CARE SUPER PTY LTD (ACN 006 670 060)

Annual Member Meeting

MINUTES

TIME/DATE	LOCATION
5.30pm-7.00pm Thursday 17 November 2022	Via webinar

	Item		Action/Status
1	**Formalities**		
	The meeting commenced at 5:30pm.		
1.1	**Attendance and apologies**		
	The following directors were present:		
	Ms. Linda Scott	Chair, Member Director	
	Mr. Jeremy Johnson	Deputy Chair, Employer Director	
	Mr. Anthony Cavanagh	Member Director	
	Ms. Michelle Gardiner	Employer Director	
	Mr. Terry Wetherall	Employer Director	
	Ms. Vanessa Seagrove	Member Director	
	Mr. Robert Potter	Member Director	
	Ms. Katherine Sampson	Employer Director	
	Apologies		
	Ms. Rebecca Girard	Member Director	
	Ms. Merran Kelsall	Employer Director	
	The following Executives and other official roles were present:		
	Ms. Julie Lander	Chief Executive Officer	
	Mr. Sam Horskins	Chief Financial Officer/Company Secretary	
	Ms. Suzanne Branton	Chief Investment Officer	
	Mr. Paul Northey	Chief Growth Officer	
	Mr. Mark Lyons	Chief Capability Officer	
	Mr. Jean-Luc Ambrosi	Chief Experience Officer	
	Ms. Nicole Oborne	Partner PwC, Auditor	
2	**Welcome**		
2.1	**Welcome and introduction of speakers – Paul Northey**		
	Mr Northey, as host, opened the Annual Member Meeting with an Acknowledgement of Country and paid respect to Elders past and present. Mr Northey thanked members for joining and provided an overview of the agenda for the meeting noting updates would be provided by the CareSuper Chair, Linda Scott, the Chief Investment Officer (CIO), Suzanne Branton and Chief Executive Officer (CEO), Julie Lander. These		

updates were then 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 from 16 December 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 – Linda Scott

The Chair spoke to the following items:

- Welcome, and acknowledgment of Terry Wetherall AM for his term as CareSuper's Chair from 2018 to March 2022. Ms Scott noted that he remains on the Board as an Employer Director.
- Acknowledgment of Dr Jeremy Johnson AM as Deputy Chair from 1 April 2022. He joined the board in 2018.
- Acknowledgement and thanks to Julie Lander for her exceptional leadership of CareSuper since 2002, and confirmation of Julie's intention to step down from her position as CEO at the end of 2022.
  - *Additional note subsequent to the AMM: On 2 December 2022, CareSuper announced that Michael Dundon would replace Julie Lander as CEO from March 2023, and therefore Julie Lander will remain as CEO until then.*
- Acknowledgement of, and thanks to, staff and service providers and CareSuper's members.
- A member case study highlighting how CareSuper was able to help a member make significant savings on the cost of their insurance fees.
- Affirming CareSuper's active investment approach with a focus on downside protection, and its place in context of the current investment environment.
- Acknowledgement of the change in Federal Government. Mention of its intention to legislate an objective for superannuation, and review the Your Future, Your Super laws.
- Noting CareSuper's support of members during Covid with Covid early release payments.
- Commitment to support members during the drawdown phase of their superannuation lifecycle and highlight CareSuper's advice model.
- Comment on CareSuper's business strategy and commitment to maintaining diversity of fund size, continue to achieve excellent returns as well as strong and relevant services.

3.2 Chief Investment Officer – Suzanne Branton

The Chief Investment Officer spoke to the following items, noting that the report focused on investment outcomes for the year ended 30 June 2022:

- Investment results for the year ended 30 June 2022:
  - CareSuper's Balanced (MySuper) option - where most of its members invest - delivered a return of -1.68% to June 2022. For pension members, the results were slightly better with a small decline of 0.9%.
  - The results were better than median return for balanced options across other funds.
  - The last negative annual return was during the global financial crisis however this year CareSuper's negative returns were relatively small in comparison.

- Discussion of CareSuper's Balanced investment option at 8.7% over 10 years.
- Discussion of returns across CareSuper's managed and asset class investment options.

- Future investment themes include high inflation and rising interest rates, which may lead to ongoing market volatility and a greater focus and sense of urgency on climate change.
- CareSuper is committed to achieving net zero carbon emissions across our entire investment portfolio by 2050.

3.3 Chief Executive Officer - Julie Lander

The Chief Executive Officer spoke to the following items:

- The impact of navigating the new normal, with a period of lockdowns and floods, and the importance of listening to CareSuper's members' needs.
- Acknowledgement of CareSuper staff returning to the office and embracing a new hybrid work environment.
- CareSuper's size provides the ability to remain agile to take advantage of investment opportunities.
- Most funds which ranked in the top 10 for investment performance for the 2021/22 financial year were small-to-medium-sized funds, highlighting that a fund doesn't need to be large to outperform.
- CareSuper remains a sustainable and highly regarded super fund with almost 27,000 new members joining during the financial year.
- Australian Prudential Regulation Authority (APRA)'s 2022 Annual Performance test, CareSuper's MySuper/Balanced investment option not only passed the test for 2022, but increased its performance on the previous year by a healthy margin.
- Acknowledgement of CareSuper's intention to continue to be a leading challenger fund to the larger funds, offering low fees and strong long-term returns, resulting in a better net benefit for members.
- CareSuper published its Retirement Income Strategy (RIS) on 1 July 2022, in line with the Federal Government's introduction of a Retirement Income Covenant into superannuation legislation.
- Reinforcing that CareSuper will continue to look at innovative solutions to manage the drawdown from super through retirement.
- The reappointment of MetLife as CareSuper's insurance provider following a competitive tender process, which will deliver significant savings on insurance fees for most members, and a case study example of how we've supported a member through the claims process.
- Update on legislation, including changes that were applicable from 1 July 2022 and that the super guarantee (SG) is scheduled to reach 12% by 2025.
- Acknowledgement of CareSuper's numerous accolades for integrity, long-term performance, smooth ride, and customer service.

