



# AWARE SUPER PTY LTD

ABN 11 118 202 672  
ANNUAL MEMBER MEETING

HELD VIA LIVE STREAM COMMENCING AT 5.00PM (AEDT)  
WEDNESDAY 24 NOVEMBER 2021

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## PRESENTERS

Katrina McPhee	)	Head of Strategy & Enablement and MC
Neil Cochrane	)	Chairman
Deanne Stewart	)	Chief Executive Officer
Damian Graham	)	Chief Investment Officer

## Q & A PANEL

Neil Cochrane	)	Chairman
Deanne Stewart	)	Chief Executive Officer
Damian Graham	)	Chief Investment Officer
Philip Moffitt	)	Chair of the Investment Committee / Director
Nicholas Rozario	)	Auditor, Deloitte
Frances Borg	)	Auditor, Deloitte
Timothy Jenkins	)	Actuary, Mercer

## DIRECTORS

Travis Bates	)	Director
Gabrielle Bell	)	Director
Glenn Bunney	)	Director
John Dixon	)	Director
Patricia Faulkner	)	Director
Jocelyn Furlan	)	Director
Antoinette Masiero	)	Director
Angela Nigro	)	Director
Roslyn Ramwell	)	Director
Naomi Steer	)	Director
Tom Symondson	)	Director
Paula Carew	)	Director

Apologies: Mark Morey, Director

**EXECUTIVE**

Jo Brennan	)	Chief Operating Officer
Tim Elliott	)	Group Executive, Finance, Strategy & Transformation
Sarah Forman	)	Group Executive, Advice
Steve Hill	)	Group Executive, People & Workplace
Debra Mika	)	Chief of Staff
Ian Pendleton	)	Group Executive, Legal & Company Secretary
Michael Dundon	)	Executive Consultant, Corporate Development
Steven Travis	)	Group Executive, Member Growth
Jane Couchman	)	Chief Risk Officer

## **MINUTES OF THE MEETING**

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

An Acknowledgment to Country video was played at the start of the broadcast.

### **1. MC Welcome and Introduction**

The MC, Katrina McPhee, Head of Strategy and Enablement welcomed all to the 2021 Annual Member Meeting (AMM). The speakers and panel of experts joining for the Q&A session were announced.

Members were advised to submit any questions online via the available form. These questions and those received before the meeting would be answered during the Q&A session.

The MC advised questions of a personal nature were unable to be answered nor was it possible to provide financial advice. Any queries on member accounts should be directed to the Service Centre.

### **2. Chairman's Welcome**

The Chairman, Neil Cochrane, spoke on behalf of all Trustee directors, of the privilege in being stewards of members' retirement funds with this responsibility taken very seriously.

The Chairman reflected on his comments at the 2020 AMM on the extraordinary year and again today in 2021, reflected on the ongoing challenges still being faced. Many members, as well as others, working in the front line in the response to Covid in health, education or emergency services, had made significant sacrifices to keep public services running and the Chairman thanked all for their tireless efforts.

The Chairman said the presentations tonight would share how Aware Super's commitment to members had been met through strong investment returns, product improvements, the right support and advice at the right time and the way investments were made.

The Chairman thanked all stakeholders for their support, the Board for their wise counsel and the Aware Super Team for their resilience and commitment to meeting members' needs.

### **3. Chief Executive Officer Update**

The Chief Executive Officer (CEO), Deanne Stewart acknowledged and thanked all those working each and every day to keep communities healthy and safe, children learning and essential services running.

The CEO provided an in-depth overview of the performance and comparison against the key areas of Aware Super's strategy including:

1. A strong investment performance, with the majority of members in MySuper products earning more than 18% over the year and a return of more than 10% over the past 10 years, making Aware Super one of the top performing funds in Australia.
2. To build scale and use for the benefit of members to lower costs and access unique investments opportunities as well as invest in technology and digital experiences to ensure members have easy access to super, services and support. Throughout the year, Aware Super has grown significantly, completing a merger with VicSuper and WA Super and was on the cusp of merging with VISSF. Aware Super closed out the financial year with more than \$148 billion in members assets and over 1,000,000 members, making Aware Super one of the largest and top performing funds in Australia.
3. Change of name to Aware Super, with a new national identity reflecting the continued commitment to making a positive difference for members, their communities and the broader economy. The move to one national brand would drive efficiency and value for member.
4. Ensuring Aware Super provided help, support and guidance to members and for members to feel confident about their financial future and retirement. A broad range of services were offered to members, including the award winning Aware Super App, and seminars and webinars covering a wide range of financial well-being topics. Advice services had been expanded, with a dedicated specialist advice team available including superannuation specialists and a dedicated specialist retirement team. In continuing to evolve the services provided, Aware Super also welcomed feedback from members.

