

ACTIVE SUPER 2022 ANNUAL MEMBERS' MEETING MINUTES

Held at The Auditorium, Parramatta Square Business & Events Centre, 4 Parramatta Square – 12
Darcy Street, Parramatta and by webinar on Thursday 9 March 2023 at 5.30pm – 7.00pm

Presenters: Kyle Loades, Chair & Independent Director

Phil Stockwell, Chief Executive Officer

Craig Turnbull, Chief Investment Officer

Moya Yip, Head of Responsible Investment

Chantal Walker, Chief Member Experience & Growth Officer

Lisa Judge, Manager, Member Advice & Education

Present: Karen McKeown, Deputy Chair & Employer Nominated Director

Claudia Bels, Independent Director

Declan Clausen, Employer Nominated Director

Greg McLean, Member Nominated Director

Gordon Brock, Member Nominated Director

Nathan Hagarty, Employer Nominated Director

Sandi Orleow, Independent Director

Donna Heffernan, Deputy Chief Executive Officer & Company Secretary

Andrew Gledhill, Acting Chief Products & Retirement Solutions Officer

Peter Gilmore, Chief Financial & Commercial Officer

Bart Kula, Acting Head of Risk

Rita Da Silva, Ernst & Young (External Auditor)

Richard Boyfield, Mercer Consulting (Fund Actuary)

Apologies: Craig Peate, Deputy Chair & Member Nominated Director

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The meeting commenced at 5.56 pm Australian Eastern Standard Time.

1. Welcome

Ms Lisa Judge, Manager, Member Advice and Education welcomed members and other attendees to the Active Super 2022 Annual Members' Meeting and made an acknowledgement of Country.

Ms Judge spoke to the following matters:

- noted that the annual members' meeting provides an opportunity for members to hear from the Active Super Board and Executive Team and ask questions
- noted the agenda and format of the meeting and provided instructions on how to ask a question during the meeting
- noted that the presentations contain financial information and performance results to 30 June 2022 and that financial information relating to the 2022 financial year can be found in the latest annual report available on the Active Super website
- highlighted that the presentations will contain factual information only and that financial advice relating to a members' specific circumstances is not able to be provided
- advised members they should consider personal tailored advice prior to making financial decisions.

Ms Judge introduced the Chair of the Board, Mr Kyle Loades.

2. Chair Address

The Chair spoke to the following matters:

- acknowledged the members physically at the meeting in Parramatta and those online
- noted that it is the first time the annual members' meeting has been held in Parramatta
- acknowledged how important the roles of local government and councils are in the community, and thanked employees and members in those roles presently or in the past
- acknowledged his fellow directors in attendance, the composition and diverse experience of the Board, and the appointment of Nathan Hagarty, Employer-Nominated Director
- noted that the Executive Team and many other staff are present
- acknowledged that Richard Boyfield, the Fund's actuary from Mercer, and Rita Da Silva, the Fund's external auditor from EY, are in attendance
- highlighted the success of the rebrand from Local Government Super to Active Super in attracting new members from across Australia and driving growth in member numbers
- provided an update on the progress of the merger discussions and activities with Vision Super and highlighted some of the benefits a merger can provide to members
- thanked the Board, Executives, and staff for their ongoing support
- thanked and acknowledged Shareholders for their ongoing support
- acknowledged that the Fund is celebrating 25 years this financial year
- thanked members for their ongoing support and for trusting Active Super with their superannuation and retirement savings

The Chair introduced the Chief Executive Officer (CEO), Mr Phil Stockwell.

3. Chief Executive Officer (CEO) Address

The CEO spoke to the following matters:

- welcomed and thanked everyone for attending the meeting and for their patience with technical difficulties

- acknowledged that the meeting is a great opportunity to provide an update on the achievements of the Fund, meet members and answer member questions
- noted it is his fourth annual members' meeting, and thanked new and long-term members for their support
- provided a snapshot of the Fund and highlighted that Active Super is a profit-to-member industry super fund and manages \$13 billion on behalf of 81,000 unique members
- acknowledged that it has been a busy year with challenging financial markets and a rapidly changing industry structure
- highlighted that Active Super's objective and focus is to deliver strong outcomes for members
- noted that achievements across four focus areas will be shared: the focus on investment performance and delivering that in a good value way, the focus on investing responsibly, the focus on continuing to improve service and support available to members, and the focus on retirement and retirement income and helping members make better financial decisions so that when they retire, they have the maximum amount

