

Aware Super Pty Ltd

ABN 11 118 202 672

Annual meeting of members

Held via live stream commencing at 4.00pm (AEDT)

Wednesday 5 December 2023

Presenters

Richard Exton – MC & Chief Technology Officer (CTO)

Samantha Mostyn – Chair

Deanne Stewart – Chief Executive Officer (CEO)

Damian Graham – Chief Investment Officer (CIO)

Q&A panel

Samantha Mostyn – Chair & Director

Deanne Stewart – Chief Executive Officer

Damian Graham – Chief Investment Officer

Extended panel

Tim Elliott – Chief Financial Officer (CFO)

Sarah Forman – Group Executive, Advice (GEA)

Steve Travis – Group Executive, Member Growth (GEMG)

Jo Brennan – Chief Operating Officer (COO)

Shaun Martin – Head of Information Security

Peter Hogg – Head of Advice

Attendees

Frances Borg – Auditor, Deloitte

Esther Conway – Actuary, Mercer

Board members

Roslyn Ramwell – Director

Stewart Little – Director

John Dixon – Director

Pip Carew – Director

Philip Moffitt – Director

Antionette Masiero – Director

Patricia Faulkner – Director

Jocelyn Furlan – Director

Leigh Clarke – Director

Angela Nigro – Director

Executive

Steve Hill

Jo Brennan

Katrina McPhee

Jane Couchman

Ian Pendleton

Minutes of the meeting

The Minutes comprise a summary of key aspects of presentations, questions and answers.

1. MC Welcome and Introduction

Richard Exton, the CTO for Aware Super and MC for tonight, welcomed all to the 2023 Annual Members Meeting.

The MC advised the meeting was being held live online. By hosting the meeting online, the format allowed members from across Australia to join.

The last financial year was a significant one for members of Aware Super and it was a year that culminated in a market leading investment result which members would hear more about from the CEO and CIO.

It was also a year in which Aware Super completed the largest digital transformation project undertaken in the Australian superannuation industry. To provide some perspective, around one million members were moved from an external administrator into a purpose built, new digital system that Aware Super owns and controls. Members would hear more about this project from the speakers tonight and what it means for members.

The MC introduced the panel and speakers for this evening's event.

The MC advised the speakers were:

- Sam Mostyn, Chair of Aware Super, who will provide an overview of the Funds' performance in FY23 and share her impressions after nine months as Independent Chair of the Trustee Board.
- Deanne Stewart, CEO, who will speak in detail about the Funds' work during FY23 and to date.
- Damien Graham, CIO, who will provide a summary of how Aware's investments performed in the last financial year and some of the factors influencing the markets in FY24.

Following the three speakers, a Q&A session would be held with the Chair, CEO and CIO joined by an extended panel of Aware Super executives and subject matter experts.

The MC advised, in addition to the extended panel, he wished to recognise the executive team, auditor, actuary and other directors who are also online.

An explanation was provided on how to submit questions online, noting as many questions as possible would be answered during the Q&A session. However, any questions missed would be addressed by publishing the answers on the Aware Super website by 5 January 2024 at the latest.

The MC advised questions of a personal nature were unable to be answered nor was it possible to provide financial advice related to an individual member's account. Throughout the evening shortcuts to access information would be provided which may be useful in answering any questions.

A live feedback survey was available during and after the event. The MC noted all questions and comments would be carefully read and used to improve future events held for members.

The MC then introduced the Chair of Aware Super Board, Sam Mostyn.

2. Chair's Welcome

The Chair welcomed all to the 2023 annual member meeting, noting this was her first annual member meeting as Chair of the Aware Super Trustee Board.

The Chair advised it was a wonderful privilege to join fellow directors on the Board, with all Directors appreciating the profound responsibility that members had entrusted to the Board to grow and responsibly protect their retirement savings.

The Chair provided the following address:

'After many years in executive and non-executive roles, I believe that we need to aspire to something higher than simply governance and that is stewardship. We must always question and challenge the decisions of the Aware Super executive and leadership team. We do that respectfully and constantly ask the question, is this the right thing for our members? I often judge our performance by asking myself, would a member sitting in the room with us today be proud of how we conduct ourselves. I like to think the answer is always yes. This to me is at the heart of what makes good stewardship.

We have seen too many failings of governance in the history of corporate Australia, some famous, but

all with potentially devastating consequences for workers, families and communities. Companies have the right to make a profit and your superannuation benefits when they do. But they must do it in a way that is sustainable, legal and subject to the scrutiny of good governance. Aware Super is your fund and it is my expectation and my commitment to you that your fund would also be governed and steward to the highest standards that you deserve.

