Australian Government

Commonwealth Superannuation Corporation

Minutes
CSC Annual Members' Meeting
Wednesday, 17 November 2021
6.30pm AEDT Virtual

Present:

Board Chair
Mr Garry Hounsell

Audit Committee Chair
Air Vice Marshal Margaret Staib

Directors
Mrs Ariane Barker
Ms Juliet Brown
Mrs Melissa Donnelly
The Hon Christopher Ellison
Ms Jacqueline Hey
Air Vice Marshal Tony Needham, AM
Mr Alistair Waters

Auditors
Mr Sean Benfield, Delegate of the Auditor-General

Actuaries
Mr Stuart Mules, Australian Government Actuary
Mr Michael Burt, Australian Government Actuary
Mr Guy Thorburn, Australian Government Actuary
Mr Richard Boyfield, Mercer

CSC Executive – Panel
Mr Damian Hill, Chief Executive Officer
Ms Alison Tarditi, Chief Investment Officer
Mr Peter Jamieson, Chief Customer Officer

CSC Executive
Mr Andy Young, Chief Operating Officer
Mr Robert Firth, Chief Risk Officer
Mr Andrew Matuszczak, Chief Transformation & Information Officer

Mrs Alana Scheiffers, General Counsel
Mr Paul Abraham, Executive Manager, Investment Operations
Mr Philip George, Executive Manager, Transformation
Mr Adam Nettheim, Executive Manager, Customer Operations
Ms Catharine Armitage, Executive Manager, People

CSC Staff

Mrs Alison Tanswell, Head of Customer Strategy
Ms Bronwyn Aitken, Senior Manager, Customer Engagement Program Delivery
Mr Damon Whittock, Corporate Affairs Manager
Ms Felicity Hohn, EPMO Resource Manager
Ms Lee-Anne Anne Dean, Executive Assistant to the CEO
Ms Pascale Boulanger, Board Services Administrator
Ms Belinda Fuller, Board Services Coordinator

Link Staff

Ms Tiarne Hominal, Client Relationship Manager
Ms Debbie Austin, Head of Meetings
Mr Chris Oakes, Event Production Manager
Ms Heather Boothroyd, Head of Operations

Minute No. 1
Agenda Item 1 - Opening

Mr Jamieson, Chief Customer Officer and Chair of the Annual Members' Meeting opened the meeting at 6.30pm on 17 November 2021, in person at CSC's Canberra office at 7 London Circuit, Canberra ACT, and virtually through Zoom, managed by Link Group.

Mr Jamieson gave an acknowledgement to country, and welcomed all attendees to CSC's second Annual Members' Meeting. Mr Jamieson introduced CSC's Chairperson, Mr Garry Hounsell, the Chief Executive Officer, Mr Damian Hill, and the Chief Investment Officer, Ms Alison Tarditi. Mr Hounsell then introduced each of CSC's Directors:

- Mrs Ariane Barker
- Ms Juliet Brown
- Mrs Melissa Donnelly
- The Hon Christopher Ellison
- Ms Jacqueline Hey
- Air Vice-Marshal Tony Needham, AM
- Air Vice-Marshal Margaret Staib, and
- Mr Alistair Waters

Mr Hounsell further acknowledged CSC's previous Chair, Mrs Patricia Cross.

There were no apologies for this meeting. The Chair of the Board of Directors, Directors, Executive Officers, Actuaries and Auditors were all in attendance, either in person or virtually, as required by s29PA of the Superannuation Industry (Supervision) Act 1993.

Minute No. 2
Agenda Item 2 – Chairperson pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chairperson, Mr Garry Hounsell. A transcript of Mr Hounsell's presentation is included at Attachment A.

Minute No. 3
Agenda Item 3 – Chief Executive Officer pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chief Executive Officer, Mr Damian Hill. A transcript of Mr Hill's presentation is included at Attachment B.

Minute No. 4
Agenda Item 4 – Chief Investment Officer pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chief Investment Officer, Ms Alison Tarditi. A transcript of Ms Tarditi's presentation is included at Attachment C.

Minute No. 5
Agenda Item 5 – Question & Answer

Mr Jamieson introduced the Question & Answer session. Seventeen questions were responded to live and a further 64 questions were asked during or prior to the meeting.

For the purpose of responding to all questions in accordance with sub-section 29PB(2) of the Superannuation Industry (Supervision) Act 1993, questions and responses were grouped. For all grouped questions and responses, see Attachment D, however it is noted that all personal questions have been removed.

Minute No. 6
Agenda Item 6 – Meeting Close

Mr Jamieson thanked all attendees for their contribution, and advised that all questions asked during the meeting would be responded to, with answers to be made available online within 30 days. Mr Jamieson noted the full video of the meeting would be made available on CSC'swebsite within the next few days.

Finally, Mr Jamieson, on behalf of the Board and executive team, thanked customers for joining CSC's Annual Members' Meeting, reiterating CSC was committed to listening to customers, understanding their needs and improving everything CSC does. Mr Jamieson noted a survey would be distributed to attendees inviting them to provide feedback and suggestions on how to improve CSC's Annual Members' Meeting in future.

Mr Jamieson closed the meeting at 8.00pm.

A transcript of the entire meeting is included at Attachment E.

Mr Peter Jamieson
AMM Chair and Chief Customer Officer
Date: 17 December 2021

Garry Hounsell Transcript
CSC Annual Members' Meeting
Wednesday, 17 November 2021 – 6.30pm AEDT

Start of Transcript

Introduction

Garry Hounsell: Good evening and thank you for attending CSC's Annual Members' Meeting. The 2021 year was full of significant events and obviously dominated by the ongoing challenges brought about by COVID-19. The way we work and live, financial markets, travel, trade, international relations and politics have all been impacted and changed to some degree by this pandemic. On top of this, the past year also saw significant changes to the super industry, via the Your Future, Your Super package. Thankfully, it was also a year that saw more stability and less volatility in relation to financial markets.

Investment performance

Our investment strategy held firm in the 2021 financial year. Our investment focus is to secure adequate retirement outcomes for our customers and our downside protection approach resulted in us minimising the negative impacts on investment returns. Our investment returns for the one, three, five, seven, 10 and 15-year periods to 30 June 2021 for our default, balanced and MySuper balanced options in all schemes have exceeded their objectives. CSC's primary investment objective is to maximise long-term real returns for our customers. Our performance target is 3.5% per annum above inflation over rolling three-year periods for our default, balanced and MySuper balanced options and this is done while keeping risk to an acceptable level, which we define as the probability of a loss in no more than three or four years out of 20.

Managing climate change risk

Climate change has been a significant issue for decades, but the past year has seen a greater focus than ever on how governments and businesses globally are responding to it. Climate change is a core component of CSC's approach to environmental, social and governance issues, commonly referred to as ESG. At CSC we believe that there is significant embedded value in companies and organisations that operate ethically and sustainably. A variety of ESG metrics assist us in assessing a company's development in these areas. As an active owner of the businesses we buy on your behalf, CSC is focused on engaging with companies to promote genuine sustainable impact. We believe that the incremental consistent changes are more effective in supporting robust and smooth transitions to a more sustainable future.

We manage climate risk investment principally in three ways. The first of these is through renewable investments. We invest in renewable energy assets and strategies because renewable energy is the most likely future of our global energy system. Secondly, we invest in innovative companies that could produce breakthroughs that leapfrog existing climate solutions. Alongside this, we invest in producers of critical inputs into the new energy supply chain. One example is our investment in Mineral Resources, a company that produces rare earth elements, primarily lithium, needed for battery production.

The third way we manage climate investment risk is by supporting robust transitions from fossil fuels. As long-term investors, we can support a transition from fossil fuels that respects the practical demands for energy in our country and around the world but recognises the labour force impacts of the transition and that understands simply divesting is unlikely to reduce climate risk. In this regard, we focus our investments in the relatively cleaner producers and businesses that have high social community standards. In this regard, we measure our success by the returns we generate from investing in climate relevant strategies and by the impact that these initiatives have on our net portfolio climate footprint over time.

While we do not have a specific temperature target, we build our portfolio consistent with achieving the targets of the Paris Agreement. During 2021 we took a number of significant steps to reduce our climate footprint. The first of these was to divest from undiversified pure play coal companies. From March this year all of CSC's investment portfolios started to exclude undiversified companies that derive 70% or more of their revenue from thermal coal production.

The second thing we did in the past year to reduce our carbon footprint was to actively reduce the ESG risks of investing in companies that misuse scarce natural resources. To implement this, we appointed Osmosis International Investment Management as an investment manager. Osmosis has a robust, effective and objective way to reduce ESG risk and aims to

optimise our investment exposure to companies that use water and energy efficiently and reduce waste.

The third big initiative we undertook to reduce our carbon footprint was the decarbonisation of our international shares index portfolio. As a result, the carbon footprint of our international shares index portfolio is 50% lower than the benchmark.

A safe set of hands

CSC is the most regulated super provider in the country, primarily because we are a government agency. While all that regulation isn't much fun for us, it is generally a good thing for our customers. I mention this because during times of crisis, volatility or uncertainty people generally seek guidance and leadership from people or institutions that they can trust and depend on. Our governance, risk and compliance processes and protocols are among the most comprehensive in the Australian public and private financial services sector, not just the super industry. Because CSC carries the government crest and the accountabilities that come with that, we are a safe set of hands for your super.

Conclusion

In wrapping up, I wish to quickly acknowledge CSC's previous Chair, Patricia Cross. Patricia's seven-year term as CSC's Chair ended in June this year. Patricia led CSC through an incredibly challenging period, which included significant regulatory upheaval, market volatility and social change. Throughout her term, she led CSC with great skill, wisdom and a confident calmness and I want to thank Patricia for her outstanding leadership. I also want to thank Dr Mike Vertigan, whose term as a Director on the CSC Board also concluded in June.

We've also welcomed recently two new directors to the CSC Board, Jacqueline Hey and Juliet Brown. Juliet is a highly regarded company director and has extensive experience in law and business. Juliet is currently the Chair of the South Australian Lifetime Support Authority, a Director of Medical Insurance Australia and an external member of a number of committees for the University of Adelaide, Peoples Choice Credit Union and Bank Australia. Juliet was previously the Chief Executive of Thomson Playford, now Thomson Geer and practised as a solicitor in the health and insurance sectors.

Jacqueline is currently the Chair of Bendigo and Adelaide Bank and a Director of Qantas and AGL Energy and was previously the Managing Director of Ericsson UK and Ireland, Ericsson Saudi Arabia and Ericsson Australia and New Zealand. Both Juliet and Jacqueline will bring a wealth of corporate and financial sector knowledge and experience to CSC and my fellow

Directors and I look forward to what Juliet and Jaqueline will add to the Board. I'm also very proud that of our nine Board directors, five of them are female.

During the past year CSC has taken great steps towards significantly transforming our business to improve things for our customers. At the same time, we have continued to efficiently maintain our core functions: investing, paying pensions and allocating super contributions and this is all done by a team of dedicated staff who are committed to continuously improving our business and have a passion to serve those who serve our country. Thanks for your attendance this evening and I look forward to taking some of your questions later.

Damian Hill Transcript
CSC Annual Members' Meeting
Wednesday, 17 November 2021 – 6.30pm AEDT

Start of Transcript

Introduction

Damian Hill: Good evening and thank you for your attendance at our second ever Annual Members' Meeting. It's been another year that's been significantly interrupted by COVID, but we are pleased this meeting can be held in a virtual format and that many of you are in attendance tonight. In my address tonight I want to cover four things. The first is the new government initiative called Your Future, Your Super, which was introduced earlier this year. I'll cover what it means for the super industry and for you.

The second is the key elements of our corporate strategy and how we get insights and feedback from you, our customers and what we do with that information to make us better. The third is some really important changes that were made to our PSSap and ADF Super products this year and the fourth is the work we are doing to support our veterans.

Your Future, Your Super

In the most recent federal budget, the Government announced a number of significant reforms to super called Your Future, Your Super. The legislation was passed in June this year and it enabled three key measures to be introduced. The first of these measures is called stapling. From the start of this month you'll be stapled to your current super fund for the remainder of your working life unless you actively choose another super fund. This measure aims to reduce duplicate super accounts and reduce excess and unnecessary fees for customers. It favours super funds that get new entrants to the workforce and means that for most funds, including CSC schemes, they will get fewer members defaulting to them.

The second measure is a super comparison tool on the ATO website that allows people to compare the fees and investment performance of all MySuper or default products in the market. The third measure is a new super fund underperformance assessment, that will be published on the ATO's website every year. The changes will undoubtedly result in fewer Australians having multiple superannuation accounts, which we support. But there are some things about the measures that do worry us and we think you should know about those.

Firstly, the ATO's online super comparison tool only has very basic information when it comes to comparing super products. In particular, it doesn't take into account the level of risk a super fund takes when it invests its customers' money. Nor does it take into account the demographics of the fund, all other benefits and features like investment options and insurance. In a similar way, the underperformance test only takes into account investment returns and fees and doesn't consider the risk taken to achieve those investment returns.

In simple terms, while some other super funds may be getting strong returns in the short term, they may also be taking on greater risk that would see significant losses when markets fall. CSC continues to favour providing some protection from this downside. Not only do our PSSap and ADF Super MySuper products pass the performance test, on a risk-adjusted basis they performed very strongly, as did our other investment options.

Our strategy: transforming CSC

The super environment continues to evolve. In addition to stapling, we are seeing other changes such as consolidation among super funds and the forthcoming focus on retirement income, an area where CSC has always had a focus and has competitive advantage. We have had to pivot our strategy to address new emerging risks, as well as take advantage of opportunities. We continue to pursue our customer-centric strategy, which is now even more important with stapling. Having a customer-centric strategy means we are actively and constantly listening to our customers and transforming our service offering and products around their needs.

Through our customer listening program, called the Compass, we actively seek feedback, comments and insights from our customers, and we use that to see how we've gone and where we should be heading. The Compass points us in the right direction, making sure we're on the right track to meeting our customers' needs. It is the catalyst to make improvements to our products and services. One such example saw us deliver our customer super statements digitally for the first time in late 2020 and again this year. Another example is our dedicated loss and hardship unit, which we set up because there was a clear need to simplify and reduce the amount of time grieving relatives and customers facing hardship spent providing information and making a claim. These initiatives were a direct result of our Compass

customer listening program. These are real examples of a significant transformation we are undertaking at CSC.

We are one year through implementing a five-year strategy that will fundamentally change how we serve our customers. A significant part of this strategy is about modernising and improving in four key areas: data, technology, process and people. CSC's transformation is simply about delivering better outcomes for our customers. As part of this transformation, there are a lot of backend changes to our technology, systems, processes and operations. We are significantly boosting our data capability to provide a more personalised experience for customers. We are investing in the latest fit-for-purpose technology, that will mean we can move all our member administration functions from four platforms to just one. This will streamline and speed up backend processing, enable simpler and richer online services to your CSC account, including single sign-on for those of you with multiple accounts and provide more self-service options.

The processes behind our customer operations will include end-to-end service, with a goal of enabling our people to deliver quick, onetime contact resolution, along with individual and tailored support and guidance. I look forward to sharing further updates of our progress in this transformation.

Changes to PSSap and ADF Super

During the past year we've made some significant improvements to our PSSap and ADF Super products. To make the process of transitioning out of the Australian Defence Force simpler, we now allow customers who have left the ADF to keep contributing to ADF Super with their new employer. We also made changes to our PSSap product that allows both APS and non-APS employer contributions to be made into a PSSap account at the same time and to make additional contributions regardless of their current employment arrangements. This change also means PSS or CSS customers can open a PSSap ancillary account to make personal and non-APS employer contributions and have their super all in one place.

Work to support veterans

Recent times have seen a number of significant events that have directly impacted the veteran community. Two events in particular have sharpened the focus on the welfare of our veterans, the announcement of the Royal Commission into Defence and Veteran Suicide and the removal of all troops from Afghanistan. We have seen and heard directly from our customers and those in the veteran community of the significant challenges many are currently facing. CSC is undertaking important and significant change internally to ensure we can support our veterans in the most compassionate, fair and timely way possible. We have redesigned our

internal processes and resourcing, particularly in relation to veterans who have been medically discharged or who are claiming or receiving service-related support payments and services.

We are also working collaboratively with other government agencies to improve information sharing and to cut red tape. The most significant collaboration we are a part of is the Joint Transition Authority that the Australian Government established within the Department of Defence in October 2020. Along with the Department of Veterans' Affairs, CSC is a partner agency of the Joint Transition Authority. The purpose of the Joint Transition Authority is to better prepare and support ADF personnel as they transition from military to civilian life. The Joint Transition Authority is currently in an implementation phase and is identifying how government services can be better connected and improved during someone's transition out of the ADF.

The unique needs and the welfare of our veteran customers is a priority for us. One example of this is how we've been advocating for thousands of our veteran customers who were set to receive less in the hand each fortnightly pension as a result of a tax-related Federal Court decision late in 2020. When it came to our attention that the outcome was not a positive one for those particular veterans, we did everything within our power to try to find a better outcome for them. We worked with the ATO to exhaust all avenues within the boundaries of the law to try to prevent around 6,000 veterans' fortnightly pension payments being reduced. As a result of our ongoing advocacy, the majority of impacted veterans will not receive less in the hand each fortnight.

Conclusion

I want to wrap up by reaffirming our commitment and admiration for our APS and ADF customers. CSC is unashamedly a niche super provider. Whilst we have significant scale that we leverage for you, we aren't the biggest and we aren't for everyone. We exist for the APS and ADF and we are proud to serve those who serve. CSC's customers in the APS and ADF are unique and so is what we offer them, whether that be our investments, our education and advice offerings, or the empathy and understanding our staff demonstrate every day. No other super fund knows our APS and ADF customers like we do and every single person at CSC is committed to doing everything we can to support and guide you towards your retirement dreams. Thank you for attending the meeting this evening and I look forward to taking part in the Q&A session a bit later on.

Alison Tarditi Transcript
CSC Annual Members' Meeting
Wednesday, 17 November 2021 – 6.30pm AEDT

Start of Transcript

Introduction

Alison Tarditi: Good evening. There are so many investment topics that we could cover tonight, but really just two critical questions that anyone saving for retirement should ask. Firstly, are my savings growing sufficiently after costs to provide me with a comfortable retirement? And is this growth in my balance sustainable, or just the result of taking on more and more risky investments that could actually reduce the income I get when I do retire? Tonight's an opportunity for me to answer these questions for you.

Investment confidence

Firstly, how do you know if your savings are growing enough? If, like my senior investment team and I, your super is invested according to our default balanced option, this strategy is specifically designed to maximise the likelihood that all of us will achieve the comfortable retirement income standard recommended by our industry association. Now, only around 25% of Australians reach that standard upon retirement today, but if you're an average full-time PSSap or ADF customer, you're actually on track to retire with an income that's 37% higher than that comfortable standard.