Strong long-term investment performance

- acknowledged that the 12 months to 30 June 2022 was a tough year in global financial markets which translated into performance
- noted that markets have improved since 30 June 2022 and long-term investment performance remains strong
- the Fund passed APRA's MySuper Product Performance Test 2022, the Account-Based Pension product was rated platinum by ratings agency SuperRatings, a AAA rating was received by Rainmaker for the Accumulation Scheme and Account-Based Pension, and a Canstar 2022 Outstanding Value Superannuation Award was received

Responsible investment

- emphasised the Fund's long-standing support of investing responsibly
- highlighted that Active Super was recognised as a Leader in the Responsible Investment Association Australasia (RIAA) 2022 Benchmark Report, ranked in the top 2 best performing ESG funds in Rainmaker's 2022 ESG Leaders Rating, and the shopping centre portfolio ranked No. 1 in the 2022 NABERS Sustainable Portfolio Index

Enhanced service, support and digital experience

- noted that a high-level of face-to-face member and employer service and support was maintained during the year, through the inhouse contact centre, Client Relationship Managers and Financial Planners
- reported that member and employer satisfaction levels are at healthy levels
- the member digital experience continued to be evolved as more members choose to interact with Active Super online
- multi-factor or two-factor authentication is in place to ensure good cyber security and protection on member accounts

Helping members prepare for a comfortable retirement

- noted that helping members prepare for a comfortable retirement is a key function of the Fund
- the Account-Based Pension product was rated platinum by ratings agency SuperRatings
- the Retirement Covenant, outlining Active Super's retirement strategy, is published on the Active Super website
- to further the retirement strategy, face-to-face retirement seminars have recommenced, and a new partnership is being developed to help members maximise Centrelink entitlements

The CEO:

- acknowledged and thanked the Board, Executive Team, and staff for their hard work and ongoing service for members
- acknowledged and thanked Shareholders for their ongoing support
- thanked members for continuing to trust Active Super to manage their superannuation, insurance, and retirement savings.

The CEO introduced the Chief Investment Officer (CIO), Mr Craig Turnbull.

4. Investment Update

The CIO spoke to the following matters:

- acknowledged that it was a tough year for super with average losses across the industry of -3.3% for Balanced options
- provided context on the factors contributing to the losses including high inflation, the war in Ukraine, and rising bond yields
- presented a chart of Accumulation returns for three different periods, demonstrating that returns for all blended options for the year are down to between -2-3%, five-year returns are positive, and ten-year returns are positive and well above inflation
- presented a chart of the Account-Based Pension returns for three different periods
- presented a chart of Defined Benefits returns for three different periods
- highlighted that returns have improved this financial year and long-term returns are positive
- noted that super is a long-term investment and presented a long-term chart of the Australian share market showing that the market tends to recover from downturns and trends up over time as the stock market is driven by the growing economy and rising company profits
- presented charts highlighting that Active Super invest in a diversified portfolio to try and reduce the impact of downturns, and demonstrating that returns differ by asset class with returns for Bonds, Listed Property, Australian Shares, and International Equities down last year, and returns for Direct Property, Private Equity and Private Credit positive last year
- shared examples of Active Super Private Equity and Infrastructure investments, and emphasised that many investments in the portfolio are not only giving good returns but are also doing good things for the environment
- noted that in terms of the outlook for investments, there are still a lot of economic challenges to contend with including rising inflation, higher interest rates, increased cost of living, supply chain pressures, the war in Ukraine, and the prospect of a mild recession
- thanked members and introduced Ms Moya Yip, Head of Responsible Investment

5. Responsible Investment

The Head of Responsible Investment, spoke to the following matters:

- highlighted that investments are assessed for their ability to deliver strong returns and for Environmental, Social and Governance (ESG) risk, which is a holistic review of risk not just financial information
- noted the Fund's approach to responsible investment includes both ESG integration and active ownership. ESG integration encompasses aspects like negatively screening out companies considered harmful to people and the planet and investing in positively themed assets such as solar farms and wind energy. Active ownership means engaging with companies on issues we care about like climate change risk, proxy voting at the Annual General Meetings of investee companies and disclosing Proxy Reports and voting intentions on the Active Super website
- noted that fund managers are ranked using a proprietary ESG risk model and these rankings are correlated with returns which demonstrates Active Super's belief that managers with good

responsible investment capabilities are more likely to deliver long-term sustainable outperformance over time

- provided examples of positively themes assets including green bonds that finance things such as renewables and aged care facilities, green transport solutions and affordable housing projects
- reported that good progress has been made on the Fund's pathway to net zero carbon emissions by 2050

The Head of Responsible Investment thanked attendees for listening and introduced a video showcasing the Super View interactive tool before handing over to Ms Chantal Walker, Chief Member Experience & Growth Officer.