As your Chair it is vitally important to me that every member of the Aware Super team understands the very real challenges all our members face every single day. In my first months with the Fund, I have been honoured to meet with and listen to our members right across the country. I have also spent time sitting alongside our dedicated member support team as they have fielded your calls seeking our help, guidance and support on your individual journeys to retirement. It is vital that we listen to your feedback to make sure we are focusing on the things that matter the most to you.

Tonight, I want you to know that your feedback is heard. It is discussed at the board table, but more importantly drives the work we do to deliver the performance you need from us. Whether that is through investment returns, keeping fees low, making it easier to do business with us or just getting your questions answered. We have heard you tell us about the challenges you have been faced with during the past 12 months. Families across the country have been pummelled by a cost of living crisis that has carried on for more than a year.

I am sure we all welcomed last week's news that inflation might be starting to plateau in Australia. But it is also completely natural that in these times we are becoming focused on more immediate financial stresses. That is why it was so important that someone you trust is taking care of your super, protecting your retirement and helping to set you up for your best possible future. I really hope that tonight's update can help give you the confidence that you are looking for and we want to give you.

For the 2023 financial year, I am very pleased to report that we delivered a 10.7% return for our high growth option. This is our largest option and is the option where most of our members under 55 years old are invested. Our default pension option, conservative balanced, returned a very healthy 7.6% for the same period.

We are always pleased when we deliver great results, but it is not the one year result that matters the most. Our CIO, Damian Graham, will speak more extensively about our long-term investment strategy tonight. If you do have questions on this topic, please ask them via our form this evening.

One final comment I would like to make relates to the increasingly significant impacts of climate change on our environment and our way of life. The impact of climate change has been directly felt by more Australians than ever before. We have seen in more recent times the very real financial impact of a changing climate, which can be devastating for individual families and communities. It can threaten the quality of retirement for every one of you and what every Australian deserves to look forward to. Aware Super has been a leader in the Australian superannuation market, recognising the stranded asset risk posed by thermal coal assets and excluding these types of companies from our portfolio for several years.

We know there is much more work to do as these are not easy problems to solve and there are no quick or convenient solutions. However, there is progress being made both within our portfolio and around the world. The CIO will provide a more detailed update on some of this progress from the past financial year which members online would be interested to hear about.

Finally, it is important to say a heartfelt thank you to all of you, our members, and the many stakeholders who continue to support Aware Super as well as my fellow Directors, the executive and leadership teams of Aware Super and the many hundreds of our employees who come to work every day passionate about helping you achieve your best possible retirement.'

The MC commented it has been wonderful to have Sam Mostyn come on board as Independent Chair this year. Some of our members online will be aware you have had quite an extensive and varied career prior to joining the Aware Super Board. You were an advisor to former Prime Minister Paul Keating who introduced the superannuation system as we know it today. You have also spent time working in corporate Australia serving on the AFL Commission and most recently, chairing the Government's Women's Economic Equality Taskforce.

The Chair shared h s o r s o i s i n e

The MC then introduced the CEO, Deanne Stewart.

3.

The CEO thanked all for dialling in for this year's Annual Members Meeting. On behalf of the whole of the Aware Super team, the CEO thanked all members for entrusting us with the honour and privilege of protecting and growing your retirement savings. As a profit-for-member Fund, we have one goal in mind and that is to help you prepare for and then live your best possible retirement. Retirement is a deeply personal matter and whilst some members find retirement simple and straightforward, many others find superannuation quite complex, hard to navigate and at times overwhelming. That can erode their confidence in what retirement should be and what the future holds. Today, I wanted to share with you the three vital areas we have been working on over this past year to be the strongest partner we possibly can be to help you on your way and through retirement.

The first and most fundamental role we need to provide for you is delivering the most consistent and the strongest possible super returns, both during the accumulation phase while you are still working but also once you are in retirement. We also need to make the whole process as super simple as possible so that you can do what you want when you want and as immediately as you want. We also need to be super helpful by providing the right help, guidance and advice whenever you need it.

The CEO spoke to Aware's commitment to providing members with the strongest possible investment returns over the long term and provided an explanation of superannuation as a long-term asset. An overview of Aware Super's award winning lifecycle default fund was provided.