Secondly, how do you know if your balance is resilient and sustainable so that you actually get this level of income when you do retire? Our default or MySuper option takes less risk on average than other super funds, whose average customer has not yet achieved this level of retirement adequacy and therefore, must continue to hold a riskier portfolio. We did not appear in the ATO's top 10 returning MySuper default funds for the past seven years to June precisely because of this. Over this particular post-financial crisis period, asset values have

steadily inflated, as interest rates around the world were progressively reduced to now historically low levels and policymakers stepped in to postpone potential corporate defaults, in the hope that economic growth could be broadened and sustainability restored.

MySuper options with a constantly high level of risk naturally generated the highest returns over this particular period. They also weathered the greatest losses through the inevitable market corrections. By comparison, our MySuper option has consistently grown your savings by around 9% per annum over the past decade, which is around the MySuper product median, but importantly generated with far less embedded risk. This means that our capacity to maintain this average performance rate regardless of economic conditions ahead is relatively higher than others.

The proof of this lies in our independent ranking well within the top 10 funds across Australia over 10 years in terms of returns per unit of risk. Now, that sounds like a rather technical term but it just means that you can have a higher degree of confidence that every percentage point of return we generate for you on paper will actually convert to real wealth when you need it in retirement. This is a deliberate design feature of our MySuper option because none of us can predict the future with 100% certainty. It means that through adverse market environments, including the pandemic correction in March last year, your savings fall 40% less than those of customers in the average MySuper option. The smaller the losses, the greater the share of any future returns that can go to actually growing your savings, rather than just restoring them to their pre-event level.

But we also step back into risk when we expect the payoff for doing so to be sustained and fair. For example, with evidence of vaccine efficacy and economic stabilisation, we unwound the defensive strategies we held through February and March last year, enabling your MySuper savings to grow by a very healthy 19% when it was safe to do so over the past year to September. So the retirement income that your level of savings can support was better preserved through even the most tumultuous of market environments. This strategy means that we easily passed the annual performance test applied to MySuper options by our regulator, APRA.

Now, as well as our default MySuper investment strategy, we also provide two premixed choice options specifically designed to meet the different financial circumstances you face at the bookends of your working life cycle. Around 18% of all our PSSap and ADF customers have actively chosen one of these. Our active younger customers, typically 25 to 49 years of age, choose our aggressive option, which can take more risk because with a long time to retirement there's greater certainty that your balance can recover from an unexpected adverse market event. This option is often the best performing fund of its type and easily within the top 10 of its peer group over 10 years. Our active older customers at the other

end of their working life, 50 years and above, typically choose our income focused option, which takes lower risk to protect your balance from permanent impairment, as you approach retirement. This option is also consistently a top performing fund of its type and again, comfortably within the top 10 over 10 years.

So regardless of which of our options you're in, the MySuper balanced, our aggressive or our income option, as the last column of this table shows, their ability to convert investment risk into enduring returns after costs is consistently very high. We're able to produce these outcomes because we move first into future fit industries before their value's recognised by many and we cast a wide lens to risk.

For example, apart from being a leader into renewables and data centre infrastructure in Australia, we've been investing innovation capital for over two and a half decades, quietly and consistently contributing behind the scenes to advances across technological, ecological, social and medical challenges. This venture capital share of your portfolio returns 76% after all fees over the year to August and has improved education and communications access in developing countries, made technological breakthroughs in petrochemical alternatives and in waste reduction and delivered multiple medicinal breakthroughs including, by way of example, the first treatment of peanut allergies.

Ethical and sustainable investing

Many of you have told us that ethical and sustainable investing matters to you, that you want your money to do good and not cause undue harm and we agree. Accountable business practices ultimately reflect in business value, they generate goodwill and they contribute to more sustainable growth. We support those practices, furthermore, we practice them ourselves. Now the concept of ethical investment differs from person to person, but to us it means doing the right thing and doing what we say we will. We have held ourselves accountable for identifying and mitigating environmental, social and governance, or ESG risks in your portfolios. This was recognised by the United Nations, which gave CSC an innovation award in ethical investing and stewardship back in 2003 and we were the first Australian fund to carry out independent assessment of our carbon footprint way back in 2008, well before it became fashionable.

We are often asked why, as the first Australian fund to take positive steps to tackle issues like climate risk, we still hold some exposure to companies that derive part of their revenue from fossil fuels. Here's our answer. As you know, global carbon intensity can only be reduced by ceasing the underlying carbon emitting activity. The developed world is accelerating away from a high dependence on fossil fuels, but the pace of that transition remains constrained by the fact that our homes, our hospitals, our schools, essential

services, even the electric vehicles some of us drive, still all require fossil fuel baseload until renewable energy generation, storage and transmission can achieve mass scale and the costs of that baseload energy must rise materially through transition, with obvious implications for average living standards, as Europe is experiencing today.

In developing regions where dependency on fossil fuels still remains very high, those rising energy costs become a hard constraint, because they increase social instability and the potential for the propagation of geopolitical risk. So the three activities that long-term investors such as ourselves are uniquely best placed to undertake in order to help accelerate the robust transition are firstly, obliging companies to transparently report operational risks and externalities alongside the incentive structures they use to reduce them.

Secondly, on the basis of that data, engaging with existing companies in an informed way to support the strategies needed to permanently replace their old energy operations and thirdly, investing in new companies that either produce fossil fuel alternatives or develop technologies with the potential to leapfrog the current storage and distribution constraints. CSC was one of the first funds anywhere in the world to execute on each of these. Divestment is the last resort for us because it does not necessarily reduce the carbon intensity of the economic activity itself; it just removes it from your portfolio. So we only use it if the risks to your savings are not able to be mitigated.

Our focus is on the capital markets pathway required to genuinely make our climate initiatives stick and we measure our progress and refine that journey as technological advance and policies enable. Your portfolio's net carbon contribution is currently reducing by around 427,000 tonnes per annum, a pace that if simply maintained is more than sufficient to meet the Paris Agreement of carbon neutrality and well ahead of schedule.

The flaws in our economic growth engines were well and truly exposed over the past 18 months and the range of plausible future paths for economies and financial markets is today unusually wide. These uncertain circumstances of our time mean that we've been preparing your portfolios by building greater geographic diversity into our defensive assets, investing in new businesses that are seeking to build the kind of sustainable futures we need, establishing new asset management businesses in return for a stake in their success through revenue sharing and prioritising assets with inflation-linked cash flows, because global conditions are now conducive to creating sustained price inflation. The most recent example of this is our acquisition of Amplitel, Australia's largest mobile towers owner, which supports the networks of Telstra and other mobile phone companies. Mobile data demand is growing at more than 20% per annum and the vast majority of Amplitel's revenues come from prices linked directly to inflation.

As markets move up and inevitably down, we remain focused on the fundamental value and quality of assets, rather than their current prices. On that note, think about 50% of companies within COVID-accelerated transformation industries like consumer tech, green energy, internet retail and biotech, they're all unprofitable today despite seeing rapid stock price increases fuelled by very compelling narratives. Not all of these companies will succeed or even survive going forward. The paper returns they've generated to date are no guarantee of a better retirement outcome.

Your superannuation, like my own, is not a Monopoly board game, so it isn't how much money you make on paper at any point in time that matters, but how much of that real wealth you're able to keep and to realise as purchasing power in retirement and that very much depends on the risks that are embedded in your portfolio today but have yet to be crystallised in its value.

Conclusion

In conclusion, our investment offering looks different from other super funds', because it is and we're proud of the fact that it's not designed for the average Australian, but purposefully tailored to you, our Commonwealth Government employees and members of the Defence Forces. Your investment team comprises a select number of globally recognised and respected experts in their individual fields. Our experience together for well over a decade, the agility that our team's design and stability enables, our recognised thought leadership amongst the global investing community and the specialised investment partnerships that enables us to build for you, are all hugely differentiating in the Australian super landscape.

We constantly look ahead, innovate and allocate your capital to opportunities that others follow us into, opportunities chosen because they can improve your retirement outcomes, not because we're following the latest market fads. Our focus is on building resilient portfolios, full of high-quality assets that we steward well so that their value and income supporting characteristics are underwritten and futureproofed. Our aim is to invest all of our portfolios, not just one particular slice, in ways that don't inherently harm others and go further to genuinely deliver positive but enduring change.

We're not the lowest cost super fund, our values mean that we're very transparent about the investment costs we incur. We don't hide them in structures that mean they don't have to be reported. But our costs pay off in competitive net returns that rely on less embedded risk to your future balance, so you should end up with more money in your pocket when you retire, regardless of market conditions at that particular time. Our default option strategy is designed to deliver all our customers a better than comfortable retirement standard and is well on track to do so.

Our aggressive and income-focused options, designed for our youngest and our oldest customers respectively, are consistently within the top 10 in their peer categories over all time periods. Our difference as a team and in the investment options we build reflects our commitment to do what we say we will: to provide each of our customers with a comfortable retirement. Thanks for taking the time to hear our story and I really look forward to answering your questions.

Australian Government

Commonwealth Superannuation Corporation

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Wednesday, 17 November 2021
6.30pm AEDT
Questions and Answers

17 December 2021

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Stapling

Q. With reference to Stapling, when a Regular Service member is contributing to MSBS and leaves the Service, then re-joins on SERVOP C Service are they stapled direct to their previous account or do they need to commence an ADF Super Fund account?

A. Generally, a Preserved MSBS member who re-enters the permanent ADF or for a period of CFTS will default into MSBS. It's important to note that stapling does not impact members with a defined benefit interest, such as PSS, CSS, MSBS or DFRDB accounts in the same way. These defined benefit accounts are excluded from the stapling changes. Their respective rules around eligibility take priority over stapling.
Please refer to "ADF20 Re Joining the Australian Defence Force" fact sheet for more information.

Q. These questions seem scripted. How about answering the real questions from members? Like under the stapling and consolidating rule can a member take my MSBS funds to my current super with my current employer

A. In this situation the MSBS trust deed supersedes the new stapling and consolidation provisions. It's important to note that stapling does not impact members with a defined benefit interest, such as PSS, CSS, MSBS or DFRDB accounts in the same way. These defined benefit accounts are excluded from the stapling changes. Their respective rules around eligibility take priority over stapling.

Q. Stapling: what is the situation for government employees in a defined benefit super schemes and also in another super funds?

Note: This response was given verbally by Damian Hill (CSC CEO) during the Q&A part of the meeting

A. Defined benefit funds [PSS, CSS and MilitarySuper] are exempted from stapling, because they can't necessarily take contributions from new employers, etc, like that.

So if you're in a DB [defined benefit] fund, that part of your account will be exempted from stapling.

However, if the other part that you talk about is in respect to an accumulation type benefit where you get either the 15.4% or SG [super guarantee] into the account, then when you are going to change jobs in the future your new employer will automatically

start contributing to that scheme, unless you decide that you want to move to another scheme.

It's always within your power to move your super to another scheme at that time.

Climate

Many big super funds have set 2050 (or sooner) net zero portfolio decarbonisation targets, and several funds have also set interim targets. Portfolio decarbonisation targets are fast becoming the bare minimum expectation on super funds who claim to support climate action. CSC, however, has not disclosed targets to decarbonise its portfolio, but instead says it aspires to "...achieve net zero emissions as soon as possible." When will CSC implement portfolio decarbonisation targets?

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

A. It is the expectation now that everybody needs to set a target. We've set ourselves a target and that is to do as fast a job at this as is possible and still be genuine. So as I said in the formal comments this evening, it is really important to us that our values are upheld and our values are to do what we say we do. So we are on track, as I think Garry mentioned and I mentioned also, to be well ahead of any Paris Agreement in terms of carbon neutrality, in terms of the changes that we've made already to our portfolio.

We're committed to continuing to do that through the three avenues that I've spoken about earlier, which are direct investing in renewables and in the technologies and infrastructure that support the potential to leapfrog the constraints on moving to the new energy regime faster; and make no mistake, we are moving to a new energy regime around the world. We're investing and engaging with companies who are currently involved in the old energy regime, in order to help them leapfrog as well into the new regime successfully. And we're cooperating with global entities around the world to improve the transparency of these risks and reporting and support capital markets to be part of the solution robustly.

So we're a signatory to the Partnership for Sustainable Capital Markets, we're a member of the Investor Group on Climate Change and we believe in this engagement globally, because voice that's accumulated behind a lot of capital has greater impact. That's why as a signatory to the Carbon Disclosure Project since 2002, we've been one of 108 institutional investors from 24 countries who've engaged collectively with over 1,020 companies across 49 countries. This year our combined efforts have supported more than 13,000 companies to disclose their data on climate impact.

So I think you really need to focus on the outcomes that we generate, rather than the marketing lines that we have and we are on track, as I mentioned earlier, to be carbon neutral well within the Paris Agreement timelines and the faster the better, I guess.

Q. As per the four investment options, has CSC considered another super choice as VicSuper now, with a sustainable/renewable only option. i.e. No non-renewable products and companies - Gas included.

A. Our investment options have been designed specifically around a lifecycle. So that is why we offer just three premixed options - the Aggressive option for customers at the beginning of their working life cycle, the MySuper default for the bulk of our customers and the Income-Focused option for customers closer to retirement.

Sustainability across ALL our options

Our aim is to invest all of our portfolios sustainably, not just one particular slice, in ways that don't inherently harm others and go further to genuinely deliver positive but enduring change, **so we don't offer a standalone Environmental, Social and Governance (ESG)option.** Instead, we integrate ESG considerations consistently across ALL our portfolios as we believe ESG risks and opportunities can have impact on the future value of customer savings.

Many of you have told us that ethical and sustainable investing matters to you, that you want your money to do good and not cause undue harm and we agree. Accountable business practices ultimately reflect in business value, they generate goodwill and they contribute to more sustainable growth.

We support those practices, furthermore, we practice them ourselves. Now the concept of ethical investment differs from person to person, but to us it means doing the right thing and doing what we say we will. We have held ourselves accountable for identifying and mitigating ESG risks in your portfolios.

Sustainability independently recognised as global best practice

This was recognised by the United Nations, which gave CSC an innovation award in ethical investing and stewardship back in 2003 and we were the first Australian fund to carry out the Climate Institute, an independent assessment of our carbon footprint way back in 2009, well before it became fashionable.

We are also honoured to receive the Asian Investor Institutional Excellence award for ESG engagement for 2 consecutive years in 2020 and 2021 and ranked in the biennial Top 20% of the world's most Responsible Asset Allocators Initiative (RAAI) in 2017, 2019 and 2021.

Supporting a fair and robust transition to renewables

We are often asked why, as the first Australian fund to take positive steps to tackle issues like climate risk, we still hold some exposure to companies that derive part of their revenue from oil and gas. Here's our answer.

- As you know, global carbon intensity can only be reduced by ceasing the underlying carbon emitting activity. The developed world is accelerating away from a high dependence on fossil fuels, but the pace of that transition remains constrained by the fact that our homes, our hospitals, our schools, essential services, even the electric vehicles some of us drive, still all require fossil fuel baseload until renewable energy generation, storage and transmission can achieve mass scale and the costs of that baseload energy must rise materially through transition, with obvious implications for average living standards, as Europe is experiencing today.
- In developing regions where dependency on fossil fuels still remains very high, those rising energy costs become a hard constraint, because they increase social instability and the potential for the propagation of geopolitical risk.

Genuine actions to a clean future

So, the three activities that long-term investors – such as ourselves – are uniquely best placed to undertake in order to help accelerate the robust transition are:

1. Obliging companies to transparently report operational risks and externalities alongside the incentive structures they use to reduce them.
2. On the basis of that data, engaging with existing companies in an informed way to support the strategies needed to permanently replace their old energy operations. Read more
3. Investing in new companies that either produce fossil fuel alternatives or develop technologies with the potential to leapfrog the current storage and distribution constraints.

CSC was one of the first funds anywhere in the world to execute on each of these.

Our focus is on the capital markets pathway required to genuinely make our climate initiatives stick and we measure our progress and refine that journey as technological advance and policies enable. Divestment is the last resort for us because it does not necessarily reduce the carbon intensity of the economic activity itself; it just removes it from your portfolio. So we only use it if the risks to your savings are not able to be mitigated.

Your portfolio's net carbon contribution is currently reducing by around 427,000 tonnes per annum, a pace that if simply maintained is more than sufficient to meet the Paris Agreement of carbon neutrality and well ahead of schedule.

In conclusion, our investment offering looks different from other super funds, because it is and we're proud of the fact that it's not designed for the average Australian, but purposefully tailored to you, our Commonwealth Government employees and members of the Defence Forces.

We constantly look ahead, innovate and allocate your capital to opportunities that others follow us into, opportunities chosen because they can improve your retirement outcomes and genuinely contribute to positive ESG outcomes, not because we're following the latest market fads. Our focus is on building resilient portfolios, full of high-quality assets that we steward well so that their value and income supporting characteristics are futureproofed.

Q. Chair may have answered this but wondering do we invest in renewable energy?

A. CSC has been investing in new-energy-system assets for over two decades both directly, through our private asset portfolio and via tailored public market indices. CSC has:

- Invested over A$1b in private and public assets that are **aligned with the United Nation's Sustainable Development Goal (UN SDG) climate initiative**. They include:
  - **wind and solar** farms. We were an early mover into an Australian windfarm in 2015 and have also invested in European renewables developers to build new capacity for renewable energy generation (rather than just buy and sell existing supply);
  - **hydroelectric** facilities;
  - companies that extract the chemicals such as lithium used to produce **batteries** – which are the key to scaling reliance on renewable energy; and
  - a smaller capital allocation (to reflect its development-stage risk) to a US business that has developed the technology to convert forestry and food production residues into **bio-carbons** which remain stable and out of the atmosphere for over 100 years.

You can find more information about our renewable investments and how we address the impacts of climate change more broadly here: Climate risk (csc.gov.au)

Q. CSC's climate risk factsheet says "CSC's investment approach is aligned with the Paris Agreement which seeks to limit the increase in the global temperature to 'well below 2 degrees C' above pre-industrial levels." Given CSC's investment in companies undermining the Paris climate goals, this claim appears misleading. In light of the recent Noel Hutley SC legal opinion regarding climate change and directors' duties, is CSC worried this claim of Paris-alignment could expose the fund's directors to litigation risk?

