Energy Super Annual Member Meeting
Monday 7 December 2020

Your Questions Answered

On Monday 7 December 2020, Energy Super held their Annual Member Meeting at 123 Eagle Street, Brisbane. This was an online meeting attended by members across the country, while the Energy Super Board, Executive team, Actuary and Auditor attended in person.

The questions raised by members prior to and during the meeting are addressed below. Please note that questions received may have been edited slightly for ease of reading.

OPERATIONAL

Member Questions	**Energy Super response**
What is Energy Super doing to bring down the fees as they are still high in comparison to other industry funds, for instance, QSuper or Sunsuper?	We are committed to keeping our fees as low as possible for members and continually look for ways to manage the fees you are paying. During 2019-20 we decreased administration fees by four basis points to 0.18% for members with an accumulation superannuation account. We were also able to reduce some of our Investment fees during the year for a number of our options, meaning some members received a further reduction of up to 0.09%.
Is the cash in Energy Super covered by the Federal Government Guarantee as is other Authorised Deposit-taking Institutions (ADIs)?	The Financial Claims Scheme, also known as the government deposit guarantee, does not apply to deposits in superannuation funds. This is because the Financial Claims Scheme covers individuals investing with an Authorised Deposit-taking Institution (ADI) however superannuation funds are invested by their Trustee into an ADI.

	Energy Super maintains an Operational Risk Financial Reserve (ORFR) to ensure that the Fund maintains adequate financial resources to address losses arising from operational risks. The balance of the ORFR at 30 June 2020 was $20.6 million. The Fund also has insurance coverage to cover both operational and other risks that may arise.
With Vanguard's impending push into the Australian superannuation industry with the aim to simplify and lower costs, how will Energy Super manage this disruption and keep itself competitive?	We are always monitoring developments in the market and looking at ways to be innovative and competitive. The merger opportunity is an example of how we are looking to sustain and grow the fund to stay competitive. In 2019/20, we continued our focus on delivering better outcomes for members by transitioning to a new insurance provider with new policies and better policy design tailored to our members. We also launched our Retirement Reward product, enhanced our digital experiences through Member Portal upgrades, refined the KiwiSaver transfer process and continued to build usage of our Mobile app.
Other Fund CEOs and Executives reduced salaries and bonuses during COVID - did Energy Super?	Energy Super's Board and Executive remuneration are designed to attract, motivate and retain high performing individuals. They are determined based on external benchmarking data for comparable roles in the superannuation industry. As part of the Board's role, we need to continually ensure that staff are appropriately remunerated for the size and complexity of the Fund but also tie remuneration to the performance of the Fund generally. That's why we utilise Short Term Incentives for our Executives as leaders of the business. However, with regards to remuneration at Energy Super this year, the Board was very mindful of the COVID-19 market impacts on the Fund and our members in particular but, equally, on the extra yards that our Executives had to take to keep the Fund and our people safe in an extraordinarily difficult year. Having regard to all these factors the Board determined on balance that: • There will be no increase in Directors' remuneration for 2021; and • The amount available to be paid to Executives from the Executive STI Pool for the 19-20 year be reduced by 11.16% to reflect the Fund's negative performance in the COVID-19 environment against our 19-20 targets.

	The 2019-20 Annual Report which is available on our website outlines all Board and Executive remuneration in greater detail and you are encouraged to read it. We cannot comment on the remuneration of other Funds.
Are there any new strategies that Energy Super may have learnt through COVID-19 and how will they be applied to maintain good super growth into future?	While COVID-19 brought challenges, we are proud that during this period we were still able to engage with members. The team moved rapidly in the ever changing environment to virtually connect with members which gave us the opportunity to continue our strong commitment to being there for them. During this period, we were able to continue to engage with our members and continue to grow our business. As of 30 September, from the work that the team did during COVID, we saw growth in new members and the introduction of new strategic partnerships.

INVESTMENT

Member Questions	**Energy Super response**
What was the Average Annual % of Net Income Gain (% paid) to Members during the last 10 years?	The Annual Return for each investment option is shown for various time periods in the Annual Report on pages 18-22. You can view the 2019/20 Annual Report here: https://www.energysuper.com.au/forms-and-tools/annual-reports
How will our super grow and recover after COVID-19?	Superannuation is a long term investment and as such, our focus is on producing superior long term returns. While there will be external shocks from time-to-time such as COVID-19, we do know from history that investment markets recover from these over time and we don’t expect this time to be any different. The MySuper investment option on a rolling 1 year basis to the date of the AMM (7Th December 2020) return was 1.2%; on a Financial Year to Date basis (June 30 2020 to 7 December 2020) the return was 7.8% reflecting the strong recovery in share markets after the market correction in February/March 2020.
What is the fund doing differently in the way of investments to maximize returns?	We are constantly looking for investment opportunities all around the world that have excellent risk-return potential, good fee levels, and can provide further diversification benefits to our existing pool of assets. During the COVID-19 period, we were in a fortunate position to take advantage of several opportunities within credit that resulted from the market stress at the time. While many investment markets are now mostly recovered,