The CEO shared the following examples of how Aware has delivered to members over the past year:

1. We have heard from many thousands of our members that you want more socially conscious investment options. We have expanded the range to include a high growth socially conscious option which sits alongside our balanced socially conscious accumulation option. We have also added two new socially conscious pension investment options which now gives you choice of socially conscious investment strategies for whatever your personal risk appetite may be. Just yesterday our commitment to being

a responsible investor was recognised by the Responsible Investment Association of Australia which named Aware Super as a Responsible Super Fund Leader in 2023. As a responsible owner, we aim to generate strong returns for our members, done in a responsible way. Alongside this we have also launched a range of low fee index funds that charge some of the lowest fees in the market today. A final product change is on our insurance side where we have updated our insurance offering to provide you and your family the right protection at the right price and at the right stage in your life. Through our partnership with insurer TAL, we can also give you and your family members access to more health and well-being services. One of those is around mental health assistance at a time when we know that access to mental health practitioners in the community can be incredibly hard to access. We can assist you find a mental health professional within 10 days. I also want to flag these servi m

example, global shares delivered some of the better returns while bonds were under pressure as central banks reset market expectations around where interest rates might eventually peak. We expect short-term ups and downs in markets and it is a normal part of investing, but diversification can add resilience to your long-term savings.

Moving on to how your investment portfolios look, the charts we are providing now represent our most popular diversified options and show how your money is invested across the different asset classes. In our high-growth options there are higher allocations to investments, like shares and private equity otherwise known as growth assets. In our more conservative options, typically those used by members nearing or in retirement, we adjust the mix and include more investments in defensive assets like cash and fixed income. Understanding our typical member life cycle and what they need from their super investments at different points in time helps us to build the appropriate asset mix to deliver those returns over the long term.

I highlight our approach is not 'set and forget'. We also reflect on how we can best evolve our portfolio as an approach over time, particularly as we grow in size. You may have read recently that we have opened an office in London. This is a really exciting development in our approach as it means we are able to get closer to a greater range of opportunities offshore to help deliver the returns you need over time. We are also committed to bringing more of our investment activities in-house and that is for two key reasons.

Firstly, by being closer to our investments, we have a better position to influence and drive change to help realise greater value. Secondly, we are able to reduce the fees we pay to external investment managers and that translates to lower investment fees for you over time and better returns. We remain committed to building a diversified portfolio that focuses on the long term, but one that has the flexibility to respond to market trends and evolve as we grow.

Looking back on the year in markets, the 2023 financial year ended with most markets in a favourable position yielding better returns and many investors predicted from the outset. Despite challenges such as rising inflation, rising interest rates, geopolitical unrest and the collapse of two regional US banks, the results were positive for most asset classes.

On screen, you can see a chart of the MSCI world index which represents global share movements for the 2023 financial year. Around September you will notice the markets drop quite quickly. This was in part because investors were still uncertain about the economic outlook and how much interest rates would need to rise. As investors began to focus more on the eventual sustained pause in interest rates, we saw an overall rise in global markets.

Moving to how this impacted your super returns, it was a good year for most of our members, with positive returns across most options. Whilst we are really proud of our returns for the year, we understand this is just a short period in your super investment horizon. Looking to the longer term periods is important as your super is a long-term investment. On this chart we have shown your 10-year average return to 30 June of 2023. You can see that your returns over 10 years are above the median returns for comparable funds and this is true for both our high growth option in accumulation and the conservative balanced option in pension. When you think about your lifetime return in super, seeing strong long-term returns is important as it evens out any abnormal years and it is the returns that reflect a steady growth in your super balance over time.

Looking ahead, there are some key things we are monitoring. We saw solid economic growth in the first half of this calendar year, but this has slowed down in the second half. We expect this slower growth to continue into 2024 as higher interest rates start to take a greater effect. We also believe that interest rates are likely to be higher for longer and this means that economic growth returns for some investments like shares might not be as strong as they were when interest rates will lower.

The question now is whether it will just be a moderate slowdown or in fact will we see a recession. We anticipate some further market volatility in the short term given this backdrop but we are well placed to navigate through any short term movements with a robust diversified portfolio. I hope I've provided you reassurance tonight that your portfolio is strategically positioned for the long term to build your super over time. It is a great privilege to oversee a large team of investment experts working on your retirement and we take this responsibility very seriously.

The MC thanked the presenters.

5. Audience Q&A

The MC introduced the Q&A panellists and the extended panel.

Members who had already provided questions were thanked, with members online reminded of the format for submitting questions.

Q: In relation to the investment in the village retirement in Keyton as mentioned in the CIO update, is there a longer term opportunity there?

A from the CIO: As stated in my update, we definitely see a fantastic long-term opportunity for retirement village assets. The aging demographic is such a powerful one in Australia and will continue for many years. Investing in that sector gives us a great opportunity to grow a very valuable asset and to become one of the largest providers of retirement village services in Australia. This is largely where we are today, so a really exciting opportunity and one that we think is strategically important to our members to deliver those great long-term returns.

Q: Why does it take several months for Aware members to receive their statements. One member has actually stated their statement which ended at 30 June 2023 wasn't received until mid-October this year?