A. As detailed in our Climate Risk and Stewardship factsheets, we take an integrated approach to environmental, social and governance (ESG) risks, with a view to improving our total net portfolio footprint over time. Our foundational principles are that:

(i) we operate through the lens of value, which is our comparative advantage and believe that ESG risks eventually monetise (eg. improvements in business practices that benefit stakeholders eventually result in more sustainable value in the underlying franchise);

(ii) as a universal owner, we take a whole of fund approach, measuring our progress at the **net** total fund level rather than by exposure to any one company or

industry and we believe that genuine incremental steps matter more than grandiose gestures;

(iii) we believe that engagement is more powerful than divestment, because it enables us to support a robust transition. Divestment is a last resort because it manages the risk for your portfolio but may not result in any real world impact at all if the economic activity continues under different ownership. By way of example, engagement activities executed through one of our active international equity managers has, in conjunction with other asset owners, helped nudge a major consumer staples company to lower its high-emissions aluminium usage. The company has increased its reliance on low carbon/recycled aluminium and is targeting a 25% reduction in Scope 1, 2 and 3 emissions by 2030 (vs 2015 base year). Something we would not have been able to support if we had divested; and

(iv) we collaborate with our peers globally, to promote more transparent corporate reporting, so that we can improve our own capacity to understand, price and mitigate ESG including climate risks.

Within the classification of ESG risks, we address climate risk specifically because it is a "common factor" risk, which means that we believe it has multiple direct and indirect channels though which it can impact your portfolio. This is why we use explicit scenario and stress test analysis to dimension what climate risk means to your retirement outcomes to the best of our ability, given the data available to us, and we manage that at the **Fund** level, rather than through any single company or industry.

Our stress testing methodology follows the latest evolving recommendations of peak bodies globally including the International Panel on Climate Change (IPCC) AR6, and strives to incorporate the aggregate implications from:
(i) direct physical risk;
(ii) regulation risk;
(iii) litigation risk; and
(iv) competitive-positioning risks under different rates of transition as the world moves towards a lower carbon regime.

We were the first Australian super fund to open our portfolio to carbon footprint analysis back in 2009. And in response to our work on this topic since then, we have adopted:

(i) A **decarbonisation index** for our passively-implemented international equities, to reduce our carbon emissions from this segment of our portfolio by 50% vs the regulator's conventional listed equity benchmark;

(ii) An **optimisation mandate that reduces misuse of scarce natural resources** – 50% less carbon, 50% less water use, 50% less waste compared to benchmark in that segment of our portfolio;

(iii) We have over A$1b invested in private and public assets that are **aligned with the United Nation's Sustainable Development Goal (UN SDG) climate initiative**. These assets produced 427,000 tonnes less in carbon emissions this year than the regulated benchmark's energy sector. They include wind and solar farms in both Australia and offshore - we were an early mover into an Australian windfarm in 2015. They also include hydroelectric facilities; companies that extract the chemicals used to produce batteries – which are the key to scaling reliance on renewable energy; and a smaller capital allocation (to reflect its development-stage risk) to a US business that has developed the technology to convert forestry and food production residues into bio-carbons which remain stable and out of the atmosphere for over 100 years.

(iv) We use **exclusion lists as provisional screens**, not definitive judgements because while in principle, divestment appears to provide a clean, simple solution, in practice it is not. We did divest of all passive[1] exposure to undiversified companies that derive 70% or more of their revenue from the production and generation of *thermal* coal this year. We divested because the financial risks to these companies are rising and engagement is unviable. We remain invested in Australian gas producers because gas emits around 50% less emissions than coal and plays an important and necessary role as an interim fuel to ensure countries around the world continue to have reliable and affordable energy, until technology limits are overcome with innovations and capital expenditure in storage, CCS, hydrogen, battery storage and renewables capacity ramps up. These companies recognise their interim role in this transition.

We believe that engagement and advocacy work most effectively when they give voice to a material share of a companies' shareholders.

- This is why we have been a signatory to the Carbon Disclosure Project since 2002. In 2020, CSC was one of 108 institutional investors from 24 countries and representing USD12trillion in assets, who collectively engaged with 1,025 companies in 49 countries on carbon disclosure.

- In 2021, our combined efforts have supported > 13,000 companies worth over 64% of global market capitalization, to disclose their data on climate impact, water security and deforestation – an increase of 37% since last year. By improving the transparency of these risks through better reporting, we support capital markets to ration capital and be part of the solution robustly.

As a result of the activities in (i) and (ii) above, our listed market equities carbon footprint (as at 30 June 2021) is estimated to be 23% lower than that of its regulated benchmark – which equates to around 18 tonnes of CO^2 emissions per AUD million invested (Scope 1 and 2 emissions). If we could maintain this pace, it would be more than sufficient to meet the Paris Agreement and ahead of schedule.
We do not know whether that pace is maintainable consistently, without breaching our regulated operating constraints, or indeed if it could be accelerated as opportunities and technologies evolve. Therefore we have not set earlier target dates because we believe

[1] Divestment of the last residual active exposure (currently less than 0.05% of our fund) will be completed by early 2022. We gave our external managers some discretion to manage divestment in a way that would not be materially decretive to your savings.

that the most sustainable path towards the Paris ambition is one that ensures we continue to deliver our customers an adequate retirement income; supports a robust transition to the new renewable energy system; and is mindful of the often complex and unintended total-portfolio risk consequences. For example, some current technologies that are more energy efficient also consume more water and create more waste.
We are also a:

- Signatory to the Partnership for Sustainable Capital Markets;
- Member of the Investor Group on Climate Change (IGCC); and
- Signatory to the Montreal pledge to disclose the carbon footprint of our listed equities portfolio on half yearly basis.

We advocate for and publicly support the Paris Agreement, the TaskForce on Climate-related Financial Disclosures (TCFD) and Investors against slavery and trafficking (IAST – APAC).
Our CIO was invited to participate in the Brookings Institute 17 rooms project which evaluates what investors can uniquely bring to operationalise each of the UN's 17 sustainable development goals.
Our investment team also contributes to the Institutional Investor Roundtable (IRR) deep dive on climate change risk identification and management.
Our focus is on delivering sustainable long term financial outcomes to all our customers in retirement. We take a whole-of-portfolio approach and measure the **net** impact of our total portfolio to continuously assess whether we remain on track to reduce our climate exposures in line with the Paris accord.

Q. CSC confirmed in March this year that it had divested from (and would exclude future investment in) companies that derive more than 70% of revenue from mining thermal coal. Is this divestment announcement a one-way trend? Will we see CSC reducing the thermal coal exclusion threshold and implementing an oil and gas exclusion policy?

Q. CSC's climate risk factsheet says that the fund is conducting analysis, such as forward looking scenarios of different transition pathways to a lower carbon economy etc. Given the latest Paris-aligned International Energy Agency scenario confirms there is no room for new or expanded coal, oil or gas developments, why hasn't the fund already analysed its fossil fuel investments against this

scenario, and divested from companies that are expanding fossil fuels?

Q. Several other industry super funds have started divesting from oil and gas. For example, UniSuper has sold down $2 billion in fossil fuel holdings over the past year, and removed companies like Woodside, Santos and Enbridge from its active holdings. CSC risks being left behind by its peers who can clearly see the writing on the wall for oil and gas. Is CSC reviewing its investment exclusions in light of these shifts, and will the fund implement an oil and gas exclusion policy?

Note: same answer for multiple questions

A. We support a safe, fair and smooth transition to lower carbon world.

We strive to reduce net emissions to zero as soon as possible, by investing in renewables infrastructure, battery and transmission technologies. However, the world's demands for power is still not able to be fully met by renewables alone yet, so we recognise the role of lower emission fuels like oil and gas to bridge the gap in the interim to avoid detrimental impact on communities, workforces and businesses. Gas produces about 50% less emissions than coal and hence plays an important role as a transition fuel while renewables and battery technology ramp up.

Examples of this have played out recently in China and Europe. e.g. rationing electricity to limit use of coal, resulting in regular power outages forcing factories to close, workplace ventilation systems, essential electrical services like lifts and critical machinery to fail, restricting heating/cooling in homes during extreme hot/cold weather, rationing petrol for transport.

Thus, it is important to build sufficient new clean energy capacity before eliminating old energy sources, rather than decommissioning fossil fuel based power generation facilities prematurely without the capacity of storage and distribution technologies required to ensure accessible, affordable and reliable energy for both developed and especially, developing countries.

Furthermore, these fuel companies are the ones that have been intrinsically motivated and implemented investments in renewables to diversify and extend the longevity of their businesses for a low carbon future. For example, IEA (2019) estimates 770 million people lack access to essential services due to lack of electricity. To help achieve reliable

electricity in Africa and Asia who don't have it yet, oil companies are developing market-based programmes that provide access to clean and affordable energy for some of the world's most remote and vulnerable people.

The key issue is not how to restrict investment in energy or electricity companies, but instead, how to ensure that these industries invest in technology that allows them to produce essential goods and services with minimum release of emissions. This is where we believe disciplined engagement with clear milestones and plans is a more impactful tool.

Q. CSC's climate risk factsheet says "Divestment is a last resort" and "by staying invested and influencing towards improved behaviours and processes we can make a more positive and genuine impact in the longer-term. We use divestment only when engagement with companies cannot reduce the risks to the long-term viability of the business." Woodside and Santos are expanding oil and gas production, and have no credible plans to transition to 1.5°C-. What's the evidence that staying invested in such firms has positively influenced them?

Note: This response was given verbally by Garry Hounsell (CSC Chair) and Alison Tarditi (CSC CIO) during the Q&A part of the meeting

Garry Hounsell (CSC Chair):

A. Active engagement is our preferred approach instead of simple divestment, but we acknowledge that in some cases active engagement will not be enough to bring about the change that we think is required. Divesting only changes the ownership of a company, and doesn't necessarily reduce the climate impact on the organisation.

However, we have divested from pure play coal companies, which we identify as companies who generate 70% or more of their income from coal. This threshold for divestment exists because we consider diversified companies more capable and likely to transition away from coal. Alison, I might now just pass onto you for some further comment.

Alison Tarditi (CSC Chief Investment Officer):
Thanks, Garry and thanks for the questions from each of our customers who've asked them. Just to put some colour around the divestments that we have made, as Garry mentioned, we've divested from undiversified companies which generate 70% or more of their revenue from thermal coal production and generation, because the financial risks to these companies are rising and engagement is unviable.

So we want to protect your savings from that risk; this means that you personally have no companies in your portfolio like offshore Coal India or Peabody Energy Corporation and no exposure to companies in Australia like Washington Soul Pattinson or New Hope and Whitehaven, where the final residual divestment of less than about 0.5% of our fund will be completed within the next quarter, because we did give our external managers the discretion to manage that divestment in a way that would be accretive to your savings. But we do remain invested in well run Australian gas producers, for example, because gas emits around 50% less emissions than coal and plays an important and necessary role as an interim fuel, to ensure countries around the world continue to have reliable and affordable energy until technology limits are overcome.

We use exclusion lists as provisional screens, not definitive judgements, because while in principle divestment appears to provide a clean and simple solution, in practice it's not. I'd ask you to consider, for example, that with an objective to decarbonise a portfolio we could try to automatically exclude any utility company based on the ESG scores on carbon that's currently available. But the data driving these scores may not take account of the fact that many companies are moving towards clean energy production and decommissioning their coal burning electricity generation plants.

As long-term investors, we can stay committed to these companies, encouraging them in this journey, supporting their financial value to your savings and having real world impact, not just paper impact. Many ESG options, for example, do divest fully from all fossil fuel exposure, not just entities unable to evolve, which may make these portfolios on paper seem clean. But we all have to think about whether the paper virtue translates into real world impact. For climate ambitions to be met, all industries have to make innovative transformations to become clean and futureproof. For this to happen, capital markets need to focus on heavy emitting industries and support those companies making deep decarbonisation changes, changes that go beyond protecting one portfolio to protecting the planet.

Let me give you three quick examples off the top of my head in our portfolios. The first is a German electricity provider, RWE. That company scored poorly on emissions because of historical reliance of fossil fuels and its price was penalised by the market. Renewables now comprise one-third of RWE's energy production. By 2030 they have a plan to reduce emissions by 50% versus their 2019 baseline, and further to carbon neutrality by 2040. Something we can do to support them to deliver, is by remaining engaged, thereby creating sustainable value in your portfolio and beyond to improve real world outcomes.

Equinor, previously Norwegian state coal is another example - the company's plan to be carbon neutral is by 2030 and that's evidenced in their allocation of more than 25% of their total R&B budget to hydrogen and carbon capture and storage technologies.

WEC Energy is another example, a US company, retiring old coal plants with a plan to achieve less than 10% revenue from coal by 2025. They're investing US$4 billion in solar, wind, battery storage technology, all critical to accelerating the transition to a new energy regime.

We all have a natural tendency, I think, to undervalue things that are complex and climate, which is inseparable from the other 16 sustainable development goals, is also very complex. To translate paper virtue to real world impact required deep system appreciation, support of companies making deep decarbonisation changes and early stage investments that lean into innovations capable of leapfrogging us forward. We've been doing these things for two decades, well before they became fashionable.

Our track record of investing early means that you harvest the additional returns from providing early stage capital and you're genuinely contributing to new renewable asset capacity in the world, rather than just recycling claims on existing assets without changing any real outcomes at all. This is why we don't offer a standalone ESG option, which would be an easy marketing win, but not necessarily part of a real world solution.

Q. What influence, if any, does the Government of the day have on your policy concerning, for example, investment decisions in fossil fuels?

A. CSC's investment function is separate from government and robustly governed by a global-best-practice process.

This is designed to ensure that the best financial interests of our customers are always the focus of our decision-making. The government does not interfere nor seek to influence that process or its outcomes at all.

As a global investor, CSC does pro-actively monitor and review the impact of all government policies both domestically and abroad, to ensure that their implications for financial markets, industries and corporations are taken into account when forming our investment strategy and managing the risks within our portfolios.

Investment

Q. The US and Australian share markets look like a scary, ever increasing bubble which may pop anytime. Any fund investment decision one makes looks like a gamble for those in the CSS super fund. Q1. Any chance the CSS fund might offer more than just Default (high risk) and Cash (nearly zero risk but no real gain)? e.g. an intermediate risk option? Q2. The CSS two switches per year

along with the timing restriction is very limiting. Any chance more switches could be allowed per year or perhaps allow more flexibility with switch timing?"

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

Our investment options have really been designed specifically around a lifecycle. So that is why we offer just three premixed options - the aggressive for customers at the beginning of their working life cycle, the balanced MySuper for the bulk of our customers and the income-focused option for customers closer to retirement.

So we believe that that suite of products supports you to make an informed choice and align your investment product with your stage of adequacy in retirement and work life.

Q. How much investment is made in China or Chinese companies.

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

A. We do actually invest in Chinese assets - currently 6% of our total funds, or around $3.6 billion, are invested in China assets, because they're an increasing share of global capital markets and a genuine source, we believe, of diversification. Because their cycles in business, in policy, differ from those in other large economy.

The China bond market, for example, is valued at around, I think, US$13.5 trillion and it's the second largest in the world. It's recently been included in flagship global indices and it's one of the few bond markets anywhere in the world still offering adequate yield compensation.

One point of differentiation that I think is important for you to understand is that we don't invest in China passively, because we don't want to simply adopt the exposures that their rising share of equity and debt market indices dictate. Rather, we enter this region with control over our allocations, retaining our comparative advantages in asset allocation and asset quality selection. So while 6% of our capital is invested in China assets, this only contributes 1.5% to our overall level of portfolio risk. So portfolio diversification, dynamic asset allocation management and quality asset selection all play a critical role in delivering that result.

For example, we recognised the implications of rising policy uncertainty in China earlier this year and responded by reducing your exposure proactively. This meant that as China equities fell by 19% between January and September this year, our balanced option was not materially impacted and actually rose in value by 11%. This has been a consistent pattern for us throughout the four significant drawdown episodes in Chinese equities since 2015.

Q. Can I choose an investment fund that my CSC super invests in?

Note: This response was given verbally by Damian Hill (CSC CEO) during the Q&A part of the meeting

A. CSC offers generally four investment options. The vast majority of our customers are in the default MySuper product that Alison talked about extensively, but she also talked about around 18% of our customers choose from our other options - we've got an aggressive option, an income-focused option and a cash option.

So, if you're in one of our defined contribution schemes [PSSap and ADF Super], you can make a choice about those at any time and switch when you would like in that regard.

Q. Is there any work being done to look at adding additional investment options outside the current four options?

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

A. Our investment options have really been designed specifically around a lifecycle. So that is why we offer just three premixed options - the aggressive for customers at the beginning of their working life cycle, the balanced MySuper for the bulk of our customers and the income-focused option for customers closer to retirement.

So we believe that that suite of products supports you to make an informed choice and align your investment product with your stage of adequacy in retirement and work life.

Q. Is CSC looking at how crypto currency would or could be added to their current investment mandates?

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

A. You do actually have a very small exposure to Bitcoin indirectly through some public companies in our portfolio and some of our VC [venture capital] investments. It's actually very small, less than 0.4% of our assets under management and the exposure to that comes through PayPal, given its decision to let its customers trade Bitcoin on its platform; through Tesla's direct investment in Bitcoin and through one of our external hedge fund managers, who took a very small beachhead exposure to ensure that we could properly understand as an insider the state of the market's infrastructure development in a real and timely way, to understand its relevance to institutional investors.

We've not invested directly in commercial decentralised cryptocurrency like Bitcoin ourselves because of several risks, I think, to the value. The material regulatory risk that governments either ban or limit the use of decentralised cryptocurrency for transactional purposes. The fact that Bitcoin transactions are very expensive to make, energy greedy and slow to execute, making them as yet unsuitable as a medium of exchange. That energy intensity, of course and the location of Bitcoin mining is concentrated in regions where electricity is still primarily generated using coal and so it's very climate unfriendly. Its volatility - it really is a speculative asset and it can have discreet price adjustments of 25% to 75%.

Finally, while much is made of the limited supply of Bitcoin, with the implication being for sustainable price depreciation, we're not convinced by this argument at this stage. Because the supply of alternative cryptocurrency is not limited and new versions pop up regularly. There's Ethereum, Litecoin, Tether, Solana, Stellar, Cardano - I could keep going for half an hour or so. Even Dogecoin was described as a joke by its creator and tweeted about incessantly, I think, by Elon Musk.

To date, prices of all of these cryptocurrencies have been highly correlated and as I said, dominated by speculative activity. By contrast, the underlying blockchain technology that's a very significant development has multiple applications beyond the support of cryptocurrency trading and we're live to that issue and monitor developments there very closely. The institutional quality of the infrastructure that enables the use of cryptocurrency, the composition of market participants and government attitudes towards its proliferation is something that we're all focused on.

I would make one final point, that there's quite a difference between these decentralised cryptocurrencies and the centralised versions, which don't have the same potential for wholesale disruption of our global monetary system. The Bank for International Settlements in conjunction with seven, I think, other central banks, have drafted a principle for developed countries central bank digital currency use and that really focuses on constraining the use of these currencies, to make sure they don't interfere with the existing commercial banking systems and the way our monetary policies operate.

