



Annual Member Meeting

Wednesday, 8 March 2023, 10am

Agenda

1. Welcome and introductions
2. CEO update and fund overview
3. Investments and market update
4. Q&A
5. Final remarks

Speakers

- Danny Casey (Chair of the Board)
- Scott Cameron (Chief Executive Officer)
- Andrew Howard (Chief Investment Officer)

Minutes

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

Equip Super's Annual Member Meeting for the 2022 financial year was hosted by Danny Casey, Chair of the Equip Super Board, Scott Cameron, Chief Executive Officer, and Andrew Howard, Chief Investment Officer.

Meeting commenced at 10am Australian Eastern Daylight Time.

1. Welcome and introductions – Danny Casey

- Welcomed members and introduced attendees to the meeting and confirmed a quorum of Directors, as well as Auditor and Actuaries, were present
- Acknowledgement to the Traditional Owners of the land of the Wurundjeri People of the Kulin Nation, paid respects to their Elders, past, present and emerging, and the First Nations Elders of other communities who may have joined the meeting
- Introduced the Board members and provided an overview of the Board make up
- Provided an overview of Equip Super's commitments to members' long-term financial security and Equip Super's guiding values
- Noted that in 2021-2022 Equip Super continued to pursue growth by completing the successor fund transfer of BOC Super
- Recognised Equip Super's achievements including:
 - Equip Super was awarded the highest platinum performance rating by SuperRatings for the 15th year in a row
 - Equip Super was also named as a finalist in MySuper of the Year, MyChoice Super of the Year, and Momentum awards by SuperRatings
 - Equip Super received a 5 Apples rating from Chant West
- Outlined Equip Super's focus for the 2023 financial year, including excellent governance, strong long-term performance, and the best possible service and advice for members.

2. CEO update and fund overview – Scott Cameron

- Welcomed members and attendees who joined the meeting
- Provided an overview of the 2022 financial year, noting Equip Super focused on a program of simplification, consolidation and aiming to improve investment returns
- Acknowledged the challenges experienced in 2021 and 2022 due to COVID, inflation and the impact of geopolitical volatility on investment markets
- Noted that Equip Super has delivered strong long-term performance for members, with the Balanced Growth option achieving a strong average return of 8.4% per annum over the last 10 years
- Advised of significant developments at Equip Super including:
 - The move of insurance arrangements to MetLife
 - The reduction in administration fees for Pension members and,
 - The closure of the Property investment option to simplify operations and reduce costs
- Industry updates for the year ended 30 June 2022
 - Equip Super's response to regulatory changes, including the 'stapling' obligations to minimise multiple super accounts when employees change jobs. In response to the Federal Government's Retirement Income Covenant Equip Super developed and published our Retirement Income Strategy.

- Reported on plans to deliver significant improvements for members who are thinking about, or already in, retirement, including a new website, updated forms, and a new program designed and dedicated to service members during this period of their lives, called The Next Chapter.
- Noted that Equip Super will be deploying an action plan to improve employee engagement, and to support employee retention.
- Commented on our key strategic initiative for 2023, One Fund. Noting the objective to improve members' retirement outcomes through consolidations, including fee reductions for most members, a single set of fees, a single MySuper default product, and a single investment choice menu.
- Thanked members and the dedicated Equip Super team for their tireless efforts and support through the pandemic.

3. Investments and market update – Andrew Howard

- Presented on investment strategy – highlighting the key principles including diversification, long-term investing, and taking advantage of market opportunities as they arise
- Noted that diversification is key when navigating through a period of heightened volatility
- Updated on the official cash rates in the US and Australia over the last year
- Advised Equip Super's focus is on decarbonising existing assets and ensuring our portfolio is exposed to companies that will drive energy transition.
- Provided an update on the Balanced Growth's 10-year performance, which was a 7.9% average annualised return to 31 January 2023.
- Stated that the Australian equity market has been performing well despite challenging global market conditions, noting this can be attributed to the makeup of the market index, which has a large exposure to sectors such as resources, energy, and utilities that have delivered positive returns due to the ongoing energy crisis.
- Advised long-term performance is in line with expectations
- Compared Balanced Growth performance against objectives and median
 - secured positive returns against the CPI + 3% objective for the Balanced Growth option
 - Balanced Growth option sits in the top quartile of the Super Ratings survey over 7, 10, and 15 years to the end of December 2022.