4 Question and answers

Mr. Northey thanked the three main speakers and concluded the formal, pre-recorded segment of CareSuper's 2021/22 Annual Member Meeting. He then welcomed Ms. Linda Scott back to provide an update to her previous presentation.

Ms. Scott announced that CareSuper and Spirit Super had recently entered a preliminary, non-binding memorandum of understanding to explore a possible merger between the two funds.

Mr. Northey then introduced additional speakers available to answer questions during the Q&A session. This included:

- Dan Bridgland, Acting Head of Financial Planning

- Nicole Oborne, Partner, PwC

Mr. Northey then commenced the Q&A session.

4.1 Question 1:

Looking forward over the next few years, is it more likely that CareSuper will assume a positive or negative correlation between bonds and equities? What factors have influenced this view?

Response: Suzanne Branton, CIO

Ms Branton clarified that this was a question about the relationship between the returns of shares and bonds.

To provide background context, she reflected on the early days of COVID in 2020, when share markets responded to the news of the pandemic and fell quite substantially during that time. However, in contrast, the value of bonds, or fixed interest securities was rising. This had a 'cushioning' impact to a Balanced portfolio and provided a good example of the value of diversification – when one asset class falls, another is often rising in value.

However, she stated that more recently, while share markets have been suffering some declines, bonds (fixed interest securities) have also been falling in value. The two main headwinds for both asset classes are rising interest rates and rising inflation.

Ms Branton stated the Investment Team believes that the current period (November 2022), is likely the worst period for inflation. However, in coming years inflation is likely to remain higher than we've seen in recent years, and interest rates will also remain higher. Therefore, investors are likely to have to manage this similar dynamic of multiple asset classes moving in the same direction at the same time.

It means it will continue to be important for members' super to be invested across different asset classes, to provide 'levers'.

Ms Branton stated that CareSuper's Managed options (i.e. Balanced, Conservative Balanced et cetera.) have a strong focus on ensuring strong diversification across a range of asset classes. If members look at the asset class mix within these options they'll find a range of different investments, not just global shares and Australian shares, but also private equity, credit, absolute return, infrastructure, property and cash.

She also said CareSuper's active investment approach will also be important, to give an additional source of return and a variety of different return drivers.

4.2 Question 2:

Can I access my super to use it to pay my mortgage - I am 62?

Response: Dan Bridgland

Mr Bridgland responded that in essence, this member was asking when can they access their super and how. He advised that generally speaking, super members need to meet their preservation age, which is based on their date of birth. He said the amount of super that can be withdrawn will depend on the member's age and employment status. They may have the option to draw an ongoing income stream or lump sums.

As everyone's situation is different, he advised it's important to consider individual circumstances and determine the best way to achieve goals. Mr Bridgland reminded members that they have access to our team of qualified and highly skilled financial planners, who can assess each situation to make the best decisions. Members can request a call-back on the feedback form at the end of the AMM event.* Alternatively, they can request a call-back through our contact centre by calling 1300 360 149 or at **caresuper.com.au/advice**.

*Note: the feedback form was not shown at the end of the AMM, but it was included in the post-event email distributed to all registered attendees on 23 November.

4.3 Question 3:

We've received several questions regarding the merger announcement. If I could group these together, the general theme of questions – for Linda – relate to how CareSuper will operate in the future, and the impact to the investment function and brand identity?

Response: Linda Scott

Ms Scott advised that over the next few months, CareSuper and Spirit Super will be undertaking extensive due diligence, which involves each fund conducting detailed analysis to confirm the merger is in the best financial interests of their members, and that equivalent rights will be provided to members of both funds.

If due diligence goes smoothly, trustees of both funds will decide if a merger should proceed, and we'll advise members of our decision. At that time, we'll also provide more information around the details of the merged fund.

This is a significant decision and not one that the Board will take lightly. The Board is very focused on ensuring members' best financial interests as part of this process.

4.4 Question 4:

Could you please describe current initiatives or new opportunities in private equity, infrastructure, credit and absolute return. What are the annual returns for each of these assets?

Response: Suzanne Branton

Ms Branton highlighted some of the opportunities the Investment Team is pursuing across the asset classes referenced in the question.

- In private equity, CareSuper has focused quite heavily on small and mid-sized opportunities, mainly buy out opportunities in the United States. CareSuper has also recently expanded its program into venture capital (investment in companies at an earlier stage of life). She mentioned private equity as being an area where the Investment Team believes there will be a lot of opportunities, because volatility in share markets sometimes opens up prospects in private equity.
- In infrastructure, CareSuper has a co-investment program which is running well. In particular, we've been looking to increase our exposure to digital infrastructure, telecommunications infrastructure, and renewables – Electric Vehicle charging and smart-grid systems. Our focus is on forward-looking infrastructure investments that speak to the future of infrastructure, and away from traditional investments like ports and airports.
- In credit, CareSuper is currently underweight, but we believe opportunities will increase over time, again due to market volatility. We have favoured floating rate investments in credit which aren't as affected by the rising interest rate environment.
- In absolute return, this asset class has been treated as an alternative to the poorer-performing fixed interest asset class, to provide defensiveness in a Balanced portfolio. We've been looking for new absolute return investments which perform better in a higher interest rate environment.

Ms. Branton did not outline the annual return for each of these asset classes, as CareSuper provides returns at an investment option level across our Managed options.