China, Singapore, Canada, I think Sweden's E-krona, are very progressed in terms of central bank digital currency development and these are centralised, scalable and will be in use around the world. So it's very hard today to define the boundaries on these developments and their influence on the intermediation of credit, on monetary policy, on capital flows. But it's fair to say, I think, that the monetary system operating a decade from now will be very different to today and that bears our focus and we are watching that carefully.

Q. How does one change between the three types of investment portfolios? For example, from default to the aggressive option or vice versa?

Note: This response was given verbally by Adam Nettheim (CSC Executive Manager of Customer Operations) during the Q&A part of the meeting

A. The actual change itself isn't too hard, it is about either going online, onto the website and pulling down a form, or ringing one of our contact centres to get assistance in making the switch. So the mechanics of making the switch is not difficult at all.

What I would always say to people when they're talking about switching, first of all, congratulations.

Be very understanding of your investments risk profile, your comfort in what you're about to switch into and out of; a little bit similar to the message that I gave around the rollout before and making smart switches.

Q. Why does everyone start in the Default Option when you mention that the 'Aggressive' fund is more for younger members, while the 'income focused' fund is more orientated for older members. Could you not channel members into the appropriate fund based on their Super journey?

A. All our customers have the choice to select whichever investment option they think is best for them at any particular point in their working life.
PSSap MySuper Balanced and ADF Super MySuper Balanced are the options new to CSC customers default into if they do not make an active choice otherwise[2]. We provide information on all our fund investment options so that our customers can make an informed decision that suits their particular circumstance. You can find this information on our website here:
https://www.csc.gov.au/Members/Investment/Investment-options

Q. How much of Default option fund is invested in Australian assets? What is the target level for investment by CSC in infrastructure in Australia?

[2] From 1 November 2021, CSC's defaulting rules are applied in line with the new stapling requirements, for instance, if no active choice is made, CSC will first check whether a member has an existing 'stapled' fund before a member can be defaulted in these options.

Note: This response was given verbally by Alison Tarditi (CSC CIO) during the Q&A part of the meeting

A. In regard to Australian assets, our balanced fund has about 24% of its total funds under management invested in Australian equities. Our income-focussed fund, a little less at 9%; and our aggressive option a little bit higher at 28%. So that's our exposure to Australian equity assets and our infrastructure program - we are opportunistic when we buy assets for our customers.

What we're looking for is returns that compensate you well for the costs and the risks associated with each of those projects. So at present we have about 12% of our balanced MySuper option exposed to real assets and about half of that is in property assets; about half currently in infrastructure both in Australia and internationally, in Europe and in the United States.

One of our differentiating characteristics is that we've always been focused on the infrastructure of the future, so we were an early investor into data centres, for example and Canberra Data Centre, which you own, has been returning after all fees and costs something like 58% per annum since we invested in it.

So we're really looking for the best assets. We don't have a specific target and we will take as many of those terrific assets that can make that sort of return for you as we can access. But we do that carefully and we cast a lens across the relative value available in Australia, but also internationally.

Q. Can you expand on the fund options, e.g. how do we know when to switch or if to do so?

Note: The person who asked this question is a preserved PSS member, however our response has been set out in general terms to cover all schemes and products. We're not able to provide advice in relation to when a member should switch between investment options. There are however different cut-offs for, and effective dates of, an election to switch investment option that a member should be mindful of depending on their scheme. You should consider your personal financial circumstances and consider engaging a financial advisor to determine an outcome based on your situation and needs.

A. The investment options available to you and your ability to switch between these options depends on your scheme and whether you're a contributing or preserved member. For further information specific to your scheme please refer to the relevant PDS document which you can access on the website Product Disclosure Statement | Advice & Resources | Superannuation - CSC

Q. Just a question on member returns, in a potentially higher inflation environment in future, is there any guidance on what can members do to future proof their retirement?

A. Our focus is on building resilient portfolios, full of high-quality assets that we steward well so that their value and income supporting characteristics are underwritten and futureproofed.

Our three diversified options - Aggressive, Balanced and Income focused - are designed to achieve their objectives to deliver returns above inflation over a 10 year time horizon by 4%, 3.5% and 1.5% respectively[3]. We have achieved these goals over all time frames to 31 October 2021 for all options. Members who stay invested in these options are benefitting from high quality assets that generate inflation-linked cashflows while growing your capital, such as infrastructure investments like:

- Australian data centres, mobile towers networks in Australia[4] and Europe, fibre optic networks in Europe and Asia, broadband investments in Asia and the US. These assets are all expected to benefit from higher average work-from-home practices and the accelerated adoption of digital technology into business models through the pandemic.
- wind and solar renewables, including a European owner and operator of hydroelectric facilities, windfarms and solar farms;
- Australian diagnostic imaging business, providing preventative healthcare infrastructure and growth of new clinics in regional areas; and
- business in the US that specialises in the storage, logistics and preparation of food, contributing to essential food supply chains across that region. This expands our existing investment in an Australian agricultural business that uses technology to produce food innovatively and prioritises sustainable use of limited natural resources.

Portfolio holdings

Q With the aggressive fund, is there any exposure to India emerging markets?

A. Yes, in the Aggressive option, we have <1% of the total portfolio exposed to India.

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[3] Super, like any investment, has risks. For example, PSSap investment options carry varying levels of risk and return. The likely investment return and the risk of losing money are different for each investment option. Investment options are made up of assets with different weightings and risk levels. Assets with potential for higher returns over the longer term (like shares) may also have larger fluctuations in value over the short term. While it'd be great to eliminate risk, that's not possible because some risks remain even in a diversified portfolio. Instead, they need to be managed. Please refer to the PSSap Investment Options and Risk booklet.

[4] The most recent example of this is our acquisition of Amplitel, Australia's largest mobile towers owner, which supports the networks of Telstra and other mobile phone companies. Mobile data demand is growing at more than 20% per annum and the vast majority of Amplitel's revenues come from prices linked directly to inflation. Read more

CSC portfolio holdings can be found online.

Ethical/sustainable investing

Q What is CSC doing about modern slavery risk? Is CSC aware of any potential modern slavery risk that may existing in its supply chain through its investments?

A. Our annual Modern Slavery Statement sets out our commitment and risk management to minimise the risks of modern slavery in our supply chain and our investments, in accordance with the Modern Slavery Act 2018. Our key actions are summarised below:

- *We understand that all businesses may be exposed to modern slavery risks. As part of our regular risk management, we assess our investment managers and suppliers' **policies and processes** to identify, manage and reduce any potential modern slavery risks in their supply chains.*
- *We seek to make **genuine incremental impact and prioritise our engagement** according to the level of control and influence we have on the investment manager or supplier. Our investment exposure to higher-risk countries, as set out in the Global Slavery Index 2018, was approximately 0.6% of total funds under management as at 30 June 2021[5].*
- *We also recognise that changes to deep complex global supply chains take time and co-ordinated efforts. This has led to our participation in two new global industry collaborations: Investors Against Slavery & Trafficking (IAST-APAC)[6] and UN SDG 17 Rooms: Modern Slavery initiative[7], as we recognise that more meaningful and effective change can be achieved together with other institutional investors and modern slavery experts, in addition to our own engagement with investment managers and suppliers individually.*

*Our CIO, Alison Tarditi, was invited to contribute to the global flagship "17 Rooms" initiative to accelerate progress towards the Sustainable Development Goals, organised by Brookings Institution and The Rockefeller Foundation. In particular, Alison has contributed to Room 17, which focuses on the role institutional investors can play in the **fight against forced labour and modern slavery**, while supporting inclusive growth, consistent with the trend toward increasing investor focus on real world impact.*
The first initiative from this collaboration is the design of a forced labour risk estimation tool which seeks to remove the forced labour information asymmetry in capital markets,

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[5] *This analysis covered approximately 86% of our funds under management.*

[6] The secretariat and knowledge partner of IAST-APAC is Walk Free - a not for profit organisation seeking to strengthen systems and eradicate slavery from all supply chains (publisher of the Global Slavery Index), along with the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST).

[7] Members:

- Institutional investors: Bridgewater Associates, CSC, Transport for London Pension Fund
- Forced labour experts: Humanity United, Transparentem, Verité
- Research organisations: McCain Institute, Brookings Institution, Rockefeller Foundation

as quickly as possible to allow investors, regulators and standard setters to efficiently identify, measure and improve transparency around modern slavery risks.

Q Should CSC stop investing in companies that directly or indirectly breach human rights around the world?

A. Our Active Ownership policy sets out our pursuit of excellence in managing financial, human, natural, organisational capital and technology as we recognise these all contribute to the sustainable value of a business. We expect our investees companies to respect and uphold human rights. Our primary risk management tool is engagement because we believe this is how we can achieve genuine sustainable change. As a last resort, we may choose not to invest in assets when we consider our active ownership practices cannot work sufficiently to reduce the associated risks to long-term viability of the business.

We are committed to being a responsible corporate citizen and taking action on human rights, including modern slavery practices, as demonstrated by our inclusion in the biennial Top 20% of the Bretton Woods II Most Responsible Asset Allocators Initiative (RAAI) in 2017, 2019 and 2021. Our mission is achieved with a focus on principles-based responsible investment through ensuring our investment partners are adequately identifying, managing and reducing sustainability risks, including modern slavery.

Q Should climate change investments suffer market declines in the near future and impact on member returns, will CSC bite the bullet and withdraw investments and invest elsewhere eg. iron ore mining to sustain credible returns?

(Followed up with customer who added "When you are investment manager with a title you should not ignore industries because they may not meet our climate agenda because they may be long term profitable and would provide secure returns to members. Woodside have merged assets of BHP and gas and has become a top 10 producer in the world due to merger, they will be a profitable company, rather than take its money and stick it grass or windfarms. Therefore, my question is are we so closed as fund that they would never invest in a profitable enterprise that would create more secure returns for members? But with particular focus in relation to gas mining and oil").

A. We take a value not a values approach to investing. We do not invest for impact, but rather for net real returns that are enduring and compensate appropriately for their embedded risks and costs. The net externality of this should be a positive impact on the environment, social practice and governance standards because these are all markers of a well-run business. We have not divested from diversified resource companies, nor do we exclude any company thematically. We have divested from single-entity thermal coal producers defined as those companies that derive 70% or more of their revenue from

thermal coal because the risks to their franchise value are now very high. However, we remain long-term investors in diversified companies like BHP and Woodside who have global comparative advantage and will remain a critical provider of energy services through transition and, given their strategic investments to date, beyond that.
Our investment purpose is to maximise retirement outcomes for our customers so that they can have confidence to retire as comfortably as they can, regardless of market conditions. We believe that the most successful companies are those that consider all potential and strategic influences (including ESG) on the long-term sustainability of their business, not just the short-term operational drivers of current profitability, so generally we expect to also contribute positively to ESG results.

However, we appreciate that risks and market values vary over time and for investments impacted by climate change in particular, there is a wide distribution of potential outcomes as the world adapts and transitions to a lower carbon regime. i.e. it is not as simple as divesting of any companies that currently emit high emissions.
We expect to see large fluctuations in the values of investments impacted by climate and energy input generally, as users and producers of old and new energy adjust to changes in supply and demand. We have seen this played out recently in both developed countries such as those in Europe which have experienced sharp increases in gas prices, as well as in developing countries such as rations on electricity supply in China.
This is why we take an integrated, wide and long term view of all risks across the portfolio to grow customer savings sustainably, by being early movers into emerging opportunities that represent value for money.

Our risk management process also uses scenario analysis and real-time review to manage the time-varying nature of all of our risks, including climate. The factors that influence our scenarios and the probability distributions they feed include:

1. **Public policy scenarios:** Governments and policy makers could introduce new regulations or a mechanism for pricing carbon that would enable capital markets to work more effectively in reflecting that price in the valuation of assets and their risks.

2. **New technologies**: Some of which we invest in, could provide scaleable alternatives to fossil fuels faster than currently anticipated; battery storage and distribution technology are the key impediments here.

3. **Materiality in our portfolio**: We take a portfolio approach to support robust, smooth and fair transitions away from fossil fuels towards cleaner alternatives.

Q Shareholder-advocacy organisation Australasian Centre for Corporate Responsibility (ACCR) has recently introduced to Australia the international 'Say on Climate' initiative campaigning for company transparency on climate reporting & annual non-binding votes by shareholders Say on Climate resolutions call for (at a minimum):
** Annual disclosure of emissions*
** A strategy to reduce emissions*
** An annual vote on the plan at the AGM*
What are CSC's plans to join the Say On Climate initiative, as it sounds aligned to what's been said tonight?

1. *CSC supports transparency on all company matters, including climate reporting and disclosure of emissions.*
2. *Consistent with our ambition to achieve net zero carbon emissions as quickly as possible, we also encourage companies to plan and implement a fair and robust transition to a lower emissions regime, taking into account the impact on the environment, customers, labour force, community, technological advances and regulation.*
3. *We engage with the board and management of our investee companies on their strategic plans, including discussion and feedback on climate plans. Broadly, we support initiatives that*
    a. *increase transparency and disclosure for all stakeholders via production of robust, Task Force on Climate-related Financial Disclosures (TCFD)-aligned reports to allow shareholders to understand how each company is considering climate in its long-term strategy.*
    b. *encourage companies to address climate risks and opportunities in their business by sharing a well thought out strategy.*

However, given the broad variety of proposals – both management and shareholder proposals – and the lack of standardization on how shareholders should evaluate each of the climate plans submitted to a vote, our approach (via our proxy adviser Glass Lewis) is to maintain a case-by-case approach on this issue. We expect this will evolve in coming years to enable a best practice approach.

Q What is carbon neutral, I believe the definition is yet to be agreed...yet we talk it?

*A. **Carbon neutral occurs when** carbon dioxide (CO_2) emissions are balanced globally by CO_2 removals. It is also known as net zero carbon emissions.*
Source: Intergovernmental Panel on Climate Change (IPCC) - the United Nations body for assessing the science related to climate change.

Unlisted asset valuation

Q. How do you value unlisted assets? Are these valuations published? If so where are they published? How often are the valuations undertaken?

A. The objective of our valuation governance is to ensure **equitable** outcomes for all of our members, regardless of their investment option choices.

CSC's Valuation of Investments Policy and Procedures sets out clear principles and methodologies in appropriately valuing our assets. Our policy complies with the Australian Prudential Regulatory Authority (APRA) Prudential Practice Guide SPG 531. The key principles of our valuation policy and processes are:

1. **Independence -** We do not strike our own valuations. Our d**irect real assets** (property and infrastructure) are valued by independent valuation appraisal. All of our managers comply with the relevant valuation guidelines and/or accounting standards applicable in their jurisdictions. These valuations are subsequently reviewed by the investment team and our external expert advisers to ensure these assessments are objective and fair[8].

2. **Robustness –** We follow systematic processes as set out in our valuation policy to ensure that we reflect the fair value of CSC assets at all times and under all investment conditions. For example, we carefully and continuously monitor the relationship between our private and public market assets as an important but standard element of our portfolio risk-management. Specifically, we monitor and manage our total portfolio exposures by ensuring that the specific characteristics designed within our private equity portfolio are born out in real-time performance versus their public-market equivalents (e.g. differences due to quality; industry concentration; regional disparities).

3. **Equity to all members –** CSC's long-standing valuation policy is specifically designed to accommodate a range of circumstances. It identifies threshold controls beyond which an option for higher-frequency revaluation of our private assets is triggered to serve our objective of member equity. For example, using our risk tools described for robustness above, a material change in the relationship we expect to see between public- and private-asset-price movements beyond a pre-specified threshold (up or down) triggers an option to conduct a special situations valuation.

[8] Our external advisers assess the manager valuations for reasonableness of assumptions, based on known events and market conditions, and correlation with listed market movements. Our investment team also monitor market events on a daily basis and contact either the advisor or the manager if a view is formed that there may be an impact on a fund or an underlying investment. As part of their mandate, advisors must inform CSC as soon as they become aware of any event, positive or negative, that impacts the valuation of underlying investments or their funds.

CSC's custodian, Northern Trust (NT), values investments according to its Pricing Guidelines, as follows:

Exchange (or equivalent) priced investments

For exchange traded markets (e.g. listed equities), a pricing vendor (for example: Intercontinental Exchange (ICE), SIX Financial Information, Bloomberg) provides prices sourced from exchanges.

For non-exchange traded markets (e.g. fixed income), an independent pricing service (for example: ICE, IHS Markit, Bloomberg) provides evaluated prices calculated in accordance with market standard algorithms.

NT sources prices from pricing vendors and independent pricing services (together 'vendors') in the marketplace and selects the most appropriate price, based on security type and region in accordance with applicable regulations. For each security, NT strives to obtain at least two prices from separate vendors **daily**.

Direct real assets

Independent valuations for directly owned real assets (property and infrastructure) are currently undertaken on a **minimum semi-annual basis**. The manager obtains appraisal-based valuations from appropriately qualified independent valuers appointed by the manager, in accordance with the CSC approved valuation methodology and timetable.

The Investment team reviews the appropriateness of existing directly-owned property and infrastructure valuations with managers on a **quarterly** basis and assets will be revalued in circumstances where the materiality threshold is exceeded. Materiality is defined as 5% of the value of the respective trust / mandate in which the asset is held.

Indirect real assets

For indirect (pooled fund) property and infrastructure investments, CSC relies on valuations of investments administered by each manager in accordance with the constituent documents of that investment.

Private Capital

Valuations are determined by the Fund Manager with reference to the valuation of the underlying companies. These valuations are received **monthly** for Australian private equity and **quarterly** for International private equity.

Hedge Funds

The majority of hedge fund investments are invested in liquid publicly listed markets and the valuation of those investments is relatively transparent and verifiable. The approach is to rely on the Hedge Fund Administrator's (custodian) **monthly** valuation and a copy of the audited financial statements for the investment.

Unlisted Unit Trusts Holding Liquid Investments

Other Unlisted Unit Trusts (or Pooled) investments are valued in accordance with the constituent documents. The manager provides CSC with transparency into the underlying investments in these trusts on a **monthly** basis and these underlying investments are generally liquid and publicly listed. The approach is to rely on the manager's daily and monthly valuations and where relevant, audited financial statements.

Royal Commission, Reviews and Legislative Changes

Q. Will CSC, or is CSC prepared to, make a submission to the Royal Commission into Veteran Suicide due to the regular habit of denying veteran claims based on an obscure percentage scoring system that appears to have no scoring matrix to follow and is not available for scrutiny?

A. CSC will fully cooperate with the Royal Commission should we be asked to provide information or participate in some capacity.

For more information on the medical transition process, including on how military invalidity classifications work (as specified in legislation) please see further information here: [ADF medical transition (csc.gov.au)]

Q. Can you provide insights into joint AFP/CSC review - particularly challenges, resource implications and completion date?