*The members' comments video was played to hear what members had to say about Aware Super services and what they found of value.*

5. Superannuation and maximising member retirement savings by providing information, advice and ensuring the member held the appropriate investment and retirement product. Major changes were made to the main MySuper product design for Aware Super members, with an updated MySuper Life Cycle option. These changes would be available for VicSuper members from the next financial year.
6. The major transformation program called 'Catalyst'. Aware Super was investing in new technologies, with two simple goals being i) to make services profoundly simple for members with all transactions able to be completed online in the App and 2) to enable greater efficiency and lower the administration costs for members. This would place Aware Super in a unique position to lead the industry with the easiest and fastest service.
7. Regulatory changes during the year including the increase in the super guarantee contribution from 9.5% to 10%, Australian workers earning less than \$450 a month to be paid superannuation and improving the visibility of superannuation assets in family law proceedings. Another significant change was Your Super, Your Future reforms passed in parliament on 1 July 2021.

Aware Super welcomed these changes and supported the importance of transparency. Aware Super was one of the strongest performing funds in Australia and had passed the regulator test with the MySuper product.

As part of the commitment to transparency, enhancements had been made to the Annual Report with the 'Destination Net Zero' and 'Stewardship' reports added.

#### **4. Chief Investment Officer Update**

The Chief Investment Officer (CIO), Damian Graham provided details on four keys areas, together with a market outlook, as follows:

##### 1. Returns

- Returns for MySuper members over 23% for FY 2021 and more than 10% for the 10 years to 30 June 2021.
- Returns for the VicSuper members and the growth option for Aware Super members, with both returning above 18% for the 12 months to 30 June 2021 and long term returns above 9% per annum.
- Highlighted additional gains to retirement savings from being in a top performing fund compared to a median or average fund.

##### 2. Investment beliefs

Aware Super had five investment beliefs which were used daily to guide investment choices and were important to managing critical trade-offs in investment markets on a long-term basis. These five beliefs included:

- i. Good governance and transparency, as well as effective policies and procedures which were all critically important for making decisions in the best interests of members.
- ii. Responsible ownership by blending how to invest for members and achieve strong long term returns whilst benefiting the broader community where members live, work and retire.
- iii. Long term mind set and advantage of being a long-term investor and generate long term returns and be sustainable in how we invest.
- iv. The different ways to invest and accessing investment opportunities to deliver strong, risk adjusted long term returns and add value to members' portfolios.
- v. Scale to deliver benefits for members such as reduced fees and costs and being able to access broader investment opportunities.

An example is a business called Vocus, a large Australian digital infrastructure business which Aware Super has invested directly in and effected a transaction whereby Aware Super will own this business and generate strong returns for members. This would not have been possible without the internal expertise of Aware Super's team and the resources to undertake the process.

##### 3. Responsible Ownership

Aware Super had been committed to responsible ownership for more than a decade, being one of the first major super funds to divest from tobacco. The core element was to approach the portfolio in a way that members can be proud of, with investments aligned to members' values whilst still delivering strong, long-term returns. Aware Super had received numerous acknowledgements on its approach and leadership on responsible ownership.

Some of the activities in the last 12 months included:

- Active engagement with companies in which investments were held on a range of topics so the businesses understood expectations and were good stewards of the investment.
- Positive community and social impact investments, with one area being essential worker affordable housing. As at today, Aware Super had committed more than \$900M to this area, with a return of more than 15% per annum generated from this type of investment over the three years.
- Early-stage businesses, with one business invested in being a great Australian success story. The company, Canva, is a digital design business which has grown from a start up to a multi-billion-dollar business. This success is one Aware Super wants to replicate by investing in early start up business which blossom and take their products to the world.