A from the CEO: I really appreciate this question and certainly the statements this year did take a bit longer than normal as we were going through this really significant digital transformation and moving from the external administrator to in-house. That was certainly part of the delay. Now we have everything in house we aim to do this a lot quicker. I would add statements cannot be delivered immediately after June 30. From both a regulation and a compliance perspective, there was a need to ensure everything is accurate in the final statements issued to members. There are some investments (for example some of our unlisted assets like private equity) which do take longer to receive the right information on investment costs and fees. I would use the opportunity to let members know the information is now live from June 30/July 1 and if you want to check out your own individual balance or how many units you have, that information is all available online immediately.

Q: Will Aware Super use its vote as a shareholder of Woodside and Santos to vote against all directors

A from the CEO: We will use our vote as a shareholder of Woodside and Santos to vote against all directors if we believe that is in the best interests of our members. We will also use our vote to support the directors if we believe that is in the best interests of our members.

However, Aware Super may from time to time look to actually invest in some assets in Victoria. A good example is VicRoads where Aware Super has invested and is a major shareholder, with good long term returns at the right risk profile for members.

process which has taken some time with the different mergers and the acquisition. Aware Super has had several different systems, products and websites through the transformation, however, these have all been brought together. It is now easy for members to access their multiple accounts all on the one website.

As a result, we have been able to reduce fees, particularly those in the pension phase, and also significantly on the investment fee side as we have

producing advice. This is a broad summary in terms of where the fees lie for services

Q: Is it mandated for the Board and Executive to have their own super invested in Aware Super and to what extent?

A from the CEO and Chair: No, it is not mandated and I am unsure such a mandate would be legal because we would be giving financial advice as an organisation. I can confirm in conversations held and the information we track on our advocacy, there is immense pride in the Aware Super fund and the majority of our Executives, our team and our Board are invested in the fund.

This year we have also started tracking an 'employee net promoter score'. This tracking will provide information to gauge the strength and degree to which our employees advocate for the Aware Super fund and whether they would recommend it to their family and friends.

Q: I noticed early this year, Aware created an investment option for indexed high growth. How will this option, after fee performance, compare to the existing option?

A from CIO: Yes, we did introduce a number of different investment options. One was the high growth indexed option which invests in typically indexed sector strategies. I would highlight we believe that it is a strongly performing fund and it is targeted towards delivering strong returns in the high growth area. At times it will either outperform or underperform against the broadly based My Super High Growth because it does invest in different styles of assets, being index focused or lower cost. The best answer to provide, is over time we will deliver its return objective and at some points in time it may underperform given the dynamics of the market and sometimes it may outperform. However, importantly on the long-term outcome, we believe it will deliver its objective.

Q: What is Aware Super doing about the government's forthcoming mandatory climate disclosures in its corporate reporting?

A from CIO: Our fund is very focused on ensuring that we are meeting our duties with regard to responsible ownership and climate is a critical part. Aware Super, for a number of years, has focused on ensuring we deliver outcomes or reporting aligned to the TCFDs or dine

receiving very positive feedback from members.

For some members though, as we progressed our transformation, the service offered around death benefits was extended during the time in changing from an external administrator to in-house. There was some backlog and I offer my apologies to members and any online if you were impacted. I am pleased to say the backlog has been addressed and there is a much more reduced time period, however, the process does take time. I would request, if you have an opportunity, please complete a non-lapsing binding nomination as it certainly makes the process a lot easier for your loved ones.

Q: Can we provide more detail on how some of the recent changes talked about tonight actually translate into member benefits?

A from the CEO: I will provide a few practical examples of real tangible benefits for members which is at the heart of the digital transformation. I reassure you the process was undertaken for one reason which was to make it as easy as possible for our members. A good example is that most of the processes, which previously were paper based and could take days or sometimes weeks to process, for the members to transact have now been digitised. The majority of those transactions, in fact 97%, are now digital and most are immediate, which is an improvement for members.

A second example of real benefit for members is we are receiving very positive feedback on matters such as the digital support and advice provided, like the My Retirement Planner or the ability to immediately book online an appointment with a planner. These items have provided significant benefits for our members.

The final example from a benefit perspective with the digital services and our upgraded insurance offering, is members are now able, if they want, to top up their insurance, cancel their insurance or view the progress of their claims. This is all available online and leading the way in the market, It is a positive step forward in minimising the time taken for claims or dealings with superannuation benefits. I think we are really proud of what has been achieved with members now able to access up to date information online.

Q: Why do we always talk about super being long term in response to complaints about growth. The member feels this is not relevant to him as he is reaching preservation age.

A from CIO: We talk a lot about growth assets and growth and how important it is to be long term in our focus. When you are investing in super, you may be working for 40 or 50 years before you retire. You are