4.5 Question 5

I view my Pension Fund as an investment vehicle. I anticipate, expect and get a financial statement pertaining to my investments in a timely manner. My CARE statement for the period July 1 through to June 30 is not delivered to me until mid-October.

Can you address the issue in response to the related question: Why not well before mid-October?

Response: Julie Lander

In her response, Ms Lander stated that we understood statements are a really important way for members to keep track of their superannuation or pension accounts.

She advised that CareSuper aims to send the statements out as promptly as we can after 30 June each year.

This year, due to additional data checking and legislative changes, especially through our pension members statements, our project team did require extra time to generate and test statements to ensure accuracy.

She apologised for any inconvenience caused and assured members that as well as listening to feedback provided, we're currently looking at how we can improve the statement process for next year.

Ms Lander also reminded members that they can log into MemberOnline at any time to view their up-to-date account balance, transaction details and any other account information.

4.6 Question 6

Could you describe the main functions of members of the Investments Team? Are there plans to internalise more investment activities?

Response: Suzanne Branton

Ms Branton outlined the overall responsibilities of the Investment Team. She stated the Investment Team is responsible for managing the investments of the fund – including all the assets and members' super savings.

She highlighted that the Investments team is made up of a skilled and specialised team of professionals. This team has recently expanded, to bolster senior decision-making capabilities, particularly in the areas of investment strategy, ESG and sustainability.

There's a broad range of functions the Investment team performs. This includes a deep program of:

- Monitoring the existing managers and investments of the fund, and managing those investments in a very careful and thorough manner
- New investment selection - we undertake due diligence and perform significant analysis when we look to introduce investment managers and individual investments across every asset class
- Decision making around asset allocation, how much should be invested in different asset classes and different times, and managing portfolio changes – cash flows, movement of money, unit pricing.

She said the Investments Team interacts closely with the Investment Committee (Board committee), and external sources of advice, who work closely to make decisions related to the investments of the fund.

4.7 Question 7

My super balance has decreased recently. Is this likely to fall further over the coming financial year? What's the likelihood of a recession?

Response: Suzanne Branton

Ms Branton said it's understandable that our members are going to be concerned about market volatility and the impact on their super balances. She reiterated her messages in the earlier presentation, stating that markets do have cycles - there are ups and downs in the life of members' super – and this is a normal part of investing.

She provided reassurance that CareSuper is managing this broader investment environment and its impact on the investment portfolio. And reminded members of CareSuper's focus on 'downside protection' and managing risk in those more volatile periods. She stated the Fund's track record also demonstrates the effectiveness in managing to contain negative returns, and also there are several years through our history where the average balanced option return has been negative while CareSuper's Balanced (MySuper) option has been positive – this has happened several times over our 36-year heritage.

Looking forward, she cautioned that some of the influences that have resulted in market declines – such as inflation and high interest rates – could be with us for some time. Further, she stated there is some concern about the economy weakening, and markets have already been responding to these expectations. Further volatility could be expected over the coming period.

She also provided a reminder in that while last year (financial year 2021/22) there was a small negative return, the previous year returned more than 17%. And although there has been some volatility in the 2022/23 financial year, the Balanced (MySuper) option is up around 4 per cent.

In summary, Ms. Branton stated this demonstrates that good results can be generated even when it appears as though markets are really adjusting to a different future. However, it's always possible that members can experience further periods where markets are volatile and we would expect to see that to continue, particularly while central banks are raising interest rates.

4.8 Question 8

We've received questions relating to the negative returns experienced last financial year and whether members would be better off in more defensive investments until markets stabilise. Dan, would you be able to address this question?

Response: Dan Bridgland

Mr. Bridgland explained there's two parts to this question - choosing an investment option, second part is timing. Your investment strategy should be tailored specifically to your individual needs. He referenced Ms. Branton's earlier comments around our team of highly skilled investment managers who actively manage your super, with the aim of improving returns in the good times and reducing losses in the not-so-good times.

He mentioned our Managed investment options, which allow members to either be more aggressive or more defensive. Regarding timing, it's very difficult to know when the market will go up or down with certainty, which means trying to time the market may put you in a worse position over the long term. This is why we encourage members to try and take a long-term approach when choosing an investment option, as opposed to changing with the ongoing market changes.

He reminded members that they have access to our qualified and highly skilled financial planning team, who can provide advice on what is the right investment option for you based on your situation. This advice is available to you over the phone at no additional cost, as it's included in your membership.

4.9 Question 9

We've received some questions around data security and cybercrime given recent hacking activity. Can you please outline CareSuper's approach around data security and what you're doing to keep member data and funds safe from cybercriminals?

Response: Julie Lander

Ms Lander acknowledged that cyber security is a significant issue for all organisations.

At CareSuper, we've prioritized this matter and put protections in place to safeguard our systems and processes to keep members' data, information, and accounts secure. We continually assess and evolve our cyber security program in response to the ever-changing digital landscape.

She advised that CareSuper has a cyber security strategy and framework, which is the overarching policy that informs our information security policy and an information security management framework. These data protection policies are in line with requirements in the Privacy Act, which is the Act that regulates how we handle your personal information.

She assured members that cyber security is a very important matter that CareSuper takes very seriously. It's been the subject of a lot of attention at management and board levels in recent times.

4.10 Question 10

Balanced Funds: can you provide the breakup in % terms across the asset classes please? I cannot understand how a balanced fund can have negative growth as was the case in 2022 financial year end (fye). The exposure to overseas securities seems to be high from memory. Can this be changed by members & what are the fund managers doing to minimize the risks here given so much global volatility?

Response: Suzanne Branton

Ms Branton referred back to a pie chart shown in the formal presentation which outlined the asset allocation of the Balanced option. She explained that there's quite a material portion of the

Balanced option invested in Australian and Overseas shares – however CareSuper's exposure to shares is lower compared to many other funds in the market. The option also has exposure to credit, infrastructure, absolute return, property, fixed interest etc.