#### 4. Sustainable Outcomes

Long term commitment to managing climate risk in the portfolio, with significant and strong targets, including:

- Net zero portfolio emissions by 2050.
- Nearer term goal of reducing the portfolio emissions by 45% by 2030.
- Even nearer term goal to reduce emissions of the listed portfolio footprint by 30% by 2023. Over the past 12 months Aware Super had reduced the emissions of the listed portfolio by 45%. The total portfolio would continually be reviewed to identify opportunities, options and strategies to reduce the total carbon emissions of the portfolio and meet the targets by the dates set or well before.

#### 5. Thoughts on the Year ahead

Investment markets over the last 12 months had seen a strong rebound, with health issues around the virus and vaccinations in strong focus. Vaccination roll outs were occurring allowing economies to reopen, with the OECD forecasting economic growth for 2021 of more than 4% in real terms globally and more than 3% for 2022. However, supply chain constraints and increased costs of production could lead to increased inflation, leading to expectations governments may need to adjust policy settings sooner than thought. Investment markets were likely to deliver returns around the high single to low double-digit figures. The outlook was positive, with this financial year starting.

*Video 'A Year in Review' was shown to highlight the activities and actions undertaken over the last year.*

## 5. **Q&A panel session**

The MC introduced the panel members and reminded members of the format for submitting questions.

The following member questions were presented to the panel.

Q: Will this session tonight be recorded and made available?

**A** from the MC: Yes, it will be along with the slides and answers to the questions submitted this evening.

The MC said a number of questions had been submitted on this item.

Q: It is commendable that Aware Super has decided to divest from thermal coal but I would like to know what exposure Aware has to companies such as Santos and Woodside and whether Aware will make it a goal to divest completely from all fossil fuel companies by 2030?

**A** from CIO. Topical issue and as mentioned in my update, our goal is to certainly move our portfolio to being net zero by 2050 or well before and certainly reduce the carbon footprint by 45% or more by 2030. There are a lot of different things to be done to affect that change and drive towards that goal. We have reduced the listed equity portfolio carbon footprint by 45% and we are not stopping there. We will continue to challenge ourselves on how to keep reducing the carbon emissions of that portfolio. It is a broader issue and concept and we need to ensure we can transition our portfolio in a sensible fashion to ensure we do not impact the returns generated to members. We are committed to reducing the carbon emissions of the portfolio but I could not specify we will divest by 2030. But our commitment is clear on reducing the carbon emissions of the portfolio as soon as we can and ensuring we continue to deliver the long term returns members require for their retirement.

Q: Why is VISSF merging with Aware Super and what are the actual benefits for Aware Super members?

**A** from Chairman. I am glad to say we have been approached by many super funds over the last two years to merge and we have been very careful to ensure the only funds we have pursued are the ones which have the same values as us and alignment with our membership. As Deanne said earlier, VISSF is a small but very important fund because it was formed by women for women and when the trustees looked at their long-term sustainability, they felt a merger was the right way to go. I am delighted to say the alignment of the two funds is quite significant. The benefit to the VISSF members is they will be able to have access to the diversified portfolio that Damien and his team run, as well as the services and systems we have to look after our members in the best possible way. For Aware Super it gives us greater exposure to the education industry and it also adds assets to the portfolio to give us additional scale. I do remember when we first met, with the board of VISSF saying please do not judge us by our size but judge us by how we behave. That behaviour is really to take care of our members in the best possible way we can, to do it with all our heart and all our energy.

The MC said this question is topical for anyone thinking about retirement.

**Q.** Will Aware Super offer a lifetime pension just like QSuper?

**A** from CIO. Retirement is what we are all about, we are here to support people to move towards a successful retirement. Ensuring we have the right retirement solutions and outcomes for members is critical. It is something our team are working really hard on and certainly when thinking about the QSuper option or offering, it certainly has some positives. We are considering how we will develop an outcome that supports the delivery of retirement incomes for our members. Without suggesting a solution, we will certainly be back talking to you in the nearer term about how we are approaching that delivery of income.

**Q.** What specific programs does Aware Super have for its staff to keep them up to date on policy changes such as ATO guidelines and procedures?