	there will still be compelling investment opportunities that will continue to appear so we are actively positioning our portfolios to take advantage of these as and when they appear. This includes new investments in our Alternatives and Property Asset Classes.
My interest lies in the overall performance of the fund in comparison to its competitors of similar size.	Our focus is on providing the best outcomes to all of our Members – while investment returns are a key component of this, it is also important to consider other services provided by the Fund. This includes things such as our insurance offering, access to financial advice, and customer service levels. We are proud to have been recognised by SuperRatings industry awards, receiving a Platinum rating for 'Best Value Fund' in MySuper and Pension products for 13 years in a row. While we benchmark our performance to select peers and take pride in our long term performance, our focus remains on meeting the specific needs of our Members across all of these key services.
With the rest of the world in turmoil with COVID-19 and little chance of an improvement before the latter 1/2 of 2021, is it fair to expect national shares to struggle until things improve globally?	We don't speculate on the short term direction of financial markets. Instead, our investment options are designed with their performance objectives in mind, including the relevant minimum suggested timeframes.
Scott Pape in the Courier Mail on the weekend suggested that the financial markets generally will be subdued for the next 4 to 5 years. Is Scott being too pessimistic? The rapid improvements we have seen in recent times would seem to go against Scott's forecast.	We don't comment on other sources of financial information.
I am sure Energy Super use multiple references in their decision making processes however across the public and private sectors AMP Capital seem to be the source of data. Does this risk a bias view of the financial	We can't comment on the investment decisions of others, however we use a variety of data sources in our decision making process, including working closely with the Fund's asset consultant (JANA Investment Advisers). All investment decisions reached are completely independent.

situation when everyone is using the same source?	
What percentage of my super is being invested in fossil fuel companies or companies with poor environmental history? How is Energy Super preparing their investment options for climate change and the subsequent shift from fossil fuel industries? Will Energy Super follow other funds and shift to renewables after the recent Rest Super court case. The world has a climate crisis. The prime cause of this is the burning of fossil fuels. What is Energy Super's position regarding divesting from fossil fuel companies?	Environmental issues (along with social and governance issues) are often contentious and generally there are no easy answers, as the topics involved tend to be complex, and long term in nature. As a regulated superannuation fund, the Trustee of Energy Super must act in the best interests of all of its members. In relation to these issues, the Trustee considers a number of competing issues including, but not limited to, investment costs, risk management and implementation efficiency of environmental related investments in order to deliver on its stated investment objectives to Energy Super's members. To this end, the Trustee has an Environmental, Social and Governance (ESG) Policy to assist in its management of these matters, including how the Trustee considers ESG risk and opportunities in the investment process. Energy Super has two main strategies it pursues: • A dedicated investment option – the SRI Balanced option – which explicitly considers the impacts of ESG issues and applies exclusions and screens to filter out investments that have a high negative social impact including: alcohol, tobacco, gambling, pornography, armaments and weapons and fossil fuels. • For all other investment options – the Energy Super ESG Policy covers the approach applied to the consideration of ESG risks/management/integration. Energy Super is committed to understanding the financial risks of climate change as well as optimising responsible and sustainable investing across our portfolios. One of the main areas of fossil fuel use/carbon intensity is in electricity production. You would no doubt be aware that there is transition to more environmentally sustainable energy sources that is underway globally. However the world simply cannot transition to a green energy future overnight, as in many cases, the technology is not quite there yet to maintain a stable and reliable power grid. Accordingly, there is a divestment away from carbon-intensive coal-fired power towards a mix of greener energy and gas-fired power, for example. Green energy however, has many as yet unresolved problems, the

	largest amongst them being intermittency and storage (i.e. the inability to generate solar energy at night time and having storage solutions to fill the gap when renewables sources are unavailable). As such, more environmentally friendly fossil fuels (such as natural gas) will be required to maintain their place in the power grid for many years to come, especially in emerging economies, so as to maintain a stable power grid. We have seen instances here in Australia where the closure of fossil-fuelled power stations has led to power shortages and 'blackouts', particularly in Victoria and South Australia. This forms part of the investment case for owning some of the companies in our portfolios, and this is unlikely to change any time soon given the dynamics just mentioned. Energy Super's MySuper option currently has an exposure to fossil fuels of approximately 3%. We are continuing to deepen our analysis in relation to the financial risks of climate change and the manner in which our investments are managed on our member's behalf through a comprehensive due diligence process specifically related to climate change and carbon emissions. In relation to investment in renewables, we are undertaking some positive action including: • Investing in wind and solar farms in NSW and QLD in conjunction with the Queensland Investment Corporation and AGL Energy. • Investments in the QIC Property Fund where the Clean Energy Finance Corporation has also invested $200m to undertake improvements in energy efficiency to help reduce energy consumption and greenhouse gas emissions across the entire shopping centre portfolio which includes Robina Town Centre, Logan Hyperdome and Toowoomba Grand Central amongst others. • An investment into the Invesco US Core Real Estate Fund which is ranked number one in the 2018 Global Real Estate Sustainability Benchmark (GRESB).