6. Our Member Focus

The Chief Member Experience & Growth Officer, spoke to the following matters:

- welcomed members and apologised for the delayed start to the meeting due to technology issues
- highlighted the various ways in which members can contact Active Super
- highlighted improvements made to member services during the year including that general advice is now offered through the contact centre, operating hours have been extended, and the Sydney, Newcastle, and Wollongong offices have re-opened for walk-in appointments five days a week
- two-factor authentication has been introduced on all accounts and the Active Super App to improve security and help keep members safe online
- noted that a new Newcastle office was opened, the Wollongong Office was refreshed, and staff operate out of satellite offices in Orange, Ballina, and Wagga Wagga
- reported that Client Relationship Managers engaged with over 6,000 members during the year at seminars, workshops or in one-to-one meetings, and that the Financial Planning team held over 4,000 meetings with members to ensure members can live their best lives in retirement
- highlighted that a new service called Active Super Booster was launched providing members a way to earn financial rewards, in the form of payments into their super account, on eligible spend at partner retailers

The Chief Member Experience & Growth Officer thanked members and encouraged them to remain active with their super and to contact staff if they have any questions relating to the services and support discussed.

Ms Judge introduced the question and answer session as an opportunity for members to ask questions relating to the Fund and superannuation in general. Ms Judge thanked those members that submitted questions with their registration and advised that the themes of those questions were integrated into the presentations where possible. Ms Judge advised that members who submitted questions relating to their personal situation will receive a direct response.

Ms Judge provided instructions on how to ask a question and reminded members that questions relating to personal situations cannot be addressed at the meeting and that the Member Care Team can be contacted for assistance.

Ms Judge welcomed the presenters back to the stage and opened the question-and-answer session.

7. Question and answer session

Ms Judge commenced by addressing some pre-submitted questions.

Ms Judge: Please explain to the AGM how Active Super investment returns have performed against industry fund benchmarks over the last 1 to 10 years.

Chief Investment Officer

The 10-year return for Active Super's Balanced option is ahead of the median fund (7.51% vs the median of 7.50%). The Active Super Board has a desire to see our products ranking slightly higher against peers, noting that it can be difficult comparing individual funds due to funds having different levels of risk. At Active Super, we try to take a diversified approach with low volatility, which gives us a good risk adjusted return. The Investment Committee and Investment Team are committed to always working hard to improve outcomes for members.

Ms Judge: When will Active Super truly become a leader in sustainability by divesting from fossil fuel investments?

Head of Responsible Investment

The Fund has a long history in sustainable investment and responsible investment having identified climate change risk very early, and because of that, it has a low carbon footprint, a much smaller carbon footprint than most superannuation funds. We apply a very nuanced approach with careful assessment of companies, and some are involved in the transition. What I mean by the word transition is that we are going from a high carbon economy to a low carbon economy. We focus on and engage with companies in Climate Transition Action Plans and of course, if we don't see action over time, then of course that may become a case for divestment of that particular company.

Ms Judge: How would you go about regaining the No.1 position in Money Mag for best ESG Super Product?

Chief Investment Officer

Thank you for the question. Our objective is to deliver strong long term investment returns to members using responsible investment and to try to reduce the ESG risk in the portfolio as much as we can. So, while it would be nice to be awarded the No. 1 position, it's not the main driver of what we are doing – it's more about delivering strong returns using responsible investment.

Ms Judge: Have there been any changes and what is the forecast on this front going forward on fees charged by the Fund?

Chief Executive Officer

That's a good question because fees are important to everybody. At Active Super, we strive to be a good value-for-money fund, and so as a profit-to-member industry super fund, all of the expenses that we have are translated through to the fees that you pay. And we are always looking for ways that we can reduce those expenses and drive that through to fees. I think the question related to what we have done in that area. During 2021, we reduced the administration fees on some of the accounts and completely eliminated the switching fee so that you could switch between accounts without paying an additional fee. And the 30th of June last year, from that date we eliminated a couple of fees that related to where families were going through separation situations. So, I'd like to emphasise that we are continuing to look for ways that we can reduce fees. I think the question relates to forecasts. As Kyle mentioned, as you grow and you get more scale, you can operate more efficiently and when you

operate more efficiently, that comes down through to fees as well. So that's what we are striving to do. Active Super is committed to delivering value for money to our members.

Ms Judge: Phil, we have had a question through the broadcast in relation to fees as well. The question relates to how we compare to other funds. Would you like to address that? 'How do we compare to other funds?'