Note: This response was given verbally by Adam Nettheim (CSC Executive Manager of Customer Operations) during the Q&A part of the meeting

A. This is something that is an issue for a couple of employers that we're dealing with at the moment and I might address again a little more broadly and then bring it a bit more directly back to the AFP specifically.

So this is a historic issue in how some components of a government employee's salary and therefore their super contributions have been calculated. Employers take responsibility for making sure that that calculation is correct and is part of their payroll function and, of course, supply CSC with the data with which to utilise in our superannuation systems.

We've had a number of different agencies who have notified CSC of their issues; the first one about five years ago. The agencies range from very small agencies up to some of the large ones, like the AFP. The APSC also wrote to all agencies back in 2019, just to confirm their responsibility in ensuring that contribution data being received by CSC or any other super fund is accurate and encouraging the employers to try to rectify.

CSC is currently working with 15 employers who have identified that they have issues and there's a range of situations. For some people it's an under-contribution, for other people it's an over-contribution. For some employers this goes back a number of years and of course, the further it goes back the more complex it gets for us to make good on the contribution and the impact into the super account.

When this first started, CSC developed guides, checklists, processes; even assisted some employers with suggested communication, letters and templates and so on and also provided data scope - how we are going to get the data from the employer so that we can pop it into our system as easily as possible.

I say that reasonably lightly - putting our data into a system is not always easy and for some of our customers we do have some ways in getting the data in and getting their accounts corrected. For others it is quite a manual process. To give you an idea, current contributing customers are somewhat easier in order to rectify their account, but then depending on a number of circumstances - retirement, family law splits, death in validity cases, people moving into a pension phase and so on - all creates greater complexity in how we rectify the person's account. Add on top of that, in a lot of cases people have made decisions around their superannuation and sometimes they're finding out that there's more to be thought about now that their data has been corrected and they understand their new position with their superannuation.

Specifically with the AFP, we have got a great working relationship with the team at the AFP. We understand that the AFP is increasing the size of their team, who are rectifying the data through their payroll systems and being able to supply it to us. So we've seen a scale-up in the amount of data coming to CSC. As I said, we work very closely with the team. We've worked very closely with the consultancy who was also brought in to help the AFP understand the situation in the first instance, so that working relationship is strong. What we're seeing now with that scale-up is at the same time from a CSC perspective we're also scaling up the amount of people that we have who can rectify members' accounts and also the skills there and where possible, the automation to do so at a faster pace.

I know in your question you asked do we have an end date. It's a little hard to predict at the moment because we don't have all the data from the AFP - they are bringing it to us in drops or tranches.

Somewhat we will be dependent on the speed of the AFP in getting us the data, but also then the complexity of the situations that we have to deal with. As I said before, some are easier, some with greater manual intervention. I'd love to be able to give you a firmer date on that, but to do so would be probably not accurate.

Q. Will changes be made to legislation to take into account rulings made by the family court regarding financial agreements as currently CSC applies it's own rules without regard to the findings of the family court and this can result in additional financial strain on a member who has provided other financial support in lieu of super?

A. Any changes to legislation are a matter for government. Any legislative changes would need to go through the normal parliamentary process before they can be implemented. When it comes to Family Court rulings, CSC applies legislation relevant to its schemes in the manner in which it is intended.

Benefit Payments

Q. I was under the impression that the PSS was paid out of consolidated revenue and not from a 'fund' but this appears to be not correct. Is this still so?? Doesn't seem so.

A. Generally, whilst in growth phase a PSS benefit will include funded (invested) and unfunded (non-invested) components. Please refer to the PSS Product Disclosure Statement for more information.

Although funded and unfunded components assist with calculating the tax treatment of a PSS pension benefit, the benefit itself is paid from consolidated revenue.

Please refer to the PSS Product Disclosure Statement for more information.

Q. What age can I take my MSBS in its entirety? I was born in 1971

A. please refer to MB01 About to leave the ADF fact sheet on CSC.gov.au

Q. Is there any change regarding the PSS defined benefit for preserved members, like access to the benefit from Age 55?

A. Any changes to product features or services can be found in the Product Disclosure Statement and Factsheets:
https://www.csc.gov.au/Members/Advice-and-resources/Product%20Disclosure%20Statement/pss/https://www.csc.gov.au/Members/Advice-and-resources/Factsheets-and-publications - PSS Preservation Factsheet

Q. Great to see CSC holding an AMM. However, I have a CSS pension. The presentations seem to only focus on those in accumulation phase. Is there any information relevant to those in pension phase?

A. Yes, CSC has a range of information, including factsheets relevant to those in pension phase. The best place to find information in regard to CSS and PSS pensions is on our website: https://www.csc.gov.au/Members/Retirement/Pensioners

Retirement Options

Q. Are you developing any new/innovative retirement income products? What will they look like and when will they be released?

Note: This response was given verbally by Damian Hill (CSC CEO) during the Q&A part of the meeting

A. Yes, we are. As many of you may know, there's a new retirement income covenant which is a piece of legislation that is coming in to take effect, where every fund has to have a strategy - a retirement income strategy - by 30 June next year.

So we're actively looking at that. We know that we have a unique advantage in this area. CSC's unique customer base means that we already have almost 250,000 pensioners that we can learn from about how they use their income in retirement. A lot of them are DB [defined benefit] pensions but we're looking to leverage off the unique customer base that we already have in designing our retirement products for the future.

So we'll be looking at - because of our unique situation - how we will supplement our existing retirement products; we've got an account-based pension and our DB [defined benefit] pensions, to meet these new retirement income covenants. So you'll hear more news about this towards the middle of next year.

Engagement

Q. CSC is always encouraging young members to engage in their super, and also suggesting all members to go digital. A phone application would go a long way to achieving success in both these elements. Is CSC working on a 'CSC application' so members can access all their vital super information direct on their smartphones?

Note: This response was given verbally by Damian Hill (CSC CEO) during the Q&A part of the meeting

A. In my remarks I talked about our strategy and the transformation that we were undertaking and that's relevant to your particular question. CSC runs 11 schemes over four different admin systems and so we're very aware in launching our member app that we want to make sure all the integrations, etc, are in place in that complex environment.

So that's why we're actually spending the time and prioritising at the moment simplifying that structure and getting all of our schemes on the one admin platform. Then we're moving on to strengthening our digital platforms. This will enable greater self-service and for us to add extra services such as, for example, chat and a member app. We're not resting on our laurels and whilst we're doing that complex work, we're also trying to deliver other innovations for our customers, which you will have seen very recently with our digital statements.

Also I remember receiving a letter from a customer not that long ago, in the last couple of months, who said "can't we just have one login", as they have multiple memberships and my first response to that letter is I couldn't agree with you more.

So our transformation is going to help those almost 50,000 of our customers who have multiple memberships across the schemes. So whilst I don't have a date for you today to tell you when the member app will be launched, it is high on our list of priorities and I look forward to updating all of our customers and providing that service in the coming period.

Q. CSC has been wonderful addressing our financial planning and keeping us informed. My question is: What are CSC's plans to support retirees after retiring? I've seen a start on a pilot program with Mercer but there surely must be more value adding service's retirees need, other than just sending us our fortnightly pension.

Note: This response was given verbally by Damian Hill (CSC CEO) during the Q&A part of the meeting

A. We already do have some other services for our retirees and we're very conscious about the unique nature of CSC's customer base, where we have almost 250,000 pensioners at this stage. So we have one of the largest payrolls of any provider in the country and our oldest customer, as far as I know, is 109 years old. So we hold our customers for a lot longer than the typical superannuation fund.

So there's a couple of places I'd refer you through to. Firstly, is to look at our 3rd Act program, which is specifically designed for retirees; newsletters, etc, things like that, so you can find out about that on our website.

So we know that the third act of your life is a very important one and we look to forward in partnering with you. There's also the pilot program that you sort of referred to, which we have launched in the last couple of months. It's with an organisation called Mercer and it's called CaLM - Care and Living with Mercer. It's aged care; we're piloting an aged care service.

We know that aged care is a really important part of life and it's a really complex system. This isn't just designed for those that are looking or thinking about aged care, it can also be done by the children who might already be caregivers for it, or are thinking about their own future as well. It is a guided service through the complex aged care system in Australia, to help individuals or couples work through all those complexities, what you need to think about, what the options are and you design a personalised plan just for you, and you as a couple in that regard.

It's not covering the financial advice, we know that financial advice is a separate issue in this regard, but it is the complexity of the aged care system.

So if you're interested in taking part in that pilot, please feel free to do that either on your own behalf or on behalf of your parents or whatever the case may be. We look forward to you doing that and giving us feedback. As we say, it's only a pilot at the moment, we've got hundreds of our customers looking at it at this stage and we look forward to expanding it or evolving it as we see the need requires.

Tax

Q. Why are defined benefit pension members taxed differently to other superannuation recipients over the age of 60? Is the different treatment justified and, if not, what can be done to rectify the difference?

A. The tax treatment of superannuation is a policy question for government. Questions regarding administered of tax should be directed to the ATO.

Q. Taxation: Do you know if an Act of Grace payment [for a failed Cornwell CSS superannuation claim] is regarded as taxable income? Thank you.

A. This is dependent on the terms of the Act of Grace. However, in most circumstances they are taxable incomes. Questions regarding taxation to your personal circumstances should be directed to the ATO.

Q. How to calculate PSS defined untaxed element tax offset?

A. Please contact our engagement team on 1300 000 377

Q. Can I get a copy of the legal instrument/document which directs the CSC to declare to the ATO that the govt funded portion of a CSS pension is fully taxable.

A. Please refer to the ATO for more information on this: Why some super is tax free and some taxable

Q. Why is it that retired CSS members pay tax including the Medicare levy albeit with some discounting, on their pensions unlike state public sector superannuants and most other retirees?

A. The tax treatment of superannuation is a policy question for government. Questions regarding administered of tax should be directed to the ATO.

Q. How often does CSC advise ATO on members' residual funds for the purpose of estimating 'excess transfer balance'?

A. CSC reports Transfer Balance Cap values to the ATO on a fortnightly basis. If you have any further questions regarding the ATO assignment of this information, please direct these questions to the ATO.

Q. In relation to the previous question on paying tax on pensions, which relates to DFRDB, why is the scheme indexed on CPI whereas parliamentarians' pensions are indexed on average weekly earnings?

A. DFRDB pension benefits may be indexed one of two ways; in line with upward movement in the Consumer Price Index (CPI) or for those aged 55 years or more, upward movement in CPI OR upward movement in the Pensioner and Beneficiary Living Cost Index (PBLCI), whichever is the higher of the two.

For more information on this please refer to CSC.gov.au/Members/Retirement/Pensioners/How-the-CPI-rate-affects-your-pension

Q. Why do we pay tax on our so-called pension, when pensions from other super funds are tax free?

A. The taxing of CSC-administered pensions is not something determined by CSC – this is a matter for the Australian Tax Office (ATO).

Estate Planning, Power of Attorney & Reversionary Benefits

Q. I have Power of Attorney (POA) over my wife's financial affairs. Does the CSC need to be informed of this? Thanks

A. Yes, if you have POA over a family member's affairs you may want to send a certified copy of this to CSC for us to hold on record if required in the future. You are welcome to email this to us at pensions@csc.gov.au

Q. Is it possible to find out at this point in time whether you have any funds left in CSC super? This is so I can determine whether any funds will be left for my beneficiaries.

A. Please contact our engagement team on 1300 000 377

Q. Transfer Balance Cap (TBC) for a reversionary beneficiary [spouse] upon death of member of the PSS: How is the transfer balance cap reported on now so that the reversionary beneficiary [surviving spouse] is fairly treated? i.e. the new TBC reflects the reduced reversionary pension that starts several weeks after the member's death? Has the former glitch been corrected so that the surviving reversionary beneficiary's reduced pension TBC is fairly calculated - instead of remaining at the higher TBC of the now dead spouse? Thanks.

A. Upon the passing of a pensioner CSC will initially report the spouse pension TBC value at the original member TBC value. However, after 7 fortnights CSC will report the reduced TBC value to the ATO.

For more information, please refer to: csc.gov.au/Members/Retirement/Pensioners/The-Transfer-Balance-Cap

CSC Operations

Q. Greetings from Ireland to all. I was recently required to complete the ComSuper Pension Confirmation form and have returned by deadline 23.10.2021. I forwarded the completed form by Registered post to Admin Officer ComSuper GPO Box 2252 Canberra. I also emailed the completed form and enclosures to pensions@csc.gov.au but I have not as yet received confirmation of their receipt of the documents. Any tips please.

A. CSC endeavours to respond to all member correspondence within 15 business days from when the correspondence is received. Due to the ongoing COVID-19 situation, this may be longer for correspondence that is sent through international mail. We recommend looking at Australia Post website regarding international delivery times. As at 17 December, 2021 Australia Post advised that international delivery times for registered post can take 25+ business days.

Q. For public sector super that is held in preserved funds (members not in the public service but have public sector super preserved), what options are available to improve fund performance beyond the default balanced investment strategy, for example PSS? In some circumstances, preserved funds perform less than external funds with a mix of investment strategies, providing an overall better investment option in the longer term (typically around 10-14%.).

A. The investment options for each scheme can be found in the PSS Product Disclosure Statement

Q. How does one roll current super portfolio outside of CSC into PSS?

A. Contributing members can elect to transfer amounts held with other funds into their PSS account. These amounts will be treated as a separate accumulation amount and can only be paid as a lump sum when you claim your benefit. More information can be found on the website: https://www.csc.gov.au/Members/Superannuation/Maximising-your-super/Consolidate-other-super

Q. How will you ensure that your new single platform system is thoroughly user-tested to ensure pensioners find it easy to use and intuitive?

A. CSC has a dedicated team whose responsibility is to ensure that the new technology we implement is not only customer-friendly and fit-for-purpose, but also thoroughly tested and secure before customers get access to it.

All required security standards have to be met before any technology is accessed by our customers, and all new online services will go through a comprehensive process of customer testing and feedback to make sure it is easy-to-use and intuitive.

Q. Will the i-estimator be enhanced with more options such as how a future promotion will affect super balances?

A. We are always looking at ways to improve the i-estimator so that our customers can get the most out of it to help them get a better view of their retirement.

Whilst our i-estimator for PSS and CSS customers doesn't currently allow a future-dated salary increase to be included, it does allow you to input any salary you want and this would be effective from the date of your last super statement. You also have the option to input a generic percentage increase which would be effective from the date of your last super statement until your work exit date.

The i-estimator for our MilitarySuper scheme already allows calculations to be made when accounting for future promotions.

Q. Is it possible to transfer my remaining CSS fund to another super fund such as QSuper and what, if any, penalties are there?

Note: This response was given verbally by Adam Nettheim (CSC Executive Manager of Customer Operations) during the Q&A part of the meeting

A. I might address this more generally talking about rolling out of DB [defined benefit] funds [CSS, PSS and MilitarySuper] in general.

There's a couple of items that people should consider when they're doing or thinking about doing this kind of transaction. First of all, be aware of the benefits of retaining your DB [defined benefit] fund. DB [defined benefit] funds quite often have features

within them that are not common across other products, so make sure that you're well understood of what's available to you.

Some DB [defined benefit] funds, like our own, provide a lifetime pension option, not all DB [defined benefit] funds still allow that option even if you do rollover to them. A lot of DB [defined benefit] funds are closed in other funds, so again, be very aware that if you are rolling out of a DB fund, you're either getting into something that you're very aware of or something that's very comparative to what you've got.

So be clear in your mind in what you have now and what you're looking to get into. Speak to one of the team - we can help you with a rollover. You also need to make sure that the receiving fund, you've suggested QSuper in this space, is one that is considered an eligible rollover fund, so they can take the money in the first instance. If you exit before understanding that, you might actually find that you can't come back if the receiving fund can't accept it. So the best thing to do is to ring one of the team, as Peter Jamieson said there's contact details on our website. Ring one of the team, speak about your particular circumstance, but be very clear and well educated on what it is that you're doing and if it's the right thing to do then we will help you get the transaction completed.

Q. With the offering of your partner contributions to PSSap, does this mean it is a part of your super or does your partner have a separate fund? Is it possible for your partner to combine their funds with your super contributions?

Note: This response was given verbally by Peter Jamieson (CSC CCO) during the Q&A part of the meeting

A. There is opportunity for partners to share contributions and that's just a general capability within the super system. Typically, individuals have their own super funds, but I'd suggest that if this is an issue specific to you and that you're needing some assistance with, our customer contact centre team would be more than happy to help out and provide you with the options available to you.

CSC's contact information can be found on our website here:
https://www.csc.gov.au/Members/Contact-us

Fees & Charges

Q. What are the costs and fees of the CSC Scheme?

A. This is dependent on the scheme you are a member of. However, generally our defined benefit schemes are not subject to administration fees. Please refer to the relevant Product Disclosure Statement available at CSC.gov.au for more information.

Q. Just saying Hello. The fees charged by CSC

A. This question was not captured in full during the meeting and the response is noted as per similar question above.

Q. What are the costs and fees of the Scheme?

A. Information on cost and fees for CSS & PSS can be found in the Product Disclosure Statements on CSC's website. Additional information is also incorporated by reference and available in each individual Fees and Costs IBR document.
CSS: https://www.csc.gov.au/Members/Advice-and-resources/Product%20Disclosure%20Statement/css/
PSS:https://www.csc.gov.au/Members/Advice-and-resources/Product%20Disclosure%20Statement/pss/

Vaccine Hesitancy

Q. The Government is threatening to withhold Centrelink benefits and the old age pension to the 'vaccine hesitant'. Are you aware of any move by the Government to include PSS/CSS pensions etc?

A. No, CSC is not aware of any move to withhold pension payments from customers who are "vaccine hesitant".

Political Position

Q. How do you manage the Senator Andrew Bragg? He can interfere and be annoying.

A. CSC is an apolitical corporate Commonwealth Entity separate from the Commonwealth government and our focus is entirely on our customers. CSC respects the role of all politicians and their right to present their opinions.

Feedback

Q. This presentation is awful.

A. We're sorry to hear you didn't enjoy the presentation. We're always open to receiving feedback and you can provide this at any time through our online feedback form: Feedback (csc.gov.au)

Q. Can the Board reflect upon the fund performance, services provided to and options for the Comsuper/CSS pensioners (we are out here too, as most of today is about Defence and PSSAP members), please?

A. Thank you for your feedback. This is noted for CSC's 2022 Annual Member Meeting. CSS default fund performance is very similar to PSSap default (Balanced) because it is the same investment strategy. However, once a CSS member claims their pension, they are no longer invested.

Information about investment performance and other fund information can be seen in our Product Disclosure Statements (PDS) here.

PSSap PDS
CSS PDS

You can view the PDS relevant to you by clicking on either of the above links and changing the scheme.