She stated that looking back at last financial year, share markets around the world and in Australia declined between 6-7% on average, and fixed interest/bond markets fell by about 10%. And because together these asset classes make up a combined 55% of the Balanced option, a return of -1.7% is actually quite small when we reflect on the overall performance of those asset classes.

The relatively small negative return was due to total portfolio diversification across a range of options, including exposure to other asset classes like private equity, infrastructure and property which were all up more than 10%, and positive returns in credit and absolute return.

Reflecting back on the nature of the question around how a Balanced option can have a negative return, Ms Branton stated that it hasn't occurred a lot during CareSuper's history, but last year's return was actually relatively small when looking more broadly – for example during the global financial crisis in 2008 and 2009, and there have also been years when the average Balanced option across the industry returned a negative, while CareSuper returned a positive – such as 2020.

In summary, she advised that if material declines across share markets in particular are experienced, it certainly is possible for a fund's balanced option to generate a negative result. The CareSuper Investment Team's job is to implement the investment approach and investment strategy, to protect against the downside and contain losses where we can, while positioning to benefit from the recovery. This is key to generating strong, long term and consistent investment results.

Additional information provided by CareSuper after the AMM:

CareSuper actively manages asset allocation across our Managed investment options. The investment strategy for each Managed option includes benchmark allocations to different asset classes. These allocations represent those CareSuper believes, based on historical analysis, will most likely achieve the investment objectives of each particular option. The actual asset allocations of the Managed options may vary from these benchmarks but will always remain within the ranges.

4.11 Question 11

Will the new merged entity have the same call centre, or will it be offshore?

Response: Linda Scott

Ms Scott recognised that it's understandable members will have a lot of questions about the merger. However, she said that as we're early in the due diligence process, many of these questions, are questions CareSuper is seeking to understand.
Currently CareSuper partners with Mercer as our administration provider. Spirit Super has an in-house administration model, with a team based in Tasmania.

Ms Scott reiterated that all these questions will be examined as part of the due diligence process, but the two funds will continue to operate independently in the meantime. She assured members that we'll continue to make all our decisions in members' best financial interests.

She concluded by saying that our focus continues to be on doing best for all our members over the next few months, whilst the due diligence process continues.

4.12 Question 12

Is Care Super a big enough super fund in the medium/long term?

Response: Julie Lander

Ms Lander stated she believes that CareSuper is a big enough fund in the medium/long term. She stated CareSuper's objective is to be a significant but mid-sized fund that can challenge funds of all sizes.

The benefit of being a mid-sized fund is that we can invest differently. We can also focus on how we service members and understand our members better.

So, there are many advantages to being a fund of our current size, and certainly a fund of the potential size of a merged entity.

4.13 Question 13

One of the reasons for CareSuper's outperformance was its smaller, more nimble size. How can this outperformance improve by "getting bigger"?

Response: Suzanne Branton

Ms Branton stated that while our size is a feature that has influenced how we invest, it is just one reason for our consistent outperformance over time. She highlighted that a range of factors have been key to our strong long-term investment performance. This includes our active investment approach, dedication to investment selection, the importance of our 'downside protection' strategy, and the skill of CareSuper's investment professionals.

There are two aspects to size – in being large enough and having sufficient scale to access certain investments, but not having too big a footprint and being crowded out of some investment opportunities. CareSuper invests in some assets that are capacity constrained – being niche and more specialised - and to do this, the fund cannot be too large an investor.

She mentioned that in the context of the proposed merger with Spirit Super, CareSuper is currently discussing the potential size of the merged fund, and where the 'sweet spot' could be. Our aim is to be a strong, mid-sized super fund that still has the ability to execute our current investment approach – benefit from the advantages without the disadvantages of greater size.

In summary, Ms Branton stated the investment program is well placed at the size CareSuper is, but growing to the proposed size following the merger, should not present members with any concerns as this size should not produce any adverse effects.

4.14 Question 14

Just wondering what Suzanne's thoughts are on recent publicity and discussions around the Govt's (potential) expectation of Super Funds having to invest Members' funds into affordable housing.

Response: Linda Scott

Ms. Scott responded to this question in place of Suzanne Branton. Ms. Scott commenced her response with a disclosure. As the president of the Australian Local Government Association, she has also been asked to engage with the Commonwealth and State and Territory governments about the Housing Accord.

She stressed that CareSuper always acts in members' best financial interests, and as Ms. Branton has outlined, investment decisions are made in line with our investment philosophy and strategy. She highlighted that this category of consideration would be no different.

Nevertheless, she stated that CareSuper is committed to support work on developing reforms that will encourage more institutional investment into affordable housing, as a key social challenge affecting millions of Australians.

5. Close

Mr Northey advised of the end of the meeting for 2022, thanked all attendees and advised a transcript* of the meeting, along with a video recording, will be available on our website within 30 days. He also advised that all questions, including those unanswered would be available on the CareSuper website within 30 days and advised members how they can contact CareSuper. There being no further business, the meeting concluded at 7pm.

Signed: Linda Scott

Linda Scott, CareSuper Chair

Date: XX December 2022

*CareSuper published a video recording of the AMM in place of a transcript.

The following questions were submitted prior to, or during, the Annual Member Meeting (AMM) however were not addressed during the session.

5.1 Question 1

How often are unlisted assets valued and what is the longest period any asset has between valuations?

Response:

CareSuper maintains a separate Asset Valuation Policy to ensure the methodologies and assumptions for the valuation of all assets including direct or unlisted assets are reasonable and appropriate. The fund's overall approach to valuations includes valuing assets in accordance with accounting standards and best practice principles.