Chief Executive Officer

We strive to be good value. We have a strategy which we have outlined tonight which involves an active investment style. We also deliver a high level of services. So, both of those things translate into expenses for the fund. And, when you look at our fees, relative to other funds, we're not the lowest cost fund because we do those things and it's important, we think it's very important to provide good services and the active investment style that we go to. We show the comparison to peers in our Member Outcomes Statement which is published annually on the website. It really does depend on what product you're in and so forth. But generally speaking, because of the active approach we take and the strong regional service delivery, means that we're not the cheapest in the market but we certainly strive for good value

Ms Judge reminded online participants that questions can be submitted via the ask a question function and continued to take live questions.

Q: 'I'm just wondering whether cyber security is a problem when you consider the likes of Optus and Medibank Private?'

Chair

I'm going to hand over a bit of the detail on this to Phil. From a governance point of view, and from a risk management point of view, cyber security is one of the worldwide and national biggest risks to manage and it's right up there in top of, at board level, of identifying the risk and there's a lot of detail about how we manage that. The Board recently took part in the scenario testing of a significant cyber-attack and how we manage that, and that's best practice at a board level all over the nation. I'm very comfortable with our preparedness, but I'm also uncomfortable in that the dark side, these people like the Darth Vader's of the world are really smart and innovative, and they are always going to try and have a crack. So, if you think you have it perfect today, it changes tomorrow, so we need an ongoing risk management system in cyber of continual improvement. I want to ensure yourself and all the members here, and Claudia Bels our Risk Committee Chair is here, that it's right there in identifying that risk to manage. I'm going to hand over to Phil to go into a bit more detail, but I just want to ensure you that at a board level, it's one of the most important things on our minds.

Chief Executive Officer

I'll go a little bit more into some of the things we do and also some of the things that you can do as well more generally. As Kyle said, it is such an important topic right now and will continue to be going forward. And so, we have had to increase our investment and our time and our education in making sure that the standards are as high as they can be and we're looking after not only security in terms of the cyber security, but also data privacy more broadly. Kyle mentioned some of the things we are doing, for example, having scenarios from a what if something did happen, what actions would we take to protect our members.

Q: 'Is it government backed if something like that happened?'

Chief Executive Officer

I couldn't really answer that question, I don't believe anything is. What I'm referring to is preventing unauthorised access to your accounts and making sure that your data is secure. We also work with third parties, so your accounts are administered by a third-party, and we look at their security and

ensure that their security is strong as well. We talked about two factor authentication or multi-factor authentication when you are logging into your account, and that's an important barrier to make sure that it's you that's logging into the account. And there's a whole range of other things that we do internally like continually training staff because a lot of these events start with relatively simple issues. So, somebody who gets an email and clicks on a link and then something infects your computer in the same way that it affects you at home. And so turning to what you can do to protect yourself from cyber security and from these sorts of situations, and we've held seminars on this for members so we are trying to help educate and make sure members are well equipped to deal with this as well, and it's the sort of stuff you hear about and it sounds simple but it's making sure you have really strong passwords that are not shared with anybody and are difficult for these algorithms and machines to hack into. It's making sure that you don't click on those links, and that you are aware of the sorts of things, that anything could be sent to you, and if someone rings you making sure that you call back and you are making sure that if someone approaches you that you are actually talking to that organisation. And so, there's a whole range of things we're doing to ensure that we're doing as much as we can to prevent those sorts of breaches.

Q: 'I have a binding nomination in place. Should I die, is there any delay in the pension being transferred over to my wife?'

Manager, Member Advice and Education

We can address binding nominations generally as it as a factual question. So, the question from the audience was in relation to binding nominations and is there any delay from an administrative process if a member was to pass away.

Essentially, it's very important for members to have a binding nomination in place or have their wishes in relation to their super in place. And if there is a valid nomination at the time of a member's passing then basically the beneficiaries would then have the opportunity to contact the Fund and, at that point, we would discuss what is required, but we do have a team of people to assist and make the process as smooth as possible. There can be sometimes delays depending on the complexities of the situation and whether there's a valid nomination in place at the time, but it can sometimes take some time, but we do have a team of people here on the ground to assist you and make the process as smooth and as helpful as possible.

Q: 'If you don't have a binding nomination, what happens then?'

Manager, Member Advice and Education

If there is no valid nomination at the time of a member's passing it's a Trustee discretion and there will be a number of factors applied, but it's a Trustee discretion at the time as to what happens with your benefits and there are certain rules as to how a benefit can be paid and to who a benefit can be paid at the time of a member's passing.

Chief Member Experience & Growth Officer

We have a lot of forms at the back of the room with envelopes if you don't have yours up to date, we can help you with this this evening, to make sure that it is up to date if you haven't already done that already.