We'd also encourage you to visit our website where and you can find additional information about pensions here: Pensioner | Retirement | Members - CSC

Full Transcript
CSC Annual Members' Meeting
Wednesday, 17 November 2021 – 6.30pm AEDT

Start of Transcript

Welcome and Acknowledgment to Country

Peter Jamieson: Good evening, everyone. I'm Peter Jamieson, Chief Customer Officer here at CSC and I'd like to welcome you to our Annual Members' Meeting. I'll start our meeting tonight by acknowledging the traditional owners of the lands around Australia from which we are all joining tonight and pay our respects to Elders past, present and emerging. Thank you for joining us tonight, our customers and guests, hundreds of you joining from around Australia online. On behalf of your Board of Directors and executive team, we really appreciate you taking the time to join us tonight.

This is our second Annual Members' Meeting, after we held our first earlier this year in March and apologies that we're unable to host a live event this year. We plan to do that as soon as we can next year, as we start to move towards a new post-COVID normal environment, whatever that is. Tonight you'll hear from our Chair, Chief Executive and Chief Investment Officer, who will provide updates on our operations. We've pre-recorded these presentations, but rest assured we're all here, live in our homes or offices around Australia, ready to answer your questions.

Also in attendance tonight are our full Board of Directors, who I will introduce to you shortly, our executive team, our auditors and our actuary.

Agenda

So to the agenda for tonight, you'll hear updates from our Chair, our Chief Executive and Chief Investment Officer and this will be followed by a live Q&A session where the Board and executive will respond to your questions. I'll remind everybody that you can submit your questions right now, using the button in the middle of your screen. Please note that we'll not be responding to questions about your individual circumstances this evening, those are best directed to our customer support teams, the contact details for whom are on our website.

Introductions

I'll now introduce our Board of Directors, who are joining us live from their homes this evening. CSC's Chair is Garry Hounsell. Garry was appointed Chair on 1 July this year and takes over from Patricia Cross, who was Chair at our first Annual Members' Meeting earlier this year.

Air Vice-Marshal Margaret Staib, Chair of our Risk Committee; Air Vice-Marshal Tony Needham, Chair of our Member Outcomes Committee; Chris Ellison, Chair of our Remuneration and HR Committee; Ariane Barker, member of our Board Governance, Risk and Member Outcome Committees; Melissa Donnelly, member of our Board Governance, Remuneration and HR Committees; Alistair Waters, member of our Audit, Risk and Member Outcomes Committees. We have two new Directors on our Board, Juliet Brown, who joined our Board in mid-September and Jacqueline Hey, who joined our Board in late October. Welcome to our Board of Directors.

Also joining us virtually tonight are the full CSC executive team, Damian Hill, our Chief Executive, who you'll hear from shortly; Alison Tarditi, our Chief Investment Officer, who you'll also hear from tonight; Andy Young, our Chief Operating Officer; Andrew Matuszczak, our Chief Transformation and Information Officer; Rob Firth, our Chief Risk Officer; Alana Scheiffers, our General Counsel; Paul Abraham, our Executive Manager of Investment Operations; Adam Nettheim, our Executive Manager of Customer Operations and Adam will be joining us for our live Q&A session tonight. Catharine Armitage, our Executive Manager of People; and Phil George our Executive Manager of Transformation. Welcome also to our executive team.
We'll now move into the formal presentations, starting with our Chair, Garry Hounsell's pre-recorded update. Over to you, Garry.

Pre-recorded presentation – Garry Hounsell, Chair

Introduction

Garry Hounsell: Good evening and thank you for attending CSC's Annual Members' Meeting. The 2021 year was full of significant events and obviously dominated by the ongoing challenges brought about by COVID-19. The way we work and live, financial markets, travel, trade, international relations and politics have all been impacted and changed to some degree by this pandemic. On top of this, the past year also saw significant changes to the super industry, via the Your Future, Your Super package. Thankfully, it was also a year that saw more stability and less volatility in relation to financial markets.

Investment performance

Our investment strategy held firm in the 2021 financial year. Our investment focus is to secure adequate retirement outcomes for our customers and our downside protection approach resulted in us minimising the negative impacts on investment returns. Our investment returns for the one, three, five, seven, 10 and 15-year periods to 30 June 2021 for our default, balanced and MySuper balanced options in all schemes have exceeded their objectives. CSC's primary investment objective is to maximise long-term real returns for our customers. Our performance target is 3.5% per annum above inflation over rolling three-year periods for our default, balanced and MySuper balanced options and this is done while keeping risk to an acceptable level, which we define as the probability of a loss in no more than three or four years out of 20.

Managing climate change risk

Climate change has been a significant issue for decades, but the past year has seen a greater focus than ever on how governments and businesses globally are responding to it. Climate change is a core component of CSC's approach to environmental, social and governance issues, commonly referred to as ESG. At CSC we believe that there is significant embedded value in companies and organisations that operate ethically and sustainably. A variety of ESG metrics assist us in assessing a company's development in these areas. As an active owner of the businesses we buy on your behalf, CSC is focused on engaging with companies to promote genuine sustainable impact. We believe that the incremental consistent changes are more effective in supporting robust and smooth transitions to a more sustainable future.

We manage climate risk investment principally in three ways. The first of these is through renewable investments. We invest in renewable energy assets and strategies because renewable energy is the most likely future of our global energy system. Secondly, we invest in innovative companies that could produce breakthroughs that leapfrog existing climate

solutions. Alongside this, we invest in producers of critical inputs into the new energy supply chain. One example is our investment in Mineral Resources, a company that produces rare earth elements, primarily lithium, needed for battery production.

The third way we manage climate investment risk is by supporting robust transitions from fossil fuels. As long-term investors, we can support a transition from fossil fuels that respects the practical demands for energy in our country and around the world but recognises the labour force impacts of the transition and that understands simply divesting is unlikely to reduce climate risk. In this regard, we focus our investments in the relatively cleaner producers and businesses that have high social community standards. In this regard, we measure our success by the returns we generate from investing in climate relevant strategies and by the impact that these initiatives have on our net portfolio climate footprint over time.

While we do not have a specific temperature target, we build our portfolio consistent with achieving the targets of the Paris Agreement. During 2021 we took a number of significant steps to reduce our climate footprint. The first of these was to divest from undiversified pure play coal companies. From March this year all of CSC's investment portfolios started to exclude undiversified companies that derive 70% or more of their revenue from thermal coal production.

The second thing we did in the past year to reduce our carbon footprint was to actively reduce the ESG risks of investing in companies that misuse scarce natural resources. To implement this, we appointed Osmosis International Investment Management as an investment manager. Osmosis has a robust, effective and objective way to reduce ESG risk and aims to optimise our investment exposure to companies that use water and energy efficiently and reduce waste.

The third big initiative we undertook to reduce our carbon footprint was the decarbonisation of our international shares index portfolio. As a result, the carbon footprint of our international shares index portfolio is 50% lower than the benchmark.

A safe set of hands

CSC is the most regulated super provider in the country, primarily because we are a government agency. While all that regulation isn't much fun for us, it is generally a good thing for our customers. I mention this because during times of crisis, volatility or uncertainty people generally seek guidance and leadership from people or institutions that they can trust and depend on. Our governance, risk and compliance processes and protocols are among the most comprehensive in the Australian public and private financial services sector, not just the super industry. Because CSC carries the government crest and the accountabilities that come with that, we are a safe set of hands for your super.

Conclusion

In wrapping up, I wish to quickly acknowledge CSC's previous Chair, Patricia Cross. Patricia's seven-year term as CSC's Chair ended in June this year. Patricia led CSC through an incredibly challenging period, which included significant regulatory upheaval, market volatility and social change. Throughout her term, she led CSC with great skill, wisdom and a confident calmness and I want to thank Patricia for her outstanding leadership. I also want to thank Dr Mike Vertigan, whose term as a Director on the CSC Board also concluded in June.

We've also welcomed recently two new directors to the CSC Board, Jacqueline Hey and Juliet Brown. Juliet is a highly regarded company director and has extensive experience in law and business. Juliet is currently the Chair of the South Australian Lifetime Support Authority, a Director of Medical Insurance Australia and an external member of a number of committees for the University of Adelaide, Peoples Choice Credit Union and Bank Australia. Juliet was previously the Chief Executive of Thomson Playford, now Thomson Geer and practised as a solicitor in the health and insurance sectors.

Jacqueline is currently the Chair of Bendigo and Adelaide Bank and a Director of Qantas and AGL Energy and was previously the Managing Director of Ericsson UK and Ireland, Ericsson Saudi Arabia and Ericsson Australia and New Zealand. Both Juliet and Jacqueline will bring a wealth of corporate and financial sector knowledge and experience to CSC and my fellow Directors and I look forward to what Juliet and Jaqueline will add to the Board. I'm also very proud that of our nine Board directors, five of them are female.

During the past year CSC has taken great steps towards significantly transforming our business to improve things for our customers. At the same time, we have continued to efficiently maintain our core functions: investing, paying pensions and allocating super contributions and this is all done by a team of dedicated staff who are committed to continuously improving our business and have a passion to serve those who serve our country. Thanks for your attendance this evening and I look forward to taking some of your questions later.

MC - CEO introduction

Peter Jamieson: Thank you, Garry. Our next pre-recorded update is from our Chief Executive, Damian Hill, who will provide a review of our operations for the 2020/21 financial year and an update on our strategic plan. Over to you, Damian.

Pre-recorded presentation – Damian Hill, CEO

Introduction

Damian Hill: Good evening and thank you for your attendance at our second ever Annual Members' Meeting. It's been another year that's been significantly interrupted by COVID, but we are pleased this meeting can be held in a virtual format and that many of you are in attendance tonight. In my address tonight I want to cover four things. The first is the new government initiative called Your Future, Your Super, which was introduced earlier this year. I'll cover what it means for the super industry and for you.

The second is the key elements of our corporate strategy and how we get insights and feedback from you, our customers and what we do with that information to make us better. The third is some really important changes that were made to our PSSap and ADF Super products this year and the fourth is the work we are doing to support our veterans.

Your Future, Your Super

In the most recent federal budget, the Government announced a number of significant reforms to super called Your Future, Your Super. The legislation was passed in June this year and it enabled three key measures to be introduced. The first of these measures is called stapling. From the start of this month you'll be stapled to your current super fund for the remainder of your working life unless you actively choose another super fund. This measure aims to reduce duplicate super accounts and reduce excess and unnecessary fees for customers. It favours super funds that get new entrants to the workforce and means that for most funds, including CSC schemes, they will get fewer members defaulting to them.

The second measure is a super comparison tool on the ATO website that allows people to compare the fees and investment performance of all MySuper or default products in the market. The third measure is a new super fund underperformance assessment, that will be published on the ATO's website every year. The changes will undoubtedly result in fewer Australians having multiple superannuation accounts, which we support. But there are some things about the measures that do worry us and we think you should know about those.

Firstly, the ATO's online super comparison tool only has very basic information when it comes to comparing super products. In particular, it doesn't take into account the level of risk a super fund takes when it invests its customers' money. Nor does it take into account the demographics of the fund, all other benefits and features like investment options and insurance. In a similar way, the underperformance test only takes into account investment returns and fees and doesn't consider the risk taken to achieve those investment returns.

In simple terms, while some other super funds may be getting strong returns in the short term, they may also be taking on greater risk that would see significant losses when markets fall. CSC continues to favour providing some protection from this downside. Not only do our PSSap and ADF Super MySuper products pass the performance test, on a risk-adjusted basis they performed very strongly, as did our other investment options.

Our strategy: transforming CSC

The super environment continues to evolve. In addition to stapling, we are seeing other changes such as consolidation among super funds and the forthcoming focus on retirement income, an area where CSC has always had a focus and has competitive advantage. We have had to pivot our strategy to address new emerging risks, as well as take advantage of opportunities. We continue to pursue our customer-centric strategy, which is now even more important with stapling. Having a customer-centric strategy means we are actively and constantly listening to our customers and transforming our service offering and products around their needs.

Through our customer listening program, called the Compass, we actively seek feedback, comments and insights from our customers, and we use that to see how we've gone and where we should be heading. The Compass points us in the right direction, making sure we're on the right track to meeting our customers' needs. It is the catalyst to make improvements to our products and services. One such example saw us deliver our customer super statements digitally for the first time in late 2020 and again this year. Another example is our dedicated loss and hardship unit, which we set up because there was a clear need to simplify and reduce the amount of time grieving relatives and customers facing hardship spent providing information and making a claim. These initiatives were a direct result of our Compass customer listening program. These are real examples of a significant transformation we are undertaking at CSC.

We are one year through implementing a five-year strategy that will fundamentally change how we serve our customers. A significant part of this strategy is about modernising and improving in four key areas: data, technology, process and people. CSC's transformation is simply about delivering better outcomes for our customers. As part of this transformation, there are a lot of backend changes to our technology, systems, processes and operations. We are significantly boosting our data capability to provide a more personalised experience for customers. We are investing in the latest fit-for-purpose technology, that will mean we can move all our member administration functions from four platforms to just one. This will streamline and speed up backend processing, enable simpler and richer online services to your CSC account, including single sign-on for those of you with multiple accounts and provide more self-service options.

The processes behind our customer operations will include end-to-end service, with a goal of enabling our people to deliver quick, onetime contact resolution, along with individual and tailored support and guidance. I look forward to sharing further updates of our progress in this transformation.

Changes to PSSap and ADF Super

During the past year we've made some significant improvements to our PSSap and ADF Super products. To make the process of transitioning out of the Australian Defence Force simpler, we now allow customers who have left the ADF to keep contributing to ADF Super with their new employer. We also made changes to our PSSap product that allows both APS and non-APS employer contributions to be made into a PSSap account at the same time and to make additional contributions regardless of their current employment arrangements. This change also means PSS or CSS customers can open a PSSap ancillary account to make personal and non-APS employer contributions and have their super all in one place.

Work to support veterans

Recent times have seen a number of significant events that have directly impacted the veteran community. Two events in particular have sharpened the focus on the welfare of our veterans, the announcement of the Royal Commission into Defence and Veteran Suicide and the removal of all troops from Afghanistan. We have seen and heard directly from our customers and those in the veteran community of the significant challenges many are currently facing. CSC is undertaking important and significant change internally to ensure we can support our veterans in the most compassionate, fair and timely way possible. We have redesigned our internal processes and resourcing, particularly in relation to veterans who have been medically discharged or who are claiming or receiving service-related support payments and services.

We are also working collaboratively with other government agencies to improve information sharing and to cut red tape. The most significant collaboration we are a part of is the Joint Transition Authority that the Australian Government established within the Department of Defence in October 2020. Along with the Department of Veterans' Affairs, CSC is a partner agency of the Joint Transition Authority. The purpose of the Joint Transition Authority is to better prepare and support ADF personnel as they transition from military to civilian life. The Joint Transition Authority is currently in an implementation phase and is identifying how government services can be better connected and improved during someone's transition out of the ADF.

The unique needs and the welfare of our veteran customers is a priority for us. One example of this is how we've been advocating for thousands of our veteran customers who were set to

receive less in the hand each fortnightly pension as a result of a tax-related Federal Court decision late in 2020. When it came to our attention that the outcome was not a positive one for those particular veterans, we did everything within our power to try to find a better outcome for them. We worked with the ATO to exhaust all avenues within the boundaries of the law to try to prevent around 6,000 veterans' fortnightly pension payments being reduced. As a result of our ongoing advocacy, the majority of impacted veterans will not receive less in the hand each fortnight.

Conclusion

I want to wrap up by reaffirming our commitment and admiration for our APS and ADF customers. CSC is unashamedly a niche super provider. Whilst we have significant scale that we leverage for you, we aren't the biggest and we aren't for everyone. We exist for the APS and ADF and we are proud to serve those who serve. CSC's customers in the APS and ADF are unique and so is what we offer them, whether that be our investments, our education and advice offerings, or the empathy and understanding our staff demonstrate every day. No other super fund knows our APS and ADF customers like we do and every single person at CSC is committed to doing everything we can to support and guide you towards your retirement dreams. Thank you for attending the meeting this evening and I look forward to taking part in the Q&A session a bit later on.

MC – CIO introduction

Peter Jamieson: Thank you, Damian. We'll now go to our Chief Investment Officer, Alison Tarditi's pre-recorded update on our 2020/21 investment performance, investment markets and how we incorporate environment, social and governance factors, or ESG, into all of our investment activities. Over to you, Alison.

Pre-recorded presentation – Alison Tarditi, CIO

Introduction

Alison Tarditi: Good evening. There are so many investment topics that we could cover tonight, but really just two critical questions that anyone saving for retirement should ask. Firstly, are my savings growing sufficiently after costs to provide me with a comfortable retirement? And is this growth in my balance sustainable, or just the result of taking on more and more risky investments that could actually reduce the income I get when I do retire? Tonight's an opportunity for me to answer these questions for you.

Investment confidence

Firstly, how do you know if your savings are growing enough? If, like my senior investment team and I, your super is invested according to our default balanced option, this strategy is specifically designed to maximise the likelihood that all of us will achieve the comfortable retirement income standard recommended by our industry association. Now, only around 25% of Australians reach that standard upon retirement today, but if you're an average full-time PSSap or ADF customer, you're actually on track to retire with an income that's 37% higher than that comfortable standard.

Secondly, how do you know if your balance is resilient and sustainable so that you actually get this level of income when you do retire? Our default or MySuper option takes less risk on average than other super funds, whose average customer has not yet achieved this level of retirement adequacy and therefore, must continue to hold a riskier portfolio. We did not appear in the ATO's top 10 returning MySuper default funds for the past seven years to June precisely because of this. Over this particular post-financial crisis period, asset values have steadily inflated, as interest rates around the world were progressively reduced to now historically low levels and policymakers stepped in to postpone potential corporate defaults, in the hope that economic growth could be broadened and sustainability restored.

MySuper options with a constantly high level of risk naturally generated the highest returns over this particular period. They also weathered the greatest losses through the inevitable market corrections. By comparison, our MySuper option has consistently grown your savings by around 9% per annum over the past decade, which is around the MySuper product median, but importantly generated with far less embedded risk. This means that our capacity to maintain this average performance rate regardless of economic conditions ahead is relatively higher than others.

The proof of this lies in our independent ranking well within the top 10 funds across Australia over 10 years in terms of returns per unit of risk. Now, that sounds like a rather technical term but it just means that you can have a higher degree of confidence that every percentage point of return we generate for you on paper will actually convert to real wealth when you need it in retirement. This is a deliberate design feature of our MySuper option because none of us can predict the future with 100% certainty. It means that through adverse market environments, including the pandemic correction in March last year, your savings fall 40% less than those of customers in the average MySuper option. The smaller the losses, the greater the share of any future returns that can go to actually growing your savings, rather than just restoring them to their pre-event level.