**A** from CEO. There has been a lot of policy and regulatory changes this year and we do have a training team. We also have, importantly, a policy team who advocate on behalf of members. When those policy and regulatory changes come down, the policy team work out what the impact is on members and across the whole fund and work side by side with the training team to make sure effective teams are trained up. As you mentioned from an ATO perspective, that might be our financial advisors if it impacts on members and their balances. But it also might be the investment team or the finance team as it relates to the ATO. So, these are two really core teams we have to digest those policy changes and make sure they are applied seamlessly.

**Q.** What emission reduction targets have the fund committed to?

**A** from Philip Moffitt. Our commitments to emission reduction reflect investment beliefs that Damien outlined earlier and also reflect our commitment to generate returns and make decisions that in members' best financial interest. To be explicit about what we said we will do, firstly we are moving to net zero by 2050 and secondly, we have a target to reduce total portfolio emissions by 45% by 2030 in line with Paris. In addition, we also committed to reducing our listed assets emissions by 30% by 2023. As Damien pointed out, we have actually reached 45% reduction already. I would also like to highlight we have invested more than a billion dollars in renewables and climate changes technologies.

**Q.** You mentioned that one of the benefits of merger and increased scale was the opportunity to reduce fees. Can you please let us know what type of progress is being made in relation to fee reductions or what the future strategy is to lower fees?

**A** from CEO. Yes, certainly when we look to grow and the importance of scale, for example the mergers that have taken over the last year, one of the core aspects is to reduce fees. So, to give you a sense of what has occurred over the last year with these mergers, we have seen some reductions in fees. But we are not stopping there because we understand that it is really important to members as it has such an impact on retirement savings. In the immediate term I will give you a few examples. As we merged with VicSuper, VicSuper members saw their administration fees come down by around

20%. But also, importantly over the last year, with that scale, we have been able to reduce fees for Aware Super retirees by on average, about 10%. Over the next year we are looking to reduce those fees further. Then with WA Super merger, as WA Super members came in, given the scale and size of Aware Super and how we run our insurance, we were able to reduce the insurance premiums for WA Super members. These are examples of immediate impact. Some of these scale benefits take a number of years to realise. I mentioned earlier the Catalyst program where we are looking at simplifying the business and reducing the cost profile. What we are looking to do over the next couple of years is to reduce administration fees again as we complete the Catalyst program. We are certainly not finished yet with realising those scale benefits which is a core part of our strategy.

**Q.** Does Aware Super invest members money in China and if so, what proportion of members funds are invested in the Chinese market? What strategies do you have in place for the safety of members funds?

**A** from CIO. This is a really topical question and China is obviously a large economy, clearly a large market and is one that we do have some exposure to. It is a reasonably modest exposure, so if you think about our growth option we talked about earlier, we have between 1% to 2% invested in the Chinese market. That is in listed companies as well as unlisted companies or private equity style investments. I would say that what we have had underway in recent months is an updated discussion or review of China and how we should think about that. To really manage the issues you are talking about, which is around changes to some of the ESG issues in China, we are really thinking about how we should approach that in future to ensure we have the right risk management around those exposures so we can take appropriate opportunities. But we obviously need to understand the risks and maximise the risk adjusted return for you and your portfolio. I will not flag the outcomes of those discussions or review but it is active at the moment to ensure we are really deeply thinking about what are the most important risks we should understand for the Chinese market and how we should invest to take opportunities, if at all, in that market.

**Q:** I understand the value of State Plus assets of the funds was written down, can you please tell me more about that?

**A** from CIO. It is an investment, but I'll step back and give the audience some background on State Plus. State Plus is a financial advice and retirement product that First State Super at the time, now Aware Super, purchased around five years ago. That business provided advice services and retirement product services to its clients/members. What has happened for that business in the last 5 years, its value has been impacted by some of the issues that have occurred broadly in the financial advice industry. We know there has been significant issues around the costs of providing advice, there has been significant competition around retirement products and the pricing of those and that has led to the future value of those earnings and revenues of State Plus business to be reduced. Naturally we go through a process with every asset we own that is an unlisted asset to have it independently valued. The independent valuer has put a lower value on that asset and so we have written down the value of that business in the investment portfolio appropriately. I would highlight the reduced value of State Plus is primarily driven by the fact the revenue, the future revenue, the profitability of delivering

advice has reduced and obviously the retirement product set revenues have also been moderated. So naturally, the value of that asset has to be reduced.