4. Q&A – Danny Casey

- Introduction to questions and answers session

“When will the reduced pension payments be returned to the normal percentages?”

Answered by Scott Cameron

The temporary reduction in minimum required pension payments was implemented by the government in response to the COVID-19 pandemic.

The reduced required payments allow pension members to withdraw less money to maintain a higher pension balance and better support their retirement long-term. This reduction was extended in March 2022 and is currently planned to end on 30 June 2023.

“Hi, I want to invest”

Answered by Andrew Howard

If you'd like investment advice, our financial planners can assist you.

Please call our Financial Planning team on 1800 065 753 during business hours to book an appointment.

Your initial appointment is available at no cost, and there's no obligation on you to go ahead with obtaining financial services from us.

“Is the volatility in investment markets going to settle down any time soon? I'm worried about how this has been affecting my returns.”

Answered by Andrew Howard

We would certainly like to see volatility reduce, but volatility does occur from time to time. Volatility is not surprising when we think about a backdrop of record increases in interest rates, inflation at levels that have not been seen for many decades and the ongoing war in Ukraine. However, it's important that we don't react to the short term noise as volatile markets can lead to opportunities, which is certainly what we have been aiming to do over the past 12 months.

Most importantly, we are investing for the long term, and it's time in markets rather than timing markets that counts. Being a patient investor will pay dividends in the long run.

“My question is about cybersecurity. Could what happened at Optus and Medibank happen here too? How do I know my money and my information is safe?”

Answered by Scott Cameron

We understand that this area is of interest and concern to our members, not only in regards to superannuation but with other financial institutions as well.

Member privacy and the security of our members' funds is of paramount importance. Equip Super uses the highest level cybersecurity systems available.

We have a dedicated Data Governance and Security team that is responsible for Our Data Governance Policy, associated systems and processes and 24/7 monitoring of our networks. This team works with external security specialists to implement multiple security measures, including strict data handling protocols.

We also conduct regular audits and tests to ensure these systems and processes are working.

If you have a specific concern relating to your data and the Optus and Medibank breaches that occurred in 2022, we can place a 'payment flag' on your account. This is an added precaution that means you need to personally approve any payments before we release the

funds from your account. This is something you can discuss with our Helpline team on 1800 682 626.

There are also things you can do to help protect yourself. For example, we advise members to:

- Use multi-factor authentication
- Use strong passwords
- Be wary of unexpected communications
- Update your devices and,
- Never provide your personal details in response to unexpected communications.

You can find more information, including our Privacy Policy at equipsuper.com.au

“Are you planning to expand the investment options you offer? Maybe some low-cost index funds, and more ESG options?”

Answered by Andrew Howard

We’re always thinking about the range of options we offer to members.

On 1 July 2023 we will be introducing a new low-cost Index Diversified option. The option will invest in passively managed, low-cost index strategies and have a diversified investment mix of 70% growth assets and 30% defensive assets.

We believe this new option will complement the existing option suite and appeal to members that are looking for a low cost option.

On 1 July we are also restructuring the sustainability option. This is a diversified investment option that we expect to benefit from a more environmentally friendly and socially sustainable economy over the long-term, while also contributing to the development of this new economy. Within this option there will also be a focus on climate resilient technologies and assets and some investments will be subject to ESG screens or tilts.

“What about reducing fees for members?”

Answered by Scott Cameron

Our priority is always to keep fees as low as possible whilst providing great service and delivering strong long-term returns.

Over the last year, we reduced most of our investment fees, and in 2023 our key strategic initiative, One Fund, will create fee reductions for most members.

“I want to know who Equip Super has made donations to during this financial year. I also wish to know where I can find this information in your documentation.”

Answered by Scott Cameron

Equip Super does not make any charitable or political donations.

Equip Super’s Annual Financial Statements details the current financial position, payments and cash flow for the year ended 30 June 2022. The Annual Financial Statements are

available in full on the [Equip Super website](#) and in a shortened version in our [2021-22 Annual Report](#).

“What are the new changes to superannuation for people with large balances?”

Answered by Scott Cameron

Under the proposed super changes, if a member has over \$3M in super, the earnings on the proportion of their super account above the \$3M threshold will be taxed at 30%. This is higher than the usual rate of 15% at which super earnings are taxed. It's important to note that this change will not affect 99.5% of Australians and is not expected to come in until 1 July 2025.