CareSuper holds exposure to unlisted assets through external investment managers. The asset valuation standards adopted by the fund's investment managers typically follow industry guidelines.

CareSuper's unlisted assets are valued on a regular basis – with the majority of unlisted assets revalued quarterly. Some assets, however, are revalued half yearly, but on average these are not material exposures relative to the fund's overall investments.

5.2 Question 2

What derivative overlays are used in pension products?

Response:

CareSuper uses derivative overlays to hedge various investment risks and to add exposure in accordance with the target asset allocation. The types of derivative overlays used varies, as appropriate for the investment exposure requirements of the fund.

Some examples of derivative overlays used across the investment program include:

- Foreign exchange derivative contracts used to hedge foreign exchange risk.
- Futures used to add exposure or hedge market risk, and
- Credit default swaps used to hedge credit risk.

We monitor investment exposures in our pension and accumulation products on a daily basis and implement derivative overlays required to maintain appropriate risk settings and investment allocation.

The use of derivative overlays allows us to be nimble in our approach to changing investment environments, responding quickly to market conditions.

5.3 Question 3

Given the current inflation environment and the potential for higher yields, and the availability of floating interest rates, what initiatives has CareSuper pursued in private debt?

Response:

At CareSuper, we consider inflation in the context of monetary and fiscal policy. Economic policy decisions affect the real economy and financial markets, which in turn affects the attractiveness of various asset classes and securities.

CareSuper does invest in private debt. The exposure to this asset class is diverse and includes direct lending in Europe and the United States, commercial and residential real estate lending, as well as asset-backed lending. And while we haven't made a material change to our allocation in private debt recently, this is certainly a lever that we can use to manage the risk of inflation and rising interest rates.

In our recent history, we've reduced our exposure to traditional fixed income and lowered our portfolio's sensitivity to interest rate movements. This decision has helped us preserve capital and generate recent outperformance over the long term.

5.4 Question 4

Do you plan to improve your customer interface for customers who would like to make use of your financial advice services? For example, I simply cannot get an electronic calendar booking made with a video call link (that I can set up myself and send an invitation). The current system requires me to call Care which I don't want to do - I simply want to book with an advisor at a set time and I am happy to provide detailed information by email before the call. This can't be done at the moment and has prevented me to engage with Care about further contributions and other topics.

Response:

CareSuper members can request an advice call-back from a financial adviser through our website at **caresuper.com.au/advice**, or by calling our contact centre on 1300 360 149.

If you request a call back through the contact centre, the phone consultant will use a program called 'Go bookings' to book a time in with the member.

Advice relating to your super account (known as 'Limited advice') is available at no-extra cost and is offered over the phone only. A financial planner will make two phone calls, and then if we don't succeed in getting through to the member, we will send an email with instructions to call our contact centre where they can book a time for a call-back.

Following this process, if it's identified the member would benefit from, and agrees to proceed with our comprehensive advice offering, a face-to-face or video conference meeting can be set up between the member (and others if necessary) and a CareSuper planner, and it will be possible to share information prior to the call.

5.5 Question 5

How can you ensure that the move to net zero will not diminish my investment returns as has been the case in Europe in particular in countries like Germany and the UK where they have recently decided to change tack and diversify their energy mix once again into the future? The ASX has not moved forward in price in real terms since 2007 and I am gravely concerned about its future under a net zero ideology. In the past twenty years trillions of dollars in renewable forms of energy have been invested for little or no overall increase in its energy generation world-wide and no impact on the environment other than detrimental ones on flora and fauna and land clearing and in mining rare earth minerals etc predominately using slave labour in Africa for example?

Response:

Whilst we acknowledge your concern, please rest assured that we do not believe our Net Zero commitment will diminish returns. On the contrary, we have made the commitment in order to safeguard and strengthen returns. Climate change presents significant investment risks to the portfolio. These risks include the potential for serious damage to the physical assets in which we invest (for example, buildings affected by flooding), changes in government policy that reduce the value of certain businesses (for example, oil, gas and mining companies having to pay higher carbon prices and legal costs), and reduced demand for coal, oil and gas over the medium term leading to reduced returns for companies in these industries.

There is a perception that renewables have not always performed well, and in some cases this perception is justified. That said, we have already found renewables-related investments that provide good returns for members, and we believe there are many more opportunities like this. As an example, you may wish to look at the performance track record of our Sustainable Balanced option – its returns are just as good as CareSuper's Balanced option, and its investment managers explicitly seek out investments in climate change solutions. In CareSuper's experience, there has been no evidence that investing sustainably means sacrificing returns. In our view, returns can be enhanced through active management in this area. Choosing the right investments – those that will benefit as the economy shifts away from reliance on fossil fuels – will become even more important in the years to come.

For all of these reasons, we believe that CareSuper's Net Zero commitment will lead to better investment returns compared to taking no action in this area, which would create additional risk. In addition, we've included some further information about climate change and investment below.

CareSuper recognises the scientific consensus that human-induced climate change poses a credible threat to the planet. Additionally, we recognise that policy responses to limit the worst effects of climate change over a long-term horizon present both risks and opportunities to investors, including CareSuper.

As a responsible investor, CareSuper is committed to achieving net zero carbon emissions by 2050 for its investment program which is in-line with the Paris Agreement and the Commonwealth Government's legislated emissions target. We have made this commitment in recognition that a coordinated global response to act on climate change will inevitably disrupt existing modes of production and consumption across all sectors of the global economy. The investment implications arising from the decarbonisation of the global economy are significant.

To illustrate the trajectory of decarbonisation, we draw on data collected by the International Energy Agency (IEA). According to the IEA, wind and solar have gone from around 0% of global energy generation in 2000 to over 10% in 2021.