But we also step back into risk when we expect the payoff for doing so to be sustained and fair. For example, with evidence of vaccine efficacy and economic stabilisation, we unwound the

defensive strategies we held through February and March last year, enabling your MySuper savings to grow by a very healthy 19% when it was safe to do so over the past year to September. So the retirement income that your level of savings can support was better preserved through even the most tumultuous of market environments. This strategy means that we easily passed the annual performance test applied to MySuper options by our regulator, APRA.

Now, as well as our default MySuper investment strategy, we also provide two premixed choice options specifically designed to meet the different financial circumstances you face at the bookends of your working life cycle. Around 18% of all our PSSap and ADF customers have actively chosen one of these. Our active younger customers, typically 25 to 49 years of age, choose our aggressive option, which can take more risk because with a long time to retirement there's greater certainty that your balance can recover from an unexpected adverse market event. This option is often the best performing fund of its type and easily within the top 10 of its peer group over 10 years. Our active older customers at the other end of their working life, 50 years and above, typically choose our income focused option, which takes lower risk to protect your balance from permanent impairment, as you approach retirement. This option is also consistently a top performing fund of its type and again, comfortably within the top 10 over 10 years.

So regardless of which of our options you're in, the MySuper balanced, our aggressive or our income option, as the last column of this table shows, their ability to convert investment risk into enduring returns after costs is consistently very high. We're able to produce these outcomes because we move first into future fit industries before their value's recognised by many and we cast a wide lens to risk.

For example, apart from being a leader into renewables and data centre infrastructure in Australia, we've been investing innovation capital for over two and a half decades, quietly and consistently contributing behind the scenes to advances across technological, ecological, social and medical challenges. This venture capital share of your portfolio returns 76% after all fees over the year to August and has improved education and communications access in developing countries, made technological breakthroughs in petrochemical alternatives and in waste reduction and delivered multiple medicinal breakthroughs including, by way of example, the first treatment of peanut allergies.

Ethical and sustainable investing

Many of you have told us that ethical and sustainable investing matters to you, that you want your money to do good and not cause undue harm and we agree. Accountable business practices ultimately reflect in business value, they generate goodwill and they contribute to more sustainable growth. We support those practices, furthermore, we practice them

ourselves. Now the concept of ethical investment differs from person to person, but to us it means doing the right thing and doing what we say we will. We have held ourselves accountable for identifying and mitigating environmental, social and governance, or ESG risks in your portfolios. This was recognised by the United Nations, which gave CSC an innovation award in ethical investing and stewardship back in 2003 and we were the first Australian fund to carry out independent assessment of our carbon footprint way back in 2008, well before it became fashionable.

We are often asked why, as the first Australian fund to take positive steps to tackle issues like climate risk, we still hold some exposure to companies that derive part of their revenue from fossil fuels. Here's our answer. As you know, global carbon intensity can only be reduced by ceasing the underlying carbon emitting activity. The developed world is accelerating away from a high dependence on fossil fuels, but the pace of that transition remains constrained by the fact that our homes, our hospitals, our schools, essential services, even the electric vehicles some of us drive, still all require fossil fuel baseload until renewable energy generation, storage and transmission can achieve mass scale and the costs of that baseload energy must rise materially through transition, with obvious implications for average living standards, as Europe is experiencing today.

In developing regions where dependency on fossil fuels still remains very high, those rising energy costs become a hard constraint, because they increase social instability and the potential for the propagation of geopolitical risk. So the three activities that long-term investors such as ourselves are uniquely best placed to undertake in order to help accelerate the robust transition are firstly, obliging companies to transparently report operational risks and externalities alongside the incentive structures they use to reduce them.

Secondly, on the basis of that data, engaging with existing companies in an informed way to support the strategies needed to permanently replace their old energy operations and thirdly, investing in new companies that either produce fossil fuel alternatives or develop technologies with the potential to leapfrog the current storage and distribution constraints. CSC was one of the first funds anywhere in the world to execute on each of these. Divestment is the last resort for us because it does not necessarily reduce the carbon intensity of the economic activity itself; it just removes it from your portfolio. So we only use it if the risks to your savings are not able to be mitigated.

Our focus is on the capital markets pathway required to genuinely make our climate initiatives stick and we measure our progress and refine that journey as technological advance and policies enable. Your portfolio's net carbon contribution is currently reducing by around 427,000 tonnes per annum, a pace that if simply maintained is more than sufficient to meet the Paris Agreement of carbon neutrality and well ahead of schedule.

The flaws in our economic growth engines were well and truly exposed over the past 18 months and the range of plausible future paths for economies and financial markets is today unusually wide. These uncertain circumstances of our time mean that we've been preparing your portfolios by building greater geographic diversity into our defensive assets, investing in new businesses that are seeking to build the kind of sustainable futures we need, establishing new asset management businesses in return for a stake in their success through revenue sharing and prioritising assets with inflation-linked cash flows, because global conditions are now conducive to creating sustained price inflation. The most recent example of this is our acquisition of Amplitel, Australia's largest mobile towers owner, which supports the networks of Telstra and other mobile phone companies. Mobile data demand is growing at more than 20% per annum and the vast majority of Amplitel's revenues come from prices linked directly to inflation.

As markets move up and inevitably down, we remain focused on the fundamental value and quality of assets, rather than their current prices. On that note, think about 50% of companies within COVID-accelerated transformation industries like consumer tech, green energy, internet retail and biotech, they're all unprofitable today despite seeing rapid stock price increases fuelled by very compelling narratives. Not all of these companies will succeed or even survive going forward. The paper returns they've generated to date are no guarantee of a better retirement outcome.

Your superannuation, like my own, is not a Monopoly board game, so it isn't how much money you make on paper at any point in time that matters, but how much of that real wealth you're able to keep and to realise as purchasing power in retirement and that very much depends on the risks that are embedded in your portfolio today but have yet to be crystallised in its value.

Conclusion

In conclusion, our investment offering looks different from other super funds', because it is and we're proud of the fact that it's not designed for the average Australian, but purposefully tailored to you, our Commonwealth Government employees and members of the Defence Forces. Your investment team comprises a select number of globally recognised and respected experts in their individual fields. Our experience together for well over a decade, the agility that our team's design and stability enables, our recognised thought leadership amongst the global investing community and the specialised investment partnerships that enables us to build for you, are all hugely differentiating in the Australian super landscape.

We constantly look ahead, innovate and allocate your capital to opportunities that others follow us into, opportunities chosen because they can improve your retirement outcomes, not because we're following the latest market fads. Our focus is on building resilient portfolios, full of high-quality assets that we steward well so that their value and income supporting

characteristics are underwritten and futureproofed. Our aim is to invest all of our portfolios, not just one particular slice, in ways that don't inherently harm others and go further to genuinely deliver positive but enduring change.

We're not the lowest cost super fund, our values mean that we're very transparent about the investment costs we incur. We don't hide them in structures that mean they don't have to be reported. But our costs pay off in competitive net returns that rely on less embedded risk to your future balance, so you should end up with more money in your pocket when you retire, regardless of market conditions at that particular time. Our default option strategy is designed to deliver all our customers a better than comfortable retirement standard and is well on track to do so.

Our aggressive and income-focused options, designed for our youngest and our oldest customers respectively, are consistently within the top 10 in their peer categories over all time periods. Our difference as a team and in the investment options we build reflects our commitment to do what we say we will: to provide each of our customers with a comfortable retirement. Thanks for taking the time to hear our story and I really look forward to answering your questions.

MC – Q&A Introduction

Peter Jamieson: Thank you, Alison, Garry and Damian, for those updates and we'll now move to your questions. Another reminder before we start that you can submit your questions via the question area using the button in the middle of your screen and I can see many of you have been doing that. That's still available for all of your questions. Once again, we'll not be responding to questions related to your personal circumstances during tonight's meeting.

Q&A 1

So to the questions and I think this first question might be right up our CEO, Damian's alley. So this is a question from Benjamin, thanks Benjamin. CSC is always encouraging young members to engage in their super and also suggesting all members to go digital. A phone application would go a long way to achieving success in both these elements. Is CSC working on a CSC application or app so members can access all of their vital super information direct on their smartphones? Good question to start us off with, Damian, over to you.

Damian Hill: Thanks, Benjamin, for that question. In my remarks I talked about our strategy and the transformation that we were undertaking and that's relevant to your particular question. CSC runs 11 schemes over four different admin systems and so we're very aware in launching our member app that we want to make sure all the integrations, et cetera, are in place in that

complex environment. So that's why we're actually spending the time and prioritising at the moment about simplifying that structure and getting all of our schemes on the one admin platform. Then we're moving on to strengthening our digital platforms. This will enable greater self-service and for us to add extra services such as, for example, chat and a member app. We're not resting on our laurels and whilst we're doing that complex work, we're also trying to deliver other innovations for our customers, which you will have seen very recently with our digital statements.

Also I remember receiving a letter from a customer not that long ago, in the last couple of months, who said can't we just have one login, as they have multiple memberships and my first response to that letter is I couldn't agree with you more. So our transformation is going to help those almost 50,000 of our customers who have multiple memberships across the schemes. So whilst I don't have a date for you today to tell you when the member app will be launched, it is high on our list of priorities and I look forward to updating all of our customers and providing that service in the coming period.

Q&A 2

Peter Jamieson: Thanks very much, Damian. We'll go to our next question, which is on a topic that Alison talked extensively about and lots of interest from customers. We have a question here from Janice that I'll read out, but also acknowledge that we've had similar questions from Jamie, Colin and other customers, so thank you. I might start this question off going to Garry, our Chair, for a Board perspective on this topic of climate risk and what we're doing in this space and then I'll ask Alison to follow up with some further comments.

So the question from Janice is, CSC's climate risk fact sheet says divestment is a last resort and by staying invested and influencing towards improved behaviours and processes, we can make a more positive and genuine impact on the longer term. You use divestment only when engagement with companies cannot reduce the risks to long-term viability of the business. A number of companies are expanding oil and gas production and have no credible plans to transition to 1.5 degrees Celsius. What's the evidence that staying invested in such firm has positively influenced them? So as I said, I'll just ask Garry to perhaps make a couple of comments from a Board perspective and then we'll go to Alison to provide a bit more colour. Garry.

Garry Hounsell: Thanks, Peter. Active engagement is our preferred approach instead of simple divestment, but we acknowledge that in some cases active engagement will not be enough to bring about the change that we think is required. Divesting only changes the ownership of a company, as Alison mentioned and doesn't necessarily reduce the climate impact on the organisation.

However, we have divested from pure play coal companies, which we identify as companies who generate 70% or more of their income from coal. This threshold for divestment exists because we consider diversified companies more capable and likely to transition away from coal. Alison, I might now just pass onto you for some further comment.

Alison Tarditi: Thanks, Garry and thanks for the questions from each of the customers who've asked them. Just to put some colour around the divestments that we have made, as Garry mentioned, we've divested from undiversified companies which generate 70% or more of their revenue from thermal coal production and generation, because the financial risks to these companies are rising and engagement is unviable.

So we want to protect your savings from that risk, this means that you personally have no companies in your portfolio like offshore Coal India or Peabody Energy Corporation and no exposure to companies in Australia like Washington Soul Pattinson or New Hope and Whitehaven, where the final residual divestment of less than about 0.5% of our fund will be completed within the next quarter, because we did give our external managers the discretion to manage that divestment in a way that would be accretive to your savings. But we do remain invested in well run Australian gas producers, for example, because gas emits around 50% less emissions than coal and plays and important and necessary role as an interim fuel, to ensure countries around the world continue to have reliable and affordable energy until technology limits are overcome.

We use exclusion lists as provisional screens, not definitive judgements, because while in principle divestment appears to provide a clean and simple solution, in practice it's not. I'd ask you to consider, for example, that with an objective to decarbonise a portfolio we could try to automatically exclude any utility company based on the ESG scores on carbon that's currently available. But the data driving these scores may not take account of the fact that many companies are moving towards clean energy production and decommissioning their coal burning electricity generation plants.

As long-term investors, we can stay committed to these companies, encouraging them in this journey, supporting their financial value to your savings and having real world impact, not just paper impact. Many ESG options, for example, do divest fully from all fossil fuel exposure, not just entities unable to evolve, which may make these portfolios on paper seem clean. But we all have to think about whether the paper virtue translates into real world impact. For climate ambitions to be met, all industries have to make innovative transformations to become clean and futureproof. For this to happen, capital markets need to focus on heavy emitting industries and support those companies making deep decarbonisation changes, changes that go beyond protecting one portfolio to protecting the planet.

Let me give you three quick examples off the top of my head in our portfolios. The first is a German electricity provider, RWE. That company scored poorly on emissions because of

historical reliance of fossil fuels and its price was penalised by the market. Renewables now comprise one-third of RWE's energy production. By 2030 they have a plan to reduce emissions by 50% versus their 2019 baseline and are further to carbon neutrality by 2040. Something we can do to support them to deliver, is by remaining engaged, thereby creating sustainable value in your portfolio and beyond to improve real world outcomes.

Equinor, previously Norwegian state coal is another example, the company's plan to be carbon neutral is by 2030 and that's evidenced in their allocation of more than 25% of their total R& B budget to hydrogen and carbon capture and storage technologies. WEC Energy is another example, a US company, retiring old coal plants with a plan to achieve less than 10% revenue from coal by 2025. They're investing US$4 billion in solar, wind, battery storage technology, all critical to accelerating the transition to a new energy regime.

We all have a natural tendency, I think, to undervalue things that are complex and climate, which is inseparable from the other 16 sustainable development goals, is also very complex. To translate paper virtue to real world impact required deep system appreciation, support of companies making deep decarbonisation changes and early stage investments that lean into innovations capable of leapfrogging us forward. We've been doing these things for two decades, well before they became fashionable.

Our track record of investing early means that you harvest the additional returns from providing early stage capital and you're genuinely contributing to new renewable asset capacity in the world, rather than just recycling claims on existing assets without changing any real outcomes at all. This is why we don't offer a standalone ESG option, which would be an easy marketing win, but not necessarily part of a real world solution. I hope that answers your question.

Q&A 3

Peter Jamieson: Thanks very much, Alison. Get ready, I'm coming straight back to you, and it's connected to that very comprehensive answer you gave there. But Colin's asked a question specifically about portfolio targets, so I'll come back to you in a moment with that one.

Just to cover Colin's question, many big super funds have set 2050 or sooner net zero portfolio decarbonisation targets and several funds have also set interim targets, portfolio decarbonisation targets fast becoming the bare minimum expectation on super funds who claim to support climate action. CSC, however, has not disclosed targets to decarbonise its portfolio, but instead says it aspires to achieve net zero emissions as soon as possible. When will CSC implement portfolio decarbonisation targets?

Alison Tarditi: Thanks again for your question. It is the expectation now that everybody needs to set a target. We've set ourselves a target and that is to do as fast a job at this as is possible and still be genuine. So as I said in the formal comments this evening, it is really important to us that our values are upheld and our values are to do what we say we do. So we are on track, as I think Garry mentioned and I mentioned also, to be well ahead of any Paris Agreement in terms of carbon neutrality, in terms of the changes that we've made already to our portfolio.

We're committed to continuing to do that through the three avenues that I've spoken about earlier, which are direct investing in renewables and in the technologies and infrastructure that support the potential to leapfrog the constraints on moving to the new energy regime faster and make no mistake, we are moving to a new energy regime around the world. We're investing and engaging with companies who are currently involved in the old energy regime, in order to help them leapfrog as well into the new regime successfully. And we're cooperating with global entities around the world to improve the transparency of these risks and reporting and support capital markets to be part of the solution robustly.

So we're a signatory to the Partnership for Sustainable Capital Markets, we're a member of the Investor Group on Climate Change and we believe in this engagement globally, because voice that's accumulated behind a lot of capital has greater impact. That's why as a signatory to the Carbon Disclosure Project since 2002, we've been one of 108 institutional investors from 24 countries who've engaged collectively with over 1020 companies across 49 countries. This year our combined efforts have supported more than 13,000 companies to disclose their data on climate impact. So I think you really need to focus on the outcomes that we generate, rather than the marketing lines that we have and we are on track, as I mentioned earlier, to be carbon neutral well within the Paris Agreement timelines and the faster the better, I guess.

Q&A 4

Peter Jamieson: Great, thanks very much, Alison. I'm going to change gears a bit now and I'm going to introduce you to one of our other Q&A panel members tonight, Adam Nettheim, who is the Executive Manager for Customer Operations. So I'm coming to you next, Adam, with a question from Pieter. Pieter's asked about is it possible to transfer my remaining CSC fund to another super fund, such as QSuper and what, if any, penalties are there? Over to you, Adam.

Adam Nettheim: Thanks, Peter and thanks, Pieter, for the question. I might address this more generally talking about rolling out of DB funds in general. There's a couple of items that people should consider when they're doing or thinking about doing this kind of transaction. First of all, be aware of the benefits of retaining your DB fund. DB funds quite often have features within them that are not common across other products, so make sure that you're well understood of what's available to you. Some DB funds, like our own, provide a lifetime pension option, not all DB funds still allow that option even if you do rollover to them. A lot of DB funds are closed

in other funds, so again, be very aware that if you are rolling out of a DB fund, you're either getting into something that you're very aware of or something that's very comparative to what you've got.

So be clear in your mind in what you have now and what you're looking to get into. Speak to one of the team, we can help you with a rollover. You also need to make sure that the receiving fund, you've suggested QSuper in this space, is one that is considered an eligible rollover fund, so they can take the money in the first instance. If you exit before understanding that, you might actually find that you can't come back if the receiving fund can't accept it. So best thing to do, ring one of the team, as Peter Jamieson said there's contact details on our website. Ring one of the team, speak about your particular circumstance, but be very clear and well educated on what it is that you're doing and if it's the right thing to do then we will help you get the transaction completed.

Q&A 5

Peter Jamieson: Good on you, Adam, some really good suggestions there for our defined benefits customers, which covers both our military and APS schemes, typically CSS, PSS, military super are the main ones. Okay, we'll go to our next question and this one's coming to you, Damian. This is a question from [unclear] about can I choose the investment fund that my CSC super is invested in? So over to you, Damian.

Damian Hill: Thanks, Peter and thanks, [unclear] for your question. CSC offers generally four investment options. The vast majority of our customers are in the default MySuper product that Alison talked about extensively, but she also talked about that about 18% of our customers choose from our other options and so we've got an aggressive option, an income-focused option and a cash option. So those, if you're one of our defined contribution schemes, you can make a choice about those at any time and switch when you would like in that regard.

Q&A 6

Peter Jamieson: Thank you, Damian. I'm going to ask a follow-up question about investment options to Alison. Alison, this question comes from Mark and Mark would like to know if there's any work being done to look at adding additional investment options outside of the current four options. Is CSC looking at how cryptocurrency would or could be added to their current investment mandates? Over to you, Alison.