“What is the fund doing to address and help manage the energy transition?”

Answered by Andrew Howard

When we're considering issues like energy transition our focus is on where and how this may impact the best financial interests of you, our members, over the long term.

Energy markets have been through a significant period of turmoil in recent times, which further highlights that the changes needed may not be linear. This means that there is no 'one size fits all' solution and we approach issues like this from multiple angles:

Firstly, working with our investment managers to ensure they are considering how the energy market will develop over the next decade plus and including this information in their investment decisions.

Secondly, we're investing in the assets and companies that will either contribute to or benefit from the changes that will happen across the market over the next decade or more. This includes through our allocation to unlisted low carbon technologies and renewable energy infrastructure.

Thirdly, we work with our engagement partners and industry groups to encourage change, at both a company and regulatory level, that will drive the transition away from carbon intensive energy sources whilst also supporting resilience and affordability in the energy market. Equip Super is part of a number of initiatives, including Climate Action 100+ and the Investor Group on Climate Change, that are working to promote these changes.

Fundamental changes are needed across the energy market to reduce this sector's contribution to climate change, and improve access to affordable, reliable energy both here in Australia, and across the globe.

Delaying this transition won't help but, as I mentioned earlier, we also can't achieve this overnight. It's a balance that we'll continue to consider. Energy transition is a balancing act which we continue to navigate each day.

“Does Equip Super invest in cryptocurrency? If not, why not?”

Answered by Andrew Howard.

Equip Super does not invest in cryptocurrency.

Although this has been an area of growing interest to some members, we do not consider it an appropriate investment of members' money at this point in time. The technological

architecture behind cryptocurrency is an interesting area and we appreciate there could be meaningful applications of this technology in varying ways going forward. However, when investing, we are very careful to understand the various risks and the return drivers of any investment.

With cryptocurrency being a relatively new phenomenon, we find it difficult to get comfort with these factors.

Understanding the attractiveness or not of cryptocurrency in terms of valuation is extremely difficult. This has been evidenced by the volatility experienced in these markets, which have generally been subject to retail speculation rather than long term institutional investment.

“Re: Cybersecurity - what controls do you have over the Equip Super portals, mobile app and registry which hold member PII, when Equip Super’s member administration is outsourced to a third party administrator? How can you security test their systems? Thanks.”

We assess all of our external vendors against Equip Super’s extensive set of Security Standards, as required under APRA CPS/CPG234. Vendors are required to report annually on how they meet or exceed Equip Super’s standards.

Mercer, Equip Super’s administrator, arranges for independent audits of their systems and processes to be conducted and provides details of these audits to Equip Super. The audit reports are then reviewed by Equip Super’s IT Security Manager or by Equip Super’s external expert security consultancy to ensure they align with our standards.

“Please comment on how the 'cash' option has performed against your peers and how this compares with fixed interest option. Thanks”

For the ten years to the end of January 2023, the Cash investment option returned an average of 1.50% p.a. This is slightly under the peer median average return for the same period of 1.57% p.a.

Over the same period, the Diversified Fixed Interest option returned an average of 2.40% p.a. This was slightly better than the peer median average return for the same period of 2.23% p.a.

Over the past year to 28 February 2023, both investment options have fared better than the peer median. This reflects the more conservative positioning against peers of these options in what has been a volatile market environment.

“You say to be patient and wait it out until things improve but what if one is close to retirement? What do we do then?”

Periods of market volatility can be very difficult to live through for members. This can be especially true for those who are close to, or already in, retirement.

However, even for those nearing retirement, the investment time horizon is usually still quite long – typically more than 10 years. This is generally considered long enough for investments to recover from shorter-term losses (depending on the investment strategy adopted).

It's also worth viewing current conditions in the context of the past few years. While we've seen significant volatility over the past year, this comes on the back of a couple of strong years for investment returns. In fact, returns since the Global Financial Crisis in 2008-09 have generally been strong overall.

We continue to believe that investing for, and through, retirement requires a long-term view, and that the patient investor will tend to be rewarded over time.

As always, if you have further questions or any concerns about your investments, we would suggest that you seek professional financial advice.

5. Final remarks – Danny Casey

- Danny Casey thanked members and attendees for attending the meeting and reminded them that the minutes from the meeting and written responses to questions, including any that weren't addressed on the day, will be available on the Equip Super website in April.

Meeting concluded at 11am Australian Eastern Daylight Time.