

Minutes

Date:	Thursday, 16 November 2023
Time:	4.30 pm (Sydney time)
Venue:	via online stream
Present:	Geoff Newcombe (Chair) Georgina Smith (Deputy Chair) Patrick Anderson (Director) Terry Burke (Director) Deborah Ponting (Director) Christine Wilkinson (Director) Mark Northam (Director) Kathy Dickson (Director) Carol Matthews (Director)
Executives present:	Natalie Previtera (Chief Executive Officer) Ben Facer (Deputy CEO and Chief Strategy Officer) Ben Squires (Chief Investment Officer) Melissa Adam (Chief Experience Officer) Chris McManamon (Chief Service Delivery Officer) Darryn Studdert (Chief Advice Officer) Philipa Minney (Chief Risk Officer & Head of Corporate Services)
Also in attendance:	Timothy Jenkins (RSE Actuary) Ben Tompsett (Fund Auditor)
Apologies:	Michele Collopy (Director) Wendy Wills (Director) David Brear (Director) Jo Klingberg (Chief Growth Officer)

Quorum

Dr Geoff Newcome (**Chair**) introduced himself and opened the meeting at 4.35pm.

The Chair acknowledged that the Board of Directors of NGS Super (**Fund, NGS**) and the Executive Team, together with the Fund's Auditor Ben Tompsett (from PwC) and the Fund's actuary Tim Jenkins (from Mercer) were joining the meeting online.

Welcome and address by the Chair

The Chair formally opened the meeting with an acknowledgment of country and welcomed members of NGS Super to the annual member meeting. The structure of the meeting and process for asking questions was outlined.

Members were advised that Natalie Previtara, Chief Executive Officer (**CEO**), Ben Facer, Deputy CEO and Chief Strategy Officer and Ben Squires, Chief Investment Officer, would be making presentations.

The Chair provided the following opening remarks:

- It has been 35 years since NGS came into being as a superannuation fund for educational professionals. While there has been signification change, the Chair stated that NGS' core pillars are unchanged: NGS understands that members want a fund that offers personalised service and support, low-cost, high-quality products and delivers competitive returns.
- The following changes to the Executive Team were made which has strengthened NGS' capabilities:
 - Natalie Previtara was unanimously appointed by the Board to the role of CEO, having acted in the role for 9 months prior to her appointment
 - Ben Facer, the Fund's Chief Strategy Officer was elevated to the position of Deputy CEO
 - Jo Klingberg was appointed as Chief Growth Officer and
 - Philipa Minney was appointed as Chief Risk Officer and Head of Corporate Services.
- The Chair thanked the senior executives on behalf of the Board for their professionalism and commitment throughout the year. The Chair also thanked Georgina Smith, Deputy Chair for her support throughout the year.
- The Chair commented that the superannuation industry is always evolving, highlighting the increase to superannuation guarantee contributions, the Government's announcement of "payday super", the Retirement Income Covenant, and the recently formed Super Members Council of Australia. The Chair reiterated that the Fund would continue to respond to change within the industry.

The Chair introduced the CEO.

Current and future focus of the Fund

The CEO provided an update on the Fund, highlighting the following areas:

- The CEO welcomed members and thanked them for choosing NGS Super.
- The CEO stated that she was delighted to be permanently appointed as CEO of NGS, she has a deep passion for helping people understand and empowering members about their finances.
- The CEO noted that 2023 marks 35 years since NGS commenced operation and reflected on the evolution of the Fund and its future.