Q: 'Anyone who's worked in local government knows that the average age is much higher than other industries. As members retire, I'm assuming that they'll be drawing down more on their super balances, so I'm wondering merging with a Victorian super fund in a similar position, what will it mean to younger members who are going to be contributing while the Fund is sort of being drawn down?'

Chair

Whether we merged or not, it's the same scenario. You've identified how important it is to continue to grow and find new members possibly within local government but more likely beyond that across a whole range of different ages, and work experiences and industries. We are really excited by the merger because it automatically gives you a lot more strength but in the end that isn't good enough on its own. You have to be a fund good enough to not only look after the current members, but as you identify they are going to retire, so unless you are continuing to grow and find new members then it's going to get really challenging. So the solution to that means there's not one recipe for that, you have to have better than average, in terms of the superannuation and the advice you do, and all the basics, you have to manage your cost base, but you have to grow, so you have to retain as many members as possible and you have to find as many new members which then de-risks the scenario that you've identified. So that's been on our minds and in part as I mentioned earlier, the rebrand was in part to manage that risk, because the Local Government brand was incredibly strong within local government, but it wasn't incredibly strong in industries beyond that. So, part of our opportunity was to find a brand that could look after still the interests of local government councils themselves and their employees and our members, but also many industries beyond that and that's proven to be a successful strategy. Such a great question, thank you.

Q: 'I notice there's differential rates between men and women for both TPD and death insurance coverage. I'm wondering, in the spirit of equity, why they're different.'

Manager, Member Advice and Education

In relation to insurance, there are different situations with females and males, and it relates to the cover from the insurer as well. So, there are differences with males and females and longevity rates, and we will address that in complete detail within the minutes provided following this meeting.

This question is addressed in detail in the Questions and Answers document.

Q: 'What types of properties is the Fund invested in?'

Chief Investment Officer

Thank you for the question. Yes, we do manage a portfolio of properties ourselves with an internal team and that is properties in the range of \$50 million to \$100 million worth of value, its office properties, its shopping centres, its industrial estates, and we also invest in externally managed funds, one by GPT, one by Investa. And so, we have a whole range of different types of properties. Within the property area we don't have any residential at this point but there are other areas of the portfolio where we invest with managers who provide finance to residential developers. So, we are participating in that to some extent. And so, we have a good range right across the property spectrum.

Q: 'With another year of negative returns, currently -0.4% for the last month an 0.77% for the last 12 months, when the banks are paying 4.6% why should we put money in super?'

Chief Investment Officer

Well as we said, super is a long term investment and there are fluctuations along the way which can be painful, but we believe it's important to look at the long term where we expect the markets to trend upwards and while the return for the current 12 month period, it might still be negative, as we've shown tonight for the eight months of this financial year, we're showing good positive returns and we expect that the outlook into the future is going to be positive. That's what it's always been as long as our economy is managed properly, and our companies are doing well then, we expect that we'll get a positive return for you.

Q: 'Have you changed any investment strategies in response to poor returns due to COVID?'

Chief Investment Officer

Unfortunately, we weren't able to predict the COVID crisis, but there has been some changes really since the COVID crisis, which, as you remember it caused a fall in the market, which presented opportunities for us to make new investments to take advantage of those cheaper prices. So, we did that by increasing our investments to the share markets when the prices fell and that really resulted in very good returns for the financial year to June 2021, as you'll remember. And then it's turned down again since then. So, you know there was, firstly you know we were pleased that our defensive portfolios held up pretty well in that COVID period in that the market fell substantially and we still had a positive return for our Conservative and Conservative Balanced. And we were able to take some advantage of the cheaper prices for the next year.

Ms Judge announced that one more question would be addressed before the session closed.

Q: 'Does the Fund see any negative implications regarding the federal government's intention to raise the marginal tax rate on accounts above \$3 million?'

Chief Executive Officer

So, the question is are there any negative consequences. We're hearing about superannuation in the media a lot recently and I think that goes to just how important superannuation is to the economy and to all of us, and you know it's worth noting that the superannuation system in Australia is a world class system and really is the envy of around the world in terms of the system. Generally speaking, there has been quite a few changes over time. This one, it's very early. So, there's been some policy announced, it's very difficult to assess what impact that would have until you get into and actually see the specifics and details. But look I wouldn't anticipate that having any major consequence for us at Active Super.

Meeting close

Ms Judge reminded members that any questions not addressed during the meeting will be responded to within the minutes of the meeting which will be published on the Active Super website within one month. Ms Judge thanked members for attending the meeting.

The meeting closed at 7.11pm.