INSURANCE

Member Questions	**Energy Super response**
I would like to understand why Energy Super has structured its products and services so as to exclude and discriminate against	The Fund completed an extensive tender the previous year which included a benefit redesign to create greater flexibility for Members, including waiting periods and units of cover. WE are always looking for ways to maximise benefits for Members. In setting policy, we needed to balance the benefits with the rate of premium

veterans. This is demonstrated through the reference below: *Energy Super Insurance Guide, Page 19, Exclusions all Members:* *Injury or condition is directly or indirectly, wholly or partially, from war or war service.* As an industry provider to Government Owned Corporations, Energy Super has a captive customer base with employees unable to choose their own Super Provider. How does the Board of Trustees intend to address this issue and better support Veterans who have transitioned from the Military to the Energy Industry?	increases, and chose the best option for all Members. The Fund is committed to exploring how we can improve policies, including income protection.

ADVICE

Member Questions	**Energy Super response**
Provide more insight for Defined Benefits members.	For Defined Benefits members we will be hosting a Webinar (virtual event) early next year which will provide practical support and general advice for managing your account. All Defined Benefits account holders will be invited and dates will be published on our website as soon as available. If you are unable to attend the event, we will be sharing a link to the recorded session to all Defined Benefit members.

How much do I need to retire?	During the Annual Members' Meeting, we can only provide general advice without taking account of your objectives, financial situation or needs. If you would like to discuss your personal situation, we recommend you consult a financial advisor. You may also like to use the Retirement Tracker calculator on our website: https://www.superguru.com.au/ExternalFiles/calculators/retirement-tracker/#/
Will the money I lost during the COVID-19 market crash ever be recovered - what does history tell you about losses and catch up time period?	During the Annual Members' Meeting, we can only provide general advice without taking account of your objectives, financial situation or needs. If you would like to discuss your personal situation, we recommend you consult a financial advisor.

MERGER

Member Questions	**Energy Super response**
What is the expected benefit of the proposed merger under analysis? What is the justification for the merger? What specific advantages will be created for our money? What are the benefits for members to amalgamate with proposed party?	LGIAsuper is a profit-for-members industry super fund just like Energy Super. And like us, they also take a very responsible and active approach when it comes to managing the retirement savings of members. Through the due diligence process, Energy Super have identified the following potential benefits for members: • Increased range of investment opportunities • Strong and sustainable long-term returns • Lower investment and administration fees • Access to enhanced products and services • Even greater presence in regional areas By combining these two award-winning funds, we'll further strengthen our internal teams and service delivery model to provide increased support, education and advice.
Could or is Energy Super the target of a takeover from a larger fund?	Energy Super is not currently in discussions with any other larger fund.

Could you comment on us being the minor party in the proposed merger? You say the talked about merger will increase total assets from 8B to 20B. Does that mean the larger Super company will have a major say in Energy Supers future direction?	We have agreed this is a merger and as such we are working in partnership with LGIAsuper to ensure that our strengths as Funds are identified and implemented as part of this process. As with all changes, we will keep you informed of our progress.
What is the current situation with the proposed merger with LGIA super?	The two funds have spent the past two and a half months working closely together to conduct thorough due diligence. This merger process continues to highlight our similarities and the potential to deliver even better outcomes for all members. As a result, the Trustee Boards of both Energy Super and LGIAsuper have signed a Heads of Agreement, which provides in-principle support for the merger to proceed. This means that the merger has moved to the next stage of the process, which will focus on transition planning and a formal decision whether to continue or not. As with all changes, we will always notify our members, partners and stakeholders throughout the process.
Can you provide information on other party?	For 55 years, LGIAsuper has represented Queenslanders working in Queensland local government. Now open to the wider community, LGIAsuper is a profit-for-member fund, managing more than $12 billion in retirement savings for around 75,000 members. With a member-first philosophy, they have achieved some of the highest ratings possible from the top rating agencies in Australia, including 10 year Platinum rating from SuperRatings and AAA rated from SelectingSuper

	for 7 years in a row. In addition, LGIAsuper was a finalist in the 2020 Chant West Conexus Financial Awards for Best Super Fund and Best Member Services. Like Energy Super, LGIAsuper shares a focus on delivering solid performance returns over the long term, keeping fees as low as possible and is passionate about personalised member service.
What would be the expected Board numbers be then from 8 out 16? or remain at 8 with sensible culling	There will be a transitional Board of 15 from the Merger Date for 18 months to ensure that the combined fund has oversight as well as knowledge of both memberships during the merger phase. This will then reduce to a 9 person Board with representation from both memberships and stakeholder groups.

ENERGYSUPER PUTTING THE ENERGY INTO SUPER An Industry SuperFund