While there has been an increase in fossil fuel returns in the past year, we see this as a temporary situation, largely attributable to the war in Ukraine. We believe that long term, the world is undergoing an economic transformation as we transition to a lower carbon economy. Recently, the IEA published scenario analysis based on prevailing policy settings which suggests that global demand for fossil fuels in the total energy supply is expected to peak before the end of this decade. Demand for renewable energy is therefore expected to continue to increase, which presents investment opportunities for CareSuper.

It is therefore critical to our members' best financial interests that CareSuper acts prudently to consider both the financial risks and opportunities of climate change when making investment decisions. This is a view shared by the Australian Prudential Regulation Authority which regulates superannuation funds.

In order to demonstrate CareSuper's commitment to our net zero by 2050 target, we have recently announced the following interim targets:

- 45% reduction in carbon emissions per $m invested by 2030, from the baseline of 2019
- Invest 3% of total funds under management in climate transition-related solutions by 2030.

CareSuper believes that these commitments will position our Fund to manage climate-related risks and seize on opportunities brought about by long-term trends linked to the decarbonisation of the global economy more effectively.

Modelling undertaken by our Investment Consultant, JANA, shows that expected long-term returns for CareSuper's Balanced Option are likely to be more resilient under a 'Net Zero by 2050' scenario aligning to 1. 5° C warming when compared to the current trajectory of warming. Accordingly, we believe that following through with our commitments will help to deliver sustainable long-term investment outcomes that are in the best financial interests of our members.

For more information, please consider our Responsible Investing Policy, Net Zero Roadmap and Climate Change Position Statement.

5.6 Question 6

Good afternoon. Please could you let me know if our personal account details and information are encrypted? This is important considering the recent frightening activities of hackers.

Response:

Our administration provider, Mercer, has implemented encryption across the key databases where personal account details are stored.

We are currently assessing all other data storage to ensure that legacy data is suitably protected.

5.7 Question 7

About a month ago or so there was a report on the 7:30 Report of a case of identity theft and super fund roll over. A crook took on the identity of a (I think it was local government fund) member and asked for the super to be transferred into a bank account and from there it disappeared overseas. It was all done online or over the phone.

Could this happen to a care super member?

Does CareSuper have a security step by sending out a letter to a home address or use a landline (old technology)?

Response:

CareSuper complies with all legislative requirements including APRA Prudential Standards (Fraud Risk Management). We actively monitor for new fraudulent trends and have procedures in place to prevent fraudulent activity.

CareSuper does not approve withdrawal requests or payments to be made over the phone. One-off payments and regular withdrawals (for pension and transition to retirement members) must be paid directly into an approved bank account. If a member requests their payment to be made to a different bank account, these requests must be made in writing and we would require a full manual security check.

5.8 Question 8

What KPIs are you using to measure the performance of the Administrator? Have they improved over the last 12 months?

Response:

CareSuper is committed to continuous improvement across our administration function.

We have administration quality uplift programs in place. These programs are focused on improving the quality of service provided by our administration provider Mercer, remove roadblocks preventing improvement, strengthen the peer review process across our administration services, and provide support and training to Mercer employees. We develop quarterly action plans specifically focused on reducing errors and improving processing times across administration services.

These programs have produced improvements to key service metrics which affect the member experience, including the Net Promoter Score (NPS) and the Grade of Service (GOS). CareSuper's NPS - which measures the likelihood a member would recommend CareSuper - has not fallen below +56 for the 2022 calendar year. For the month of October 2022, CareSuper's NPS was 62.53. The GOS – which measures the percentage of calls answered by the contact centre within 30 seconds, meaning shorter wait times for members - has also improved significantly over the past 6 months.

Further, we monitor the performance of services provided by Mercer using a set of contracted service level agreements (SLAs). These SLAs set the performance criteria, which include timeliness, completeness and accuracy amongst other factors, across the core services provided by Mercer to, or on behalf of, the Trustee. This includes administration, insurance, online services, contact centre, complaints management and unit pricing. Over the 2022 calendar year, there has been on average a 4.5% uplift in SLA adherence across the administration, insurance and contact centre service groups. SLAs for online services, complaints management and unit pricing have consistently been met from January 2022 through to October 2022.

5.9 Question 9

What is super insurance, and why is it needed?

Response:

CareSuper provides standard death, terminal Illness (TI), and total and permanent disablement (TPD) cover to Employee Plan members (subject to eligibility). The cost and level of cover is based on each member's age and details can be found in the Insurance Guide.

CareSuper also provides the opportunity for members to tailor their insurance to the level of cover they need. Members should consider what cover they need now and into the future for things such as:

- Living expenses
- Debts – mortgages, car loans, credit card
- Future costs (for example, school education for your children and those whom you support financially).

Members may also want to consider applying for income protection cover to protect their income in periods of temporary disablement.

CareSuper insurance provides members with cover 24 hours a day, 7 days a week, irrespective of whether they are at work Having insurance through super is beneficial for a several reasons:

1. Insurance can provide peace of mind, as it generates financial support to protect members and their dependents if the member dies or has to stop work due to illness or injury – helping them/their beneficiary(ies) to cover day-to-day expenses.
2. CareSuper provides insurance cover automatically upon joining the fund (subject to eligibility). Fees are deducted directly from members' accounts, so they don't affect cashflow for daily living.
3. Default insurance is beneficial if members have pre-existing health conditions or work in a high-risk job.
4. Generally, insurance in super is cheaper than taking out a personal insurance policy.

5.10 Question 10

Suzanne Branton: what % of the Balanced Fund is in 'Other Investments" and how do you ensure that the current valuations are realistic and can be liquidated when required?