- The CEO reiterated the Fund's purpose: *"to help you and the world prepare for tomorrow"* and that ethos informs the work that NGS does – from strategy, product development and support to members. The CEO stated that members are at the centre of what NGS does. The CEO stated that this was evident in the following ways:
 - Sector expertise: which comes from NGS' history and understanding the unique needs of the education sector.
 - Understanding members: providing education, support and advice to members to help empower members as they build their superannuation savings and to enjoy their retirement.
 - Personalised service: responding to members needs and to help members understand and make decisions about their superannuation.
 - Preparing for tomorrow: NGS strives to create a sustainable future for members and the planet and this is the reason NGS is aiming for a carbon neutral investment portfolio by 2030.
- The CEO noted that throughout the year, NGS has developed personalised services and support, built on product offering and delivered competitive investment performance. As a result, the Fund experienced growth during the year and has attracted new members.
- The CEO articulated that NGS is committed to growth in a way that matters and not chasing growth for growth's sake. That is, growth that consolidates NGS' position as the leading fund for the education sector and allows NGS to deliver strong results and personalised services to its members.
- In understanding the diverse need of NGS' members, the CEO stated that NGS is focused on delivering information and resources and highlighted the resources such as Super Specialists and Financial Planners that are available to assist members both in-person and online.
- The CEO noted the opening of the Perth Office, the expansion of the Melbourne office and the hiring of Super Specialists across Australia to directly help and support members.
- During 2023, NGS once again passed the Australian Prudential Regulation Authority's annual performance test. The CEO stated that NGS' goal is to offer value for money and keep investment fees low by actively managing assets in the portfolio and balancing risk and volatility.
- In 2023, NGS was recognised at the Super Review Super Fund of the Year Awards and won the SuperRatings award for "Accountability and Transparency". NGS was also a finalist for the "MyChoice Super fund of the Year and Best Low-Cost Offering" awards. The "Accountability and Transparency" award recognises the effort NGS has put into enhancing its processes and demonstrates the value NGS places on ensuring the highest levels of transparency and accountability run throughout the organisation.

The CEO introduced Ben Facer, the Deputy CEO and Chief Strategy Officer.

Fund update / strategic initiatives

The Deputy CEO provided the Fund strategy update highlighting the following areas:

- In late 2022, NGS commenced working on a plan to improve member experience across its website, online member portal and app, and to improve the helpline and interactions with Super Specialists and Financial Planners. This work transformed into a review of NGS' administration operating model with a view to:
 - improve operational efficiency
 - enhance the ability to deliver tailored products and services and
 - improve the provision, quality and accessibility of advice and education services.

- The project allowed NGS to consider how to integrate innovative technologies and advances in systems delivery to enrich NGS' member experience. While there has been progress on these projects, the Deputy CEO stated NGS is not currently in a position to share the outcome of the project. The Deputy CEO assured members that:
 - NGS was confident that it is working towards delivering a technology led, efficient operating model that seeks to ensure the Fund remains competitive and continues to grow and
 - NGS will undertake detailed planning to minimise disruption and ensure that NGS has the capabilities to support success.
- During the year, NGS has strengthened information security within the Fund and reviewed its organisational risk framework and lifted emphasis on risk management. The Fund has recruited new staff to lift expertise in the areas of risk, compliance, cyber and information security.
- The Deputy CEO stated that the experience bought to the Fund is helping NGS strengthen protections within its business and technology platforms and inform decisions on future opportunities in the areas of product, service, investment and sustainability. It is also supporting operational excellence across the Fund.
- The Deputy CEO highlighted areas where NGS has been working to ensure products are suited to its members:
 - NGS is currently reviewing its insurance offerings and anticipate being able to make an announcement on changes in 2024.
 - In early November 2023, NGS launched the “Easy Default” retirement solution which was developed based on members’ feedback, this feedback informed NGS that members wanted:
 - a regular stable income
 - investments that offer growth
 - the flexibility to make changes and
 - help to manage the financial risk of retirement.
 - The “Easy Default” product is intended to provide members a simple way to set up an account and manage their retirement savings using a strategy of allocating investments to different “buckets”, which allows a regular income to be drawn from cash, whilst also allowing funds to be invested in growth assets.
 - The Deputy CEO encouraged members to visit NGS’ website, which is being continually enhanced, for more information on retirement, products and managing members’ accounts.

The Deputy CEO introduced Ben Squires, Chief Investment Officer (**CIO**).

Investment update

A general advice warning was provided on screen at the commencement of the CIO update.

Any information contained in this presentation is of a general nature only and does not take into account your personal objectives, financial situations or needs. Read the Product Disclosure Statement at ngssuper.com.au/pds before deciding to acquire, dispose or hold a product. The information in this presentation is current as at the date of this presentation. Past performance is not a guarantee of future results. Any forward-looking statements are not guarantees or predictions of future performance and subject to change. Care should be taken before relying on these statements.