Q: How will you know your staff resources are sufficient and your training is effective enough to give good service to clients and members?

**A** from CEO. It is certain really good service is an important part of the proposition for our members and helps give you confidence. There are a couple of ways we would know how we are tracking in providing really good service levels. First of all, we set service standards and measure how we are going against those on a daily and weekly basis. Where we feel we are not meeting those service standards, we will look to adjust those and as you mentioned that may mean additional resources or additional coaching and training for the team. Secondly and importantly the other way we know is through member feedback. So, we have wonderful member feedback which comes in each and every day and the team pour over the feedback and sit right beside a continuous improvement team that is constantly looking at how we can adjust and improve our service. In terms of the overall training and resources, having really good help and service is critical. So, where we see that need, we will put on additional resources and make sure the team is trained up front, but also have ongoing coaching.

Q: In some instances, it makes sense for members to have two accounts particularly when transitioning to retirement. Can there be consideration on how the fee structure can accommodate total member's assets?

**A** from CEO. I certainly understand the basis of that question. Unfortunately, we are not able to adjust the fees according to the different circumstances and there are a couple of reasons for that. A lot of the fee, the investment fee side is actually in the unit price. We cannot adjust that as it is struck on a daily basis. But importantly, what we are looking to do is reduce fees right across the portfolio. A core part of being able to do that is actually the simplicity, really driving simplicity in our business. Rather than being able to adjust and do relationship pricing on a one-on-one basis, we do strike that price at an overall product level. That is why we are not able to adjust to those circumstances. But do feel assured we do look at reducing fees where we possibly can.

Q: Lots of my friends have made lots of money on cryptocurrency. Does Aware Super invest in cryptocurrency today or are there any plans in the future?

**A** from CIO. Cryptocurrency is so topical at the moment and is obviously in the news a lot. We do not invest in cryptocurrency today for the portfolio or for the members. I will just give you a little bit of thinking of why that is the case today. When we or I think about cryptocurrency, I can see the reason why they exist, I can see the user case and why people would want to use cryptocurrencies. What I and we struggle with, as an investment team, is the fact there is no yield on a cryptocurrency and it is incredibly hard to define what the fundamental value of a cryptocurrency should be. In that scenario, investing in an asset with those types of characteristics is more speculation than investing. That does not mean there is anything wrong with speculating on a particular investment but again we do not feel it is appropriate for our members, to be speculating on their retirement savings. It is not something we do today and we certainly do not

invest in cryptocurrency because we cannot define what we think the real value of those cryptocurrencies should be.

Q: It is commendable that Aware Super has decided to divest from thermal coal. However, I'd like to know what exposure Aware has to companies such as Santos and Woodside and whether Aware makes a goal to reduce all fossil fuels by 2030.

A from CIO. I did touch on our planning around portfolio transition and reducing carbon emissions and that certainly is a strong commitment. With regard to exposure to such companies as Santos and Woodside, we have been actively engaging with companies to understand what their transitions should be, so we actively engage with companies such as that. With a portfolio that has a 45% less carbon emissions profile than the broad market and given where we were a few years ago, we do hold less in those companies than the average fund and certainly hold less than the index. As I have mentioned before, we want to ensure our transition to a lower carbon future is done whilst ensuring we can deliver strong returns to members. So that is what we will contemplate over the next few years, as to how to reduce the carbon emissions and do that in a way that we can continue to deliver strong, long term, sustainable returns to our members. As I have mentioned, we cannot commit to divesting by 2030 but we may well. We will go through the robust process of understanding how to manage the risks and delivery of returns in that context.

The MC thanked all for their questions and noted some had not been addressed tonight. Answers would be posted to the website and a link forwarded to members.

The MC advised there were a number of webinars being hosted over the coming weeks, with the details shown on screen. It was noted a QR code would be available to provide feedback.

### **Chairman's closing remarks**

The Chairman thanked members for joining the meeting and their contribution and provided closing remarks.

The meeting closed at 5.59pm.