Response:

CareSuper's Balanced (MySuper) option invests around 29% in the 'Alternatives' asset class. This is made up of the following broad categories of investments:

- Credit 7%
- Infrastructure 10%
- Absolute return 7%
- Private equity 5%.

The asset class mix for all our investment options can be found in the **Investment Guide** or **Pension Guide PDS**.

A substantial portion of the valuation of alternatives is determined by market prices, however the source of the valuations for each of these assets varies. For those where a daily market price is not available, these are typically determined by an independent valuer. Independent valuations are prepared on the basis of a transaction at the specified point in time between a willing seller and willing buyer. The assessed valuation is typically supported by reference to either listed peers and/or actual transactions in the unlisted market. The appropriateness of the values is reviewed on a regular basis by the Investment team and in particular the ongoing reference to listed and unlisted peers provides comfort that relevant valuations adopted are realistic in the market environment.

5.11 Question 11

Generally, what member numbers have attended this webinar & as a % of total membership?

Response:

We had 121 members join the Annual Member Meeting (AMM) webinar this year (2021/22), which equates to 0.055% of our 220,000 members.

However, since publishing the AMM video recording on 22 November 2022, as at 16 December 2022 we have had 140 views.

5.12 Question 12

When will the Direct Share Investment platform be streamlined to be less clunky (and be able to be operated from the CareSuper App)?

Response:

Unfortunately, we are restricted in our choice of our Direct Investment option (DIO) platform provider as it needs to be integrated with our outsourced administration platform.

We are currently working on alternative methods of integrating data that will provide more options in the future. This will allow us to review other DIO platforms and potentially make a change.

It should be noted however that it is unlikely that a DIO platform would be fully integrated into the CareSuper App. The complexity of creating such a platform means it makes more sense to leverage off existing platforms with single sign on.

5.13 Question 13

What was return on property in 2022?

Response:

The return of our Direct Property option (for super/transition to retirement members) was 13.60% for the financial year ended 30 June 2022.

Returns for all our investment options across different timeframes can be viewed on our website here.

Please note that past performance is not an indicator of future performance.

5.14 Question 14

With the recent Medibank data breach, Medibank has told me to let you know this has happened to me. What do you provide to members who are the subject of this identity theft?

Response:

CareSuper complies with all legislative requirements including APRA Prudential Standards (Fraud Risk Management). We actively monitor for new fraudulent trends and have procedures in place to prevent fraudulent activity.

There are a few things we can do to further secure our members' accounts if there are concerns about data security. If members become aware they are a victim of a data breach, please call the contact centre on 1300 360 149 or send us a message at **caresuper.com.au/getintouch**. Our consultants will add further security measures to your CareSuper account. This may include passwords, additional questions, PINs or benefit freezes.

5.15 Question 15

If I change my investment % will that affect the $ amount of total?

Response:

When you change your investment choice, you crystalize any associated earnings or losses and the transaction may be subject to buy/sell spreads. For example, if you change your investment choice during a downturn in the market, you may see a reduction in your balance as you lock in any losses.

It's important to carefully consider your options before you make any changes to your super investments. The sell price of any investment options you are invested in is used to value your account balance each day, and the investment returns from those options (net of any investment fees, indirect costs and investment-related taxes) are incorporated in this price.

We don't charge a switching fee to change your investment option. A transaction cost for buying and selling investments (known as the buy/sell spread) may apply. This fee varies between the investment options and can be found in Fees and other costs.

5.16 Question 16

We are notified by CareSuper via email when the Annual Statement is ready. We can view it by clicking on the tab and enter DOB. I feel is not quite secure to be able to access this way. It would be better to be asked to access it directly online.

Response:

Members can rest assured CareSuper has measures in place to protect their personal information around the distribution of statements.

Online statements (eStatements) are only accessible via a personalised URL (a 'PURL'), and this link is unique to you. When we distribute your statement via email, you will only be able to open it when you enter the correct surname and date of birth (DOB) combination that we have recorded in MemberOnline (MOL). A member has two attempts only to log in successfully (we allow two, because two inputs/data points) and if they are unsuccessful in logging in then they are locked out and so can only access their statement via MOL.

We also limit the number of shared email addresses to which we will distribute an eStatement. For example, if the email you have registered with CareSuper is shared with multiple members (e.g. an employer has advised a generic email address for you such as admin@employer.com.au), all members connected to this email would receive a print statement.

CareSuper has an internal cyber security team that is responsible for completing vulnerability scans on the eStatements and platform itself prior to distribution, to ensure statements are secure. Further, eStatements are protected by a web application firewall which blocks connections to the website that it identifies as suspicious.

Data security is an organisational priority at CareSuper and we continue to work with our developers to ensure we remain compliant.

5.17 Question 17

[This was a follow-on question from Suzanne's response to #10 in the AMM Minutes.]

But a balanced fund having 50% in equites with more than 50% again in overseas equities given the overseas volatility - you mention risk diversification but what am getting at is shouldn`t a Balanced Fund have more exposure to the other asset classes rather than 26% in overseas equities.

Response:

The strategic allocation for the shares investments in our Balanced (MySuper) option is 49% (23% Australian shares and 26% in overseas shares). This is not atypical for a Balanced fund. In fact, our Balanced option has a lower allocation to shares through market cycles compared to many of our peers, which will hold at least 56% or more.

Moreover, our Balanced (MySuper) option has been designed to suit members with a risk appetite that matches the risk profile set out below:

- **Return objective:** To achieve returns after tax and fees that exceed the inflation rate by at least 3% per year (over rolling 10-year periods).
- **Why you'd invest:** Invest in this option if you are seeking returns above the rate of inflation over the long term.
- **Risk level:** The likelihood of a negative annual return is 3.8 in every 20 years for super and transition to retirement accounts.

- **Minimum investment timeframe:** 5+ years.