The CIO provided an investment update highlighting the following areas:

- Over the year, the Fund invested in people and technology solutions with resources added within the shares, fixed income and infrastructure asset class teams and integrated technology solutions to advance operational efficiency and improve forecasting capabilities in the Fund's asset allocation framework.
- The Fund had to navigate a challenging investment environment that was transitioning from a decade of disinflation and low interest rates, into a high inflation, higher interest rate environment. Most central banks around the world are tightening monetary policy over the year, geopolitical tensions continue to emerge creating a high degree of volatility.
- It was noted that the USA was an outlier with continued economic growth, however, Europe, China and Australia have been experiencing decline growth metrics.
- Inflation is clear in manufacturing sectors, however, large monetary and fiscal stimulus measures introduced by government and central banks during the Covid-19 pandemic are yet to be fully spent by consumers and this is evident in service sector inflation.
- Further, high energy prices, full employment, geological events, environmental events disrupting food production and inflation levels above most central banks target levels have many economists arguing that the neutral rate of interest rates will be higher in the future.
- The speed in which monetary policy has been applied is largely unprecedented in recent history and the after effects of these increases are likely to see many causalities, including the high chance of a recession in 2024.
- Shares have fallen in value along with long duration bonds. As at October 2023, alternatives, private equity, infrastructure and cash are the top performers year to date within the Fund's portfolio, whilst listed infrastructure, bonds and listed real estate were the weakest. This change demonstrates the importance of diversification as no one sector leads the returns every year, however sectors such as shares are generally the highest returning asset classes over the longer time horizon, the Fund continues to maintain a meaningful exposure within the Diversified MySuper option.
- In an update on the Fund's carbon neutral target, the CIO stated the Fund has achieved its interim 35% reduction 2 years ahead of schedule. The current carbon intensity at the latest reading this year is below that target by 12%. This represents a 47% reduction in carbon intensity of the Portfolio¹ from 2021 levels.
- The Fund is forecasting that there will be a residual carbon position by 2030 and is currently reviewing a variety of carbon offsetting investment opportunities. If the Fund cannot get comfortable with these carbon offsetting investments from a risk and return perspective, then it will need to recast the carbon neutral timeline beyond 2030. It is too early to make this conclusion, however the Fund expects to have a firm position on this within the next 12 months. The CIO stressed the most important thing is the Fund will always prioritise members best financial interest.
- The CIO gave brief insights into how war, recession and inflation may impact asset classes. Reacting to this environment, the Fund remains invested in growth assets however, there has been greater defensive exposures added throughout the portfolio. The Fund is positive on "safe haven" currencies including JPY and USD.
- Asset allocation was in line with the Fund's strategic asset allocation, however, the Fund continues to add to hedges including gold, bonds, the US dollar and frequent rebalancing.

¹ Portfolio means Diversified (MySuper) investment option.

- Performance for the financial year end was strong with the Diversified option returning a solid 8.54% for the accumulation division and 9.75% for the pension division. This was primarily from strong share market returns (international shares contributed to 5.58% and Australian shares contributed to 3.91%).
- The CIO noted that private equity is an asset class that is a large part of the Fund’s portfolio, with close to \$1 billion invested in this asset class. The Fund considers private equity to be extremely attractive as it can generate strong returns (although with a long horizon), and has the ability to address significant social problems or emerging technological solutions that don’t currently exist. The CIO noted in the domestic market, the Fund has recently acquired an interest in Boost Juice, Betty’s Burgers, and Pac trading – Pac trading produces biodegradable packaging for the food industry. The Fund also has exposure to rocket, satellite, quantum computing, drug discovery and bio agricultural companies amongst the many exposures.
- The CIO mentioned some notable investments including:
 - Waratah Super Battery in the Hunter Valley in NSW: the project is a “shock absorber” in the event of sudden power surges. It is one of the largest committed battery energy storage systems in the world. The investment has low fees and a base case return of 10% pa and supports NGS’ target of creating a carbon neutral portfolio by 2030.
 - Two electric vehicle (**EV**) charging business in the UK and Europe. Many European countries and the UK have ambitious targets for reducing greenhouse gas emissions and promoting the adoption of EVs. Governments are supporting the development of EV charging infrastructure through grants, subsidies, and other incentives, which can make investments in this sector more attractive. There are no fees on this investment made by the Fund and the base case return is 10% pa.
 - Serenits: an owner and developer of Australian residential “land lease communities”. Land lease communities have a different buying model to a classic house and land purchase. Essentially, the buyer leases the land from the community developer but owns the home that they build or buy on that land. Land lease communities are seen as an alternative retirement living option due to their comparative affordability - owners avoid stamp duty and council rates, pay no or low exit fees and can use Commonwealth rent assistance payments to the cost of ongoing site fees.
 - LMS Energy: Australia and New Zealand’s largest landfill gas operator. Landfill gas management and destruction is a key decarbonisation enabler as methane has a 25 times higher CO2 greenhouse effect than CO2 alone. This sector is supported by favourable government policies. This investment has an attractive return profile with a base case of 10% pa.
 - Industrial Property: this portfolio was established in 2012. The Fund has exposure to over \$500 million of industrial assets (which includes warehouses) located in the metropolitan areas of Sydney, Melbourne and Brisbane. The portfolio has generated 11.72% pa (as at September 2023) since it was established.