Alison Tarditi: Thank you very much for that question. Our investment options have really been designed specifically around a lifecycle. So that is why we offer just three premixed options, the aggressive for customers at the beginning of their working life cycle, the balanced MySuper for the bulk of our customers and the income-focused option for customers closer to

retirement. So we believe that that suite of products supports you to make an informed choice and align your investment product with your stage of adequacy in retirement and work life. So that's the first point I'd make.

The second question you asked about cryptocurrencies, you do actually have a very small exposure to Bitcoin indirectly through some public companies in our portfolio and some of our VC investments. It's actually very small, less than 0.4% of our assets under management and the exposure to that comes through PayPal, given its decision to let its customers trade Bitcoin on its platform. Through Tesla's direct investment in Bitcoin and through one of our external hedge fund managers, who took a very small beachhead exposure to ensure that we could properly understand as an insider the state of the market's infrastructure development in a real and timely way, to understand its relevance to institutional investors.

We've not invested directly in commercial decentralised cryptocurrency like Bitcoin ourselves because of several risks, I think, to the value. The material regulatory risk that governments either ban or limit the use of decentralised cryptocurrency for transactional purposes. The fact that Bitcoin transactions are very expensive to make, energy greedy and slow to execute, making them as yet unsuitable as a medium of exchange. That energy intensity, of course and the location of Bitcoin mining is concentrated in regions where electricity is still primarily generated using coal and so it's very climate unfriendly. Its volatility, it really is a speculative asset and it can have discreet price adjustments of 25% to 75%.

Finally, while much is made of the limited supply of Bitcoin, with the implication being for sustainable price depreciation, we're not convinced by this argument at this stage. Because the supply of alternative cryptocurrency is not limited and new versions pop up regularly. There's Ethereum, Litecoin, Tether, Solana, Stellar, Cardano, I could keep going for half an hour or so, even Dogecoin was described as a joke by its creator and tweeted about incessantly, I think, by Elon Musk.

To date, prices of all of these cryptocurrencies have been highly correlated and as I said, dominated by speculative activity. By contrast, the underlying blockchain technology that's a very significant development has multiple applications beyond the support of cryptocurrency trading and we're live to that issue and monitor developments there very closely. The institutional quality of the infrastructure that enables the use of cryptocurrency, the composition of market participants and government attitudes towards its proliferation is something that we're all focused on.

I would make one final point, that there's quite a difference between these decentralised cryptocurrencies and the centralised versions, which don't have the same potential for wholesale disruption of our global monetary system. The Bank for International Settlements in conjunction with seven, I think, other central banks, have drafted a principle for developed countries central bank digital currency use and that really focuses on constraining the use of

these currencies, to make sure they don't interfere with the existing commercial banking systems and the way our monetary policies operate.

China, Singapore, Canada, I think Sweden's E-krona are very progressed in terms of central bank digital currency development and these are centralised, scalable and will be in use around the world. So it's very hard today to define the boundaries on these developments and their influence on the intermediation of credit, on monetary policy, on capital flows. But it's fair to say, I think, that the monetary system operating a decade from now will be very different to today and that bears our focus and we are watching that carefully.

Peter Jamieson: Thank you, Alison. I'll just take us back to the very start of Alison's answer there about our investment options and one of the things that Alison said during her speech, which is just under 20% of our customers have actually chosen an investment option which isn't a default option. So there's an opportunity there immediately for all customers to have a look at their investment option, make sure it reflects where you are, your appetite for risk and how far through your career you are and that line will help improve your preparation for retirement.

Q&A 7

Okay, we're going to go to our next question now and this is coming to Adam Nettheim again. This is a question about a particular topic that is of concern to a number of customers, but specific to a number of APS employers. So the question is from Kenneth and Christopher and this is asking, can we provide insights into the joint AFP, Australian Federal Police and CSC review, particularly challenges, resource implications and completion date? Adam.

Adam Nettheim: Great, thank you, Christopher and Kenneth. As Peter said, this is something that is an issue for a couple of employers that we're dealing with at the moment and I might address again a little more broadly and then bring it a bit more directly back to the AFP specifically. So this is a historic issue in how some components of a government employee's salary and therefore their super contributions have been calculated. Employers take responsibility for making sure that that calculation is correct and is part of their payroll function and of course, supply CSC with the data with which to utilise in our superannuation systems.

We've had a number of different agencies who have notified CSC of their issues, the first one about five years ago. The agencies range from very small agencies up to some of the large ones, like the AFP. The APSC also wrote to all agencies back in 2019, just to confirm their responsibility in ensuring that contribution data being received by CSC or any other super fund is accurate and encouraging the employers to try to rectify. CSC is currently working with 15 employers who have identified that they have issues and there's a range of situations. For some people it's an under-contribution, for other people it's an over contribution. For some

employers this goes back a number of years and of course, the further it goes back the more complex it gets for us to make good on the contribution and the impact into the super account.

When this first started, CSC developed guides, checklists, processes, even assisted some employers with suggested communication, letters and templates and so on and also provided data scope, how we are going to get the data from the employer so that we can pop it into our system as easily as possible. I say that reasonably lightly, putting our data into a system is not always easy and for some of our customers, we do have some ways in getting the data in and getting their accounts corrected. For others it is quite a manual process. To give you an idea, current contributing customers are somewhat easier in order to rectify their account, but then depending on a number of circumstances, retirement, family law splits, death in validity cases, people moving into a pension phase and so on, all creates greater complexity in how we rectify the person's account. Add on top of that in a lot of cases people have made decisions around their superannuation and sometimes they're finding out that there's more to be thought about now that their data has been corrected and they understand their new position with their superannuation.

Specifically with the AFP, we have got a great working relationship with the team at the AFP. We understand that the AFP is increasing the size of their team, who are rectifying the data through their payroll systems and being able to supply it to us. So we've seen a scale-up in the amount of data coming to CSC. As I said, we work very closely with the team. We've worked very closely with the consultancy who was also brought in to help the AFP understand the situation in the first instance, so that working relationship is strong. What we're seeing now with that scale-up is at the same time from a CSC perspective we're also scaling up the amount of people that we have who can rectify members' accounts and also the skills there and where possible, the automation to do so at a faster pace.

I know in your question you asked about do we have an end date. It's a little hard to predict at the moment because we don't have all the data from the AFP, they are bringing it to us in drops or tranches. Somewhat we will be dependent on the speed of the AFP in getting us the data, but also then the complexity of the situations that we have to deal with. As I said before, some easier, some with greater manual intervention. I'd love to be able to give you a firmer date on that, but to do so would be probably not accurate.

Q&A 8

Peter Jamieson: Thanks, Adam. A complex piece of work, but rest assured we're committed to getting it sorted and getting it behind us as quickly as possible. We'll now move to a question from Bruce, directed at Damian. Damian, are we developing any new innovative retirement income products and what will they look like and when will they be released?

Damian Hill: Thanks, Bruce. Yes, we are. As many of you may know, there's a new retirement income covenant which is a piece of legislation that is coming in to take effect, where every fund has to have a strategy, retirement income strategy, by 30 June next year. So we're actively looking at that. We know that we have a unique advantage in this area. CSC's unique customer base means that we already have almost 250,000 pensioners that we can learn from about how they use their income in retirement. A lot of them are DB pensions but we're looking to leverage off the unique customer base that we already have in designing our retirement products for the future. So we'll be looking at, because of our unique situation, how we will supplement our existing retirement products, we've got an account-based pension and our DB pensions, to meet these new retirement income covenants. So you'll hear more news about this towards the middle of next year.

Q&A 9

Peter Jamieson: Thanks, Damian. I'm coming back to you with the next question as well, so this question is about stapling, which you mentioned in your talk, specifically as it relates to defined benefits scheme. So the question comes from Wendy and it's stapling. What's the situation for government employees in a defined benefits super scheme and also in another super fund? Damian.

Damian Hill: Thanks, Wendy. So in respect to the defined benefit funds, defined benefit funds are exempted from stapling, because they can't necessarily take contributions from new employers, et cetera, like that. So if you're in a DB fund, that part of your account will be exempted from stapling. However, if the other part that you talk about is in respect to an accumulation type benefit where you get either the 15.4% or SG into the account, then when you are going to change jobs in the future your new employer will automatically start contributing to that scheme, unless you decide that you want to move to another scheme. It's always within your power to move your super to another scheme at that time.

Q&A 10

Peter Jamieson: Excellent, thanks, Damian. Next question coming to you, Alison. This is a question from Lindsay regarding our investment portfolio, but specifically as it relates to China and the question is specifically, how much investment is made in China or Chinese companies? Alison.

Alison Tarditi: Some people say I do my best work on mute, so I've just shown you that. We do actually invest in Chinese assets, currently 6% is our total funds, or around $3.6 billion, are invested in China assets, because they're an increasing share of global capital markets and a genuine source, we believe, of diversification. Because their cycles in business, in policy, differ from those in other large economy. The China bond market, for example, is valued at around,

I think, US$13.5 trillion and it's the second largest in the world. It's recently been included in flagship global indices and it's one of the few bond markets anywhere in the world still offering adequate yield compensation.

One point of differentiation that I think is important for you to understand is that we don't invest in China passively, because we don't want to simply adopt the exposures that their rising share of equity and debt market indices dictate. Rather, we enter this region with control over our allocations, retaining our comparative advantages in asset allocation and asset quality selection. So while 6% of our capital is invested in China assets, this only contributes 1.5% to our overall level of portfolio risk. So portfolio diversification, dynamic asset allocation management and quality asset selection all play a critical role in delivering that result.

For example, we recognised the implications of rising policy uncertainty in China earlier this year and responded by reducing your exposure proactively. This meant that as China equities fell by 19% between January and September this year, our balanced option was not materially impacted and actually rose in value by 11%. This has been a consistent pattern for us throughout the four significant drawdown episodes in Chinese equities since 2015.

Q&A 11

Peter Jamieson: Thank you, Alison. The next question coming to you, Adam and this is from [unclear]. How does one change between the three types of investment portfolios, for example, from default to the aggressive option or vice versa?

Adam Nettheim: Great question and first of all, congratulations on being interested in looking at your investment options under your superannuation account and thinking about making changes. The actual change itself isn't too hard, it is about either going online, onto the website and pulling down a form, or ringing one of our contact centres to get assistance in making the switch. So the mechanics of making the switch is not difficult at all. What I would always say to people when they're talking about switching, first of all, congratulations. Be very understanding of your investments risk profile, your comfort in what you're about to switch into and out of, a little bit similar to the message that I gave around the rollout before and make smart switches.

Q&A 12

Peter Jamieson: Smart switches, good advice. Thanks, Adam. Okay, our next question I'm going to go to Damian and this is from Michael. Michael's question is CSC has been wonderful addressing our financial planning and keeping us informed. My question is what are CSC's plans to support retirees after retiring? I've seen the start of a pilot program with Mercer, but there

must surely be more value adding services retirees need other than just sending us our fortnightly pension. Damian, other services in retirement.

Damian Hill: Thanks very much, Michael, for the question and obviously we're looking at our retirement products as I talked about just in regard to the earlier question. But we already do have some other services for our retirees and we're very conscious, as I was saying before, about the unique nature of CSC's customer base, where we have almost 250,000 pensioners at this stage. So we have one of the largest payrolls of any provider in the country and our oldest customer, as far as I know, is 109 years old. So we hold our customers for a lot longer than the typical superannuation fund.

So a couple of places I'd refer you through to. Firstly, is to look at our 3rd Act program, which is specifically designed for retirees, newsletters, et cetera, like that, so you can find out about that on our website as well. So we know that the third act of your life is a very important one and we look to forward through that in partnering with you. There's also the pilot program that you sort of referred to, which we have launched in the last couple of months. It's with an organisation called Mercer and it's called CaLM, care and living with Mercer. It's aged care, we're piloting an aged care service.

We know that aged care is a really important part of life and it's a really complex system. This isn't just designed for those that are looking or thinking about aged care, it can also be done by the children who might already be caregivers for it, or are thinking about their own future as well. What it is, is a guided service through the complex aged care system in Australia, to help individuals or couples work through all those complexities, what you need to think about, what the options are and you design a personalised plan just for you and you as a couple in that regard. It's not covering the financial advice, we know that financial advice is a separate issue in this regard, but it is the complexity of the aged care system.

So if you're interested in taking part in that pilot, please feel free to do either on your own behalf or on behalf of our parents or whatever the case may be. We look forward to you doing that and giving us feedback. As we say, it's only a pilot at the moment, we've got hundreds of our customers looking at it at this stage and we look forward to expanding it or evolving it as we see the need requires.

Q&A 13

Peter Jamieson: Thanks, Damian. The next question coming to you, Alison, back to another slant on climate change. This question is coming from Colin. Colin's question is should climate change investment suffer market declines in the near future and impact on member returns, will CSC bite the bullet and withdraw investments and invest elsewhere, e.g. iron ore mining, to sustain credible returns? Alison.

Alison Tarditi: Thanks, Colin. I'm not entirely sure I've understood the question exactly correctly, so let me give it my best shot. When we think about climate it's not a univariate issue; it's part of a system of risks that we consider when we think about outcomes for your portfolio and outcomes in the real world. Because it's a common risk with multiple direct and indirect channels through which it could impact your portfolio, we use scenario and stress analysis. So our stress testing follows the latest evolving recommendations of peak bodies globally, including IPCC and strives to incorporate the implications from direct physical risk, regulation risk, litigation risk and competitive positioning.

So we're really looking to think about climate as we do technology risk, as we do other environmental and social and governance risks, to try and build the most robust portfolio we can that will withstand multiple future states. That reflects in the fact that our returns per unit of risk are consistently high across our competitors. Now, I'm not sure if I've completely answered your question, but if I've understood it correctly, I hope that helps.

Q&A 14

Peter Jamieson: Great, thanks, Alison. Next question to Adam, this is from [unclear] and the question is will the investments going up and down affect the pension amount for a member receiving a fortnightly pension? Couple of nuances there, I think, Adam.

Adam Nettheim: Yes, great question, thank you. So first of all, it's a difficult question to answer without appreciating which product you're either in or looking to be in. We've got a couple of pension products, we've got the DB-related pension product which typically once you're into the pension phase, the changes that you see are a twice per annum CPI increase typically. So that's a very safe kind of lifetime pension product with a reversionary option out to your partner.

If you are not in the DB schemes or if you are talking about the CSCri product, the CSCri product is a typical or more typical product in the pension market. It's linked to investment markets, as the investments go up and down so does your balance, which of course depending on how you've constructed your fortnightly pension can either remain seated with less capital sitting behind, or move up and down along with the market shifts.

Q&A 15

Peter Jamieson: Great, thanks, Adam. We've got a question here from Fiona which I'm going to take myself. Not quite sure I fully understand the question, but it'll give me an opportunity just to remind everybody about bringing any questions that we can't get to tonight to our contact

centre teams. So the question from Fiona is with the offering of your partner contributions to PSSap, does this mean it is part of your super, or does your partner have a separate fund? Is it possible for your partner to combine their funds with your super contributions?

There is opportunity for partners to share contributions and that's just a general capability within the super system. Typically, individuals have their own super funds, each individual having their own fund, but Fiona, I'd suggest that if this is an issue specific to you and that you're needing some assistance with, our customer contact centre team would be more than happy to help out and provide you with the options available to you. But thank you for the question.

Q&A 16

Okay, we're not quite to the last but we're getting close to the last question, we might make this the second last question, we're coming up to 7:56. Alison, this one's coming to you. How much of the default option fund is invested in Australian assets and what's the target level for investment by CSC in infrastructure in Australia?

Alison Tarditi: Thank you for the question. Australian assets, our balanced fund has about 24% of its total funds under management invested in Australian equities. Our income fund a little less at 9% and our aggressive option a little bit higher at 28%. So that's our exposure to Australian equity assets and our infrastructure program, we are opportunistic when we buy assets for our customers. What we're looking for is returns that compensate you well for the costs and the risks associated with each of those projects. So at present we have about 12% of our balanced MySuper option exposed to real assets and about half of that is in property assets, about half currently in infrastructure both in Australia and internationally, in Europe and in the United States.

One of our differentiating characteristics is that we've always been focused on the infrastructure of the future, so we were an early investor into data centres, for example and Canberra Data Centre, which you own, has been returning after all fees and costs something like 58% per annum since we invested in it. So we're really looking for the best assets. We don't have a specific target and we will take as many of those terrific assets that can make that sort of return for you as we can access. But we do that carefully and we cast a lens across the relative value available in Australia, but also internationally.

Q&A 17

Peter Jamieson: Thanks very much, Alison. Yes, I think we'll make this the last question. This is a question from [Banaji] which I will take. Will the iEstimator be enhanced with more options,

such as how a future promotion will affect super balances? Thanks very much, Banaji, for that question. For those customers who aren't aware, iEstimator is a tool, one of many tools that we have available on our website to help customers estimate the options they have in terms of preparation for retirement and adjust various components to forecast their position in retirement. We also include within our statement an estimate of future retirement balances and future retirement income, which has been part of what we've included in our digital statement over the last couple of years.

We are absolutely enhancing the iEstimator tool, along with introducing other tools as well, Banaji, to make it easier for you to assess your options, consider choices you might make to change your retirement outcomes and ensure you're getting to the right place you need to be. Future promotion, I'm pretty sure that can be catered for by estimates of salary. Once again though, it's a question that we can take through the contact centre and help support you through estimating where you'll be in retirement based on changes in your salary, changes in other factors over the rest of the time period until you retire.

MC – Closing

Peter Jamieson: So I think that probably draws us to the end of our Q&A session at 7:59. Recognising that it's getting late in the evening, I will conclude the Q&A session there. Thank you very much to everyone who submitted a question during the meeting tonight. Clearly, we couldn't respond to all of your questions, but we have attempted to respond to questions that represent the areas of interest to most customers. Thank you to our panel for answering all of those questions.

We are going to respond to all questions, however and those questions and answers will be available on our website within 30 days, along with a transcript of this meeting. A recording of the meeting will also be available on our website within the next few days. So on behalf of our Board and executive team, I'd like to thank you once again for taking the time to attend our Annual Members' Meeting tonight.

You've heard from our Chair, you've heard from our Chief Executive, Chief Investment Officer and you've heard from our Head of Customer Operations. I hope what you've heard consistently is our commitment, our commitment to you, our customers. Our first and only interest is to ensure each and every one of you reach your retirement dreams, whatever they are and whenever you choose to retire and we thank you for your service. We are proud to serve those who serve our country and we're also committed to listening to you, to getting better and improving everything we do.

To this end, you'll shortly receive a survey requesting your feedback and suggestions on how we can make this meeting even more valuable to you in the future. As always, we appreciate your feedback. Thank you for attending, have a good evening and I'll now close the meeting.

End of Transcript

Transcript prepared by Open Briefing on 17 November 2021