We do however offer a range of investment options with different levels of exposure to shares to suit the risk appetite of different members. If you prefer an investment option with a similar growth/defensive asset class split, but with less invested in shares, then you could consider the Alternative Growth option. You can find out more about this option and all our investment options on our website or in the Investment Guide (or Pension Guide PDS for pension members)

If you need help choosing an investment option, our financial planners are here to give you guidance at no extra cost to you. To speak with a planner, simply book a call-back or call us on 1300 360 149 to arrange a meeting.

5.18 Question 18

How does the Care super constitution align with the potential merger fund? What's the driver of the merger?

Response:

CareSuper and Spirit Super have entered into a preliminary non-binding Memorandum of Understanding (MOU) to explore a possible merger between the two funds.

The Constitution is considered as part of the due diligence program, however currently we're not aware of any issues. Due diligence has commenced and we expect it to take several months.

The driver of the merger is to achieve outcomes that are in the best financial interests of our members. If the merger proceeds it would create a mid-sized fund of 500,000 members and over $45b in Funds Under Management (FUM), which should deliver greater benefits of scale.

You can find more information about the proposed merger here.

5.19 Question 19

Last F/Y year saw minus returns and significant losses in general super performance [plus the loss off the compounding affect that would have seen Super Totals grow by a normal 6-7% return].
This performance trend has continued to fluctuate for this financial year returns and given the general talk of a world-wide recession affecting stock market performance, why wouldn't we be better off cashing out our Super and putting it in Bank Term deposits with a guaranteed return of 4% until the markets stabilize and start to grow again? Alternatively, why hasn't Care warned its members about continued risks and at least suggested moving significant amount of Stock related investments into their equivalent portfolio to a fixed term deposit?
Given the above, Id like to know the pros and cons about moving a balanced portfolio to a guaranteed interest return portfolio for the next 18 month or so until markets stabilise and to avoid further large losses.

Response:

It is the case that returns were negative in the financial year ended June 2022. However, in the context of outcomes in previous periods of market volatility (such as the global financial crisis or recession of the early 2000's) the declines were relatively small – in the Balanced accumulation option -1.7%. Although this decline was considerably less that the industry average, it was still a set back and we understand that even small declines can be concerning.

We also acknowledge the reference in the question to the difference between this outcome and what a "normal" or average return might be. The question references an expectation of 6–7% per annum and the 10-year average per annum return of the Balanced option is 8.7%. It's important to remember the return of the Balanced accumulation option in the previous year (2021) was over 17%. Returns that year were at least double what could normally be considered likely. We encourage members to consider the outcomes of those two years together.

During the year we proactively communicated to members around how to deal with market volatility through various channels - for example via direct communications, providing news updates on our website, through social media.

In recent months, share markets recovered some lost ground, leaving the Balanced accumulation option up around 5% financial year to date. While this reflects a short period (only the first 5 months of the year), it does illustrate that markets are experiencing ups as well as downs. While recent trends in markets have been a bit better, we believe that there are reasons to expect a challenging 2023. With central banks hiking rates aggressively this year to fight inflation, we should expect to see the impact of those hikes next year in the form of slowing growth and perhaps even recession. Recessionary periods tend to be volatile for financial markets as economic uncertainty increases risks and corporate earnings are marked lower. While this may be concerning, it is important to remember recessionary periods create opportunities to buy assets "cheaper" and help returns on a longer-term basis.

So, turning to the next aspect of the question – what to do about this.

CareSuper's investment approach is designed to provide protection during market volatility, so we are well placed to navigate more difficult markets and times of change. To help us do this, we actively alter the quantum of exposure to asset classes in all of the diversified options, depending on the market outlook. However, a certain level of exposure to each asset class must be maintained through time, so the allocation to different asset classes, such as shares, is maintained in a range. This results in all the options remaining 'true to label'. For example, members in the Balanced option expect allocations to shares and all other asset classes to stay in this range and be either somewhat higher or lower than a stated benchmark allocation, as specified on our website. Contributions made during periods of weakness can grow strongly when markets recover.

As CareSuper's track record demonstrates we add return and reduce risk over time by actively managing these asset allocations within stated ranges, members should take some comfort from this and the actions we take on behalf of members across the investment program.

When share markets are volatile, we do find that some members ask this question. We suggest members think about making material changes in their investments seek advice and consider the full range of possibilities as such a decision is not straight forward. There are advantages and disadvantages of moving to Cash, even when the outlook appears that it might hold challenges for share markets. Superannuation, even when drawing from a pension account is a long-term investment and attempting to time markets is extremely difficult.

The main challenge arises from the fact that investment markets anticipate. Across the superannuation industry it is common to find that members move out of riskier options that include more shares, after they have seen markets fall, then remain in Cash, missing out on the recovery when markets start to rise. This reflects an often quoted, "conventional wisdom" of investing, that it is difficult to time short term moves in markets. Members can find themselves worse off.

We always encourage investors to remember that super is a long-term investment and investment cycles with some ups and downs are normal parts of investing.

CareSuper offers seven diversified and five asset class options including cash as well as the direct investment option which includes term deposits to enable members to invest their super in a way that matches their risk appetite and members can switch options if they are not comfortable with the way their option/s are performing. Seeking advice can assist members to be confident about the way their super is invested. Members are often more assured in taking a long-term perspective when they know their investments are not higher risk or even lower risk than really suits their personal circumstances.
CareSuper members have access to financial advisers at no additional cost as it's included in the membership fees. The adviser can assess the member's tolerance to risk and their investment timeframe which will determine the individual risk profile. The adviser can then recommend an appropriate CareSuper investment option or options for the member's specific situation and needs.

We also have financial advisers who can consider members' broader circumstances, including assets inside and outside of super and this is offered at a fee for service.