The following general advice warning was displayed on the screen prior to the commencement of the questions and answers:

The information provided is general information only and does not take into account your personal objectives, financial situation or needs. Before acting on this information or making an investment decision, you should consider your personal circumstances and read our Product Disclosure Statement and Target Market Determinations for more information. You should also consider obtaining financial, taxation and/or legal advice which is tailored to your personal circumstances before making a decision.

Questions and Answers

Responses provided during Annual Member Meeting

The CEO thanked members for submitting questions and the following questions were addressed:

Question 1: “Will you make more environmental and sustainable choices with how you use our money?”

Response (CEO): We're incredibly excited about the work we are already doing in this space, including investing in Waratah Super Battery – which is a critical piece of infrastructure for NSW's energy future.

Another company we are investing in, Intersect Power - is a clean energy company that is bringing innovative and scalable low-carbon solutions to its customers in retail and wholesale energy markets.

Given our target to be carbon neutral by 2030, we expect our investments in these types of businesses to increase over time. We recognise that in addition to the positive impact these projects are having on the environment, they also have the potential to generate strong returns.

Question 2: “Can you please provide a comparison report of NGS Super's fund options versus the average “Australian Super fund” return for those options over 1, 3, 5, and 10 years?”

Response (CIO): This information is readily available by third party research providers and the regulator, with that in mind, NGS has not produced a custom version of its own. However, it is something we can consider going forward.

Question 3: “Will NGS be voting against Remuneration Packages and bonus share for Directors given the Directors Fees as multiples of employee salaries? If not, when?”

Response (CIO): We don't have an automatic process to vote against remuneration packages. We look at industry standards to ensure that any director remuneration is fair and reasonable relative to industry standards.

Question 4: “I would like to know what average return (income) was achieved on my “Diversified” fund in my pension account, as opposed to the overall growth which includes capital gain (loss) and dividends/interest. Can the two figures be reported (as well, perhaps as the overall growth?”

Response (CIO): This is something that we have discussed internally. At this point in time, the fragmented nature of income, capital and frequency of trading makes it difficult to report accurately. We are looking at how we can introduce this reporting and acknowledge this is valuable information.

Question 5: “With respect to NGS Super's investment in International and Australian Share Markets: how can NGS Super assure these members that are “hanging in there for the long term” or hoping for a substantial rebound, is better than converting to cash which is becoming more attractive as interest rates continue to rise?”

Response (CIO): Future performance is very difficult to predict. The market, as was mentioned, is very volatile. If you go overly defensive, or overly too risky, then the outcome can be quite binary. Because the future is uncertain, we build portfolios to weather all conditions.

A good example is what we have seen in recent markets: the first 3 months of the new financial year, we saw negative returns from growth assets, however the first few weeks of November half of this has been made back. We have seen the Australian dollar rally against foreign currencies, we have seen bond yields fall and we have seen equity markets rise. This requires us to diversify our exposure.

It is very difficult to take that binary position, as a fiduciary, NGS takes the probability of all the different events, but in the long term, we know that investing in growth assets will generate the return that we have over the horizon that we expect to generate. That is how we formulate our portfolio decisions.

Question 6: “Why are you pursuing legal action against NGS Crypto?”

Response (CEO): NGS is aware that some members have seen advertising via online channels, including Facebook, about crypto products by companies that include NGS Crypto and NGS Group. We know the similarity in names is confusing, which is why we want to remind members we are not associated with these companies.

As NGS Super holds a registered trademark for its brand, we are pursuing our legal options against NGS Crypto and NGS Group, for infringement against our trademark. We commenced litigation in the Federal Court of Australia after our attempts at resolving the matter out of court was unsuccessful.

We want to reiterate that NGS Super is not involved in selling cryptocurrency or crypto related products, including but not limited to blockchain, and we would never approach you to discuss or sell this type of product.

If you have been approached to invest in crypto products and have concerns, please contact us via our helpline.

Question 7: “Given the current state of world financial markets, why is NGS continuing to invest in risky investments?”

Response (CIO): Firstly, we provide a suite of products with different risk return profiles. So as a member, if you want to be invested outside of share markets for example, we have our cash option and we also have our bond option. Having that spectrum of products is very important, and seeking advice from a Financial Planner is a key part of helping members get through that decision making process.

Question 8: “What has NGS done to respond to the cyber incident and to protect its members?”

Response (Deputy CEO): This is a very important topic and very important question. The security of our systems and our member data is of the highest importance to us at NGS.

Late last year we recognised there was work to be done to uplift our protection in this area and we have started to take action to do so.

Since the Cyber incident in March this year, we have continually worked with our key service providers and our business partners to ensure that NGS’s information security processes and controls offer adequate protections for the Fund.

We have now changed our IT service provider and in doing so, we took the opportunity to significantly enhance our protections over our information security assets and member data.

This included appointing a specialist cyber security provider who oversee and monitor our networks 24/7, in addition to the existing 24/7 cyber monitoring that is in place with our new IT service provider.

We have also recruited an expert internal resource to enhance and oversee our entire information security framework.

All other Annual Member Meeting questions and responses

Question 9: Why has the Marketing spend this financial year increased by \$500,000? Where is the evidence for this spend in the best interest of members?

Following the decision not to merge with Australian Catholic Super and to continue as a stand-alone niche fund dedicated to servicing educational professionals, it was important that NGS Super invest in growing the brand awareness of the fund to ensure NGS Super is a robust and sustainable fund long into the future. Part of that investment was an increase in marketing spend (which was tapered down with the potential merger), to ensure the fund continued to grow and attract members, together with further investment in the education of NGS Super members with articles, podcasts, seminars, infographics and educational tools being a major part of the marketing budget.

Question 10: NGS Super promoted that it supported the ‘yes’ campaign for the 2023 referendum to amend the Australian constitution to recognise the First Peoples of Australia. How much did NGS Super spend to support that campaign? What was the benefit to members in their retirement for NGS’ support towards a political movement?

NGS Super gave in principle support to the ‘Yes’ campaign for the recent referendum, however, no money was spent on the campaign.

NGS Super is developing a *Reconciliation Action Plan* which will, amongst other things, consider how NGS Super can make its products, services and processes more culturally inclusive for first nations people and communities. NGS Super considers such inclusiveness has the potential to increase membership and engagement in the fund.

Question 11: NGS Super continues to pursue actions in connection with mitigating the effects of climate change and divest from investments that NGS Super believes are not appropriate. What would you advise to members who disagree with NGS Super’s investment approach?

The role of the NGS Super Investments team is to consider the various risks relative to the possible return available from allocating members’ money. NGS believes that climate change presents material medium to long term risks to investors which is why we’re taking action. We’ve integrated the principles of responsible investing to manage risk and returns within our investment portfolio.

Given the Fund’s long-term investment horizon, considering possible stranded asset² and physical asset risk is an essential factor in determining how the Fund deploys members’ capital, as this is one of the largest risks faced by long-term investors. There is no longer a debate amongst leading scientific bodies and climate scientists on the impacts of human induced climate change, with economic costs mounting in various countries around the world, forecast to increase exponentially over time.

There are billions of dollars being invested in sