Personal advice is important leading into retirement, and even several years prior, to ensure that all relevant factors, including home ownership, other assets and debt and social security eligibility, are considered.

Following the development of our Retirement Income Strategy, we will also outline our framework for regularly reviewing and improving our retirement services for members.

5.5 Question:

Regarding the APRA performance test:

- a) What specific tests does APRA apply for its annual performance test for Choice products e.g. CareSuper Balanced Fund?
- b) To optimise portfolios in order to ensure CareSuper passes the test, have there been any adverse trade-offs against investment performance or diversification?
- c) And does that mean that because the APRA test has a shorter time frame, that long term investments that do not provide immediate returns are impacted?

Response:

- a) What specific tests does APRA apply for its annual performance test for Choice products e.g. CareSuper Balanced Fund?

Each year APRA will construct an individual benchmark for every MySuper product and trustee directed choice product based on an individual product's portfolio asset allocation, using various indices and taking into account fees, tax and other relevant assumptions. Each product will then be compared annually against its benchmark to determine whether it has exceeded it or not.

Products that underperform their net investment return benchmark by 0.5% per year over an eight-year period will be classified as underperforming. For MySuper products that were in place from 1 July 2014, their first performance test was based on seven years of performance data. On an ongoing basis the test will apply over an 8-year period.

To ensure funds are all held to the same standard, the test is set in regulations by the Government and administered by APRA. APRA will publish the results of the test.

- b) To optimise portfolios in order to ensure CareSuper passes the test, have there been any adverse trade-offs against investment performance or diversification?

The strong long- term investment performance delivered by CareSuper on behalf of members has placed the fund in good stead with respect to the test. CareSuper's Balanced (MySuper) option not only passed the test but was one of the top 10 performing funds over the 7-year period of the 2021 test.

Therefore we are confident in continuing to apply the investment philosophy and approach that has served the fund and its members well over the last three decades.

- c) And does that mean that because the APRA test has a shorter time frame, that long term investments that do not provide immediate returns are impacted?

The performance test has an 8-year time frame, which is not long enough to include market cycles and different financial market environments (which is why focusing on long term performance is important). While we would advocate for a longer term time frame, the 8-year horizon is not very short term. There is a separate heat map published by APRA which

has performance measures over 3, 5 and 7 years. The 3- and 5-year time frames are arguably too short term and can see listed market performance have a greater influence on outcomes versus unlisted allocations such as unlisted infrastructure and private equity.

However, it is important to understand that CareSuper has a mature infrastructure and private equity program that continues to deliver strong relative returns in most market environments. In addition, the 7-year time frame still has a heavy influence on the heat map.

5.6 Question:

How much super do I need to be able to retire comfortably?

Response:

The amount of super you need when you retire depends on many things, from when you retire, how long you live, to how well you live. Every person's retirement income needs will be different.

To help members form an idea of the amount of money they might need when they stop working, access to a range of [superannuation planning calculators is provided via the CareSuper website](#). Members can enter their current balance and contributions to [the Retirement income calculator](#) and see a projection of the estimated annual income they could expect in retirement.

If members would like to talk through their retirement strategy, it is very easy to get in touch with a [financial planner](#)*. CareSuper members are entitled to basic super-related advice at no extra cost.

^You should consider seeking independent legal, financial or taxation advice to check how the calculator relates to your individual circumstances.

* Financial advice obtained over the phone, or through MemberOnline, is provided by Mercer Financial Advice (Australia) Pty Ltd (MFAAPL) ABN 76 153 168 293, Australian Financial Services Licence #411766.

5.7 Question:

Are there any plans to expand the Exchange Traded Fund (ETF) menu within your DIO? Thanks

Response:

We are always looking to improve and expand our services and products and we are currently in active dialogue with our third-party vendors to improve the functionality of our Direct Investment option (DIO). While there are no current plans to research and add further ETFs to the investment menu of the DIO, we will take this feedback on board and evaluate this as part of the medium-term roadmap of the product.

5.8 Question:

Has CareSuper's risk appetite changed due to COVID-19?

Response:

The COVID-19 pandemic presented changed risk profile across our risk categories. The Board added 'Pandemic risk' as an important risk that needed to be monitored. CareSuper's risk appetite and measures were updated to reflect the dynamic and uncertain environment. For example:

- Monitoring and managing people/wellbeing risks during a pandemic
 - Close monitoring of liquidity risk during market fluctuations, member switching and the introduction of two early release payment schemes
 - Enhanced fraud and anti-money laundering controls given increased inherent risk from the global pandemic (working from home environment, changed IT environment, increased financial crime)
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- Working collaboratively with our key service providers to manage disruptive challenges.
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5.9 Question:

The fee transferred to the trustee company, what does that do to members?

Response:

In December 2021, a fee of 0.10% (\$21.583 million, incl. GST) was transferred from CareSuper's General Reserve to a new Trustee Resilience Reserve (TRR) held by CareSuper's Trustee Company.

This transfer of assets did not affect members' balances or the amount they contribute or withdraw from their super.

The Trustee took this action to address government reforms that came into effect from 1 January 2022 and affected all regulated super funds, to protect our members' financial interests. The reforms mean that if a super fund trustee became liable for a penalty under any Commonwealth Law or pays an infringement notice, from 1 January 2022 the money cannot be paid from the super fund. The trustee would become liable for such payments.

If the Trustee for CareSuper did not have any assets to make this type of payment, it could become insolvent and be unable to continue as Trustee which would have significant consequences for the Fund and members. In this circumstance, CareSuper would need to find a new Trustee which would result in substantial costs for members. By transferring 0.10% of CareSuper's assets to the new reserve under the Trustee, we can build the capital we would require to pay any future penalty or fine.

We sought judicial advice from the Supreme Court of Victoria prior to taking these actions, and received a favourable judgement. The advice stated that the approach taken was in members' best financial interests.

5.10 Question:

Why do the trustees not allow electronic signatures or electronic applications, given that there are now laws in different jurisdictions permitting electronic transactions?

Response:

An amendment to the Electronic Transactions Act allows an electronic signature to be used when endorsing certain financial records. The ATO stipulates specific protocols must be followed for this type of approval to be considered legitimate.

We are always looking for ways to improve your experiences with CareSuper and this is an area where we are actively working to upgrade forms and documents, and look forward to introducing this feature soon.

Where it is prescribed within the SIS Regulations to physically require a written document, then the signature must be provided in wet ink. One example is the **Binding beneficiary nomination** form.

5.11 Question 24:

To Suzanne, how do you see the economic outlook for the rest of this financial year? How did this year go so far from July to Feb?

Response:

From 1 July 2021 through to the end of December last year markets stayed strong. For the details, please view our market updates [here](#).

Since the start of 2022, we saw investment conditions shifting and greater volatility enter markets with major world share markets posting negative returns for the month of January. This was mainly due to concerns around higher inflation and interest rates, with several central banks raising rates for the first time in years.

With the recent conflict between Russia and Ukraine we have seen increased share market volatility resulting in falls to equity markets, particularly within Overseas shares. We have also seen a move towards “safe haven” or defensive assets. Furthermore, we expect oil and gas to be particularly affected, as Russia is one of the largest producers of crude oil. It is not clear whether share markets will fall further as investors have, to an extent, already adjusted share prices for the key implications of the conflict.

And while the global investment landscape remains uncertain for the remainder of the year, members should be assured that we are cautiously positioned and closely monitoring events as they unfold. We remain confident that we have the right team and investment philosophy in place to manage investments during market events and cycles such as this.

We'll continue to focus on delivering long-term superior investment performance for our members. For more information on the recent volatility in markets and what CareSuper is doing to protect your superannuation savings read the FAQs on our website.

5.12 Question:

What are you doing to eliminate fossil fuels in terms of investments? Are you investing in Renewables? Do you look at ethics when investing?

Response:

In line with our commitment to ensure the best financial outcomes for members, CareSuper has committed to reduce its greenhouse emissions across its portfolio to net zero by 2050. Research shows that transition and physical risks of climate change will likely negatively impact portfolio value if we do not act to mitigate climate risk.* At the same time, committing to net zero will help us take advantage of potential investment opportunities to create value for our members as the transition to a low carbon economy takes place, including by investing in renewables. This is a dynamic area of investment and we will continue to provide members with updates on our climate change-related actions.

In addition to our fund-wide management of financial risks and opportunities related to climate change, CareSuper's Sustainable Balanced option specifically limits exposure to thermal coal production and power generation. This option also includes increased exposure to investments that contribute to climate change solutions, including improved energy efficiency and renewable energy systems.

CareSuper takes into account a wide range of environmental, social and governance-related issues in our investment process, as we believe these can have a material impact on an investment's returns in the long run.

*Source: TCFD 2017, 'Final Report: recommendations of the Task Force on Climate-related Financial Disclosures', <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

5.13 Question:

Is CareSuper subject to any of the sanctions imposed by government, including holdings or investments held or managed by oligarchs?

Response:

No. CareSuper and our investment managers proactively exited Russian stock holdings, enabling us to largely complete this process before the Russian invasion of Ukraine.

As events unfolded, our proactive response has meant that the vast majority of our Russian exposure has already been sold. As at 4 March 2022, the fund holds a very minimal indirect residual holding in two Russian stocks. This holding equates to less than 0.001% of our overall assets. Despite our remaining residual holding, our aim to exit all Russian exposure has been successful.

5.14 Question:

Do we know the ESG portion in care super balanced option product in % terms? i.e. how much out of the balanced option is invested in ESG focused products? can member opt out?

Response:

There are no ESG-related exclusions and/or negative screens in the Balanced option. At a whole of fund level, we have adopted a policy to exclude tobacco manufacturers from all global and Australian share portfolios and most other investments.

ESG considerations are not applied to specific portion of the Balanced option or any other option. Rather, ESG considerations are taken into account as part of the overall investment decision-making process. This is because we believe investing in companies with good ESG management provides better long-term returns for members. ESG factors, just like all investment factors, are considered to the extent they impact the risk or return of an investment. In this regard, the focus of ESG is on stronger financial outcomes for members.

For those members who prefer to invest with more of a focus on ESG factors, CareSuper offers a Sustainable Balanced option (SBO), which applies negative screens and actively seeks out investments with positive themes. You can learn more about the SBO on our website.

In addition to the SBO, CareSuper offer members a range of investment options to choose from to meet the needs of different investors. To learn more about read the [Investment Guide](#).

5.15 Question:

What is CareSuper doing about occupational ratings / restrictions and activities of daily living (ADL) definitions with its insurances given the enforceable standards from the FSC and ASIC's findings?

Response:

CareSuper has reviewed and discussed with the Australian Securities Investments Commission (ASIC) its approach to reviewing both the occupational ratings and activities of daily living (ADL) definitions.

We determined that acting on either during a pandemic and prior to the completion of the current rate guarantee which expires on 31 March 2023, would be detrimental to the financial interests of members. CareSuper has committed to removing the application of ADLs from April 2023.

In relation to occupational ratings, CareSuper is currently reviewing how it utilises occupational ratings and the role they play within the insurance design, recognising that occupational ratings are an important part of reducing the level of cross subsidisation amongst members. CareSuper is currently working on how occupational ratings will be utilised going forward and will introduce the new design from April 2023. Details of the removal of ADL's and the new TPD definitions that will replace them, along with changes to occupational ratings, will be provided to members prior to the changes being made.

5.16 Question:

Given that remote working is the new normal for many office workers, for at least part of the week, what do you consider the future is for returns in the property investment option?

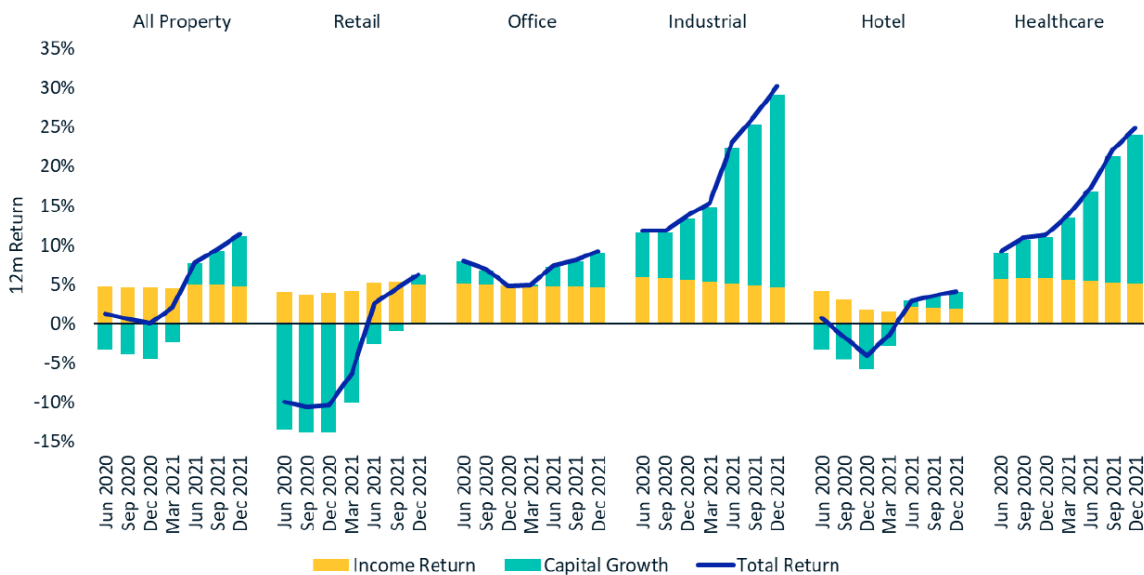
Response:

The exposure to office property in the Direct Property option is focused on prime office exposures. Present indications are that the demand for prime office space to more flexible arrangements for workers will be largely offset by employers reducing worker densities in office space. Consequently, investor demand and returns for the prime office property subsector have held up reasonably well.

That said, commercial property is only one component of the returns generated by the Direct Property option, which has significant exposure to other subsectors such as retail and industrial. These subsectors offer significant diversification benefits given the exposure to different drivers of returns to that provided by commercial property.

For example, the chart below illustrates the historical breakdown between the income and capital returns for different components of the Australian unlisted property market as represented by the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index. The chart highlights the wide dispersion in returns from different property subsectors. The chart also indicates that while there is more stability around rental income yield derived from property (as denoted in yellow), the capital component (denoted in green) is more volatile.

MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index



Source: MSCI Global Intel

5.17 Question:

Suzanne: As a long-term member, I seem to have developed the perspective that the basic investment strategy of CareSuper has become much more risk adverse especially in the last two years. Am I imagining this or is this correct?

Response:

There has been no change to CareSuper’s investment philosophy and approach. The fund has for many years emphasised active management and downside protection as key pillars in an investment approach that has delivered strong long-term risk adjusted returns for members.

Over the last two years CareSuper’s Balanced (MySuper) option has provided capital protection in the Covid sell-off as evidenced by the small positive return of 0.22% posted for the 1-year return to 30 June 2020 – well above the median (or average) super fund return of -0.82%.*

For the FYTD 2021, despite extremely strong share market performance, CareSuper was able to match the median or average performance of its peers (as evidenced by the SuperRatings median), delivering a return of 17.49% while maintaining discipline in controlling risk and staying true to the long-term investment approach.

More importantly, CareSuper's Balanced (MySuper) option continues to outperform over the long term. According to SuperRatings, our Balanced (MySuper) option has delivered 9.13% per annum over the past 10 years to 30 June 2021 – placing it in the top 5 of all surveyed balanced funds in Australia. It was also among the top performers over other long-term timeframes.[^]

In summary, CareSuper's approach hasn't changed, however, the market environment has been very distinctive over the past few years. Despite the short lived covid share market declines, share markets have surged higher and (arguably) traded at expensive levels. More recently as markets have suffered some declines, we are reminded that environments change and risks are prevalent. We are confident that the merits of CareSuper's longstanding approach will be evident in times to come.

* SuperRatings Fund Crediting Rate survey SR50 Balanced (60-76) Index – June 2020.

[^] SuperRatings Fund Crediting Rate survey SR50 Balanced (60-76) Index – June 2021.

5.18 Question:

Several other superannuation funds have, in recent years, invested in affordable and environmentally sustainable housing. One such project is the investment in Nightingale Housing in Brunswick and selected other northern suburbs. Is CareSuper planning to invest in affordable housing options?

Response:

Affordable housing investments will typically target lower returns than traditional residential real estate, as the rents for these properties tend to sit below market. In some cases, these properties attract government support, which can compensate for lower returns and effectively lower the risk for investors. CareSuper may invest in affordable housing where there is merit; however, the investment case must measure up against other alternatives based on relative risk-adjusted returns. Ultimately, the key consideration for any investment is whether it is in the best financial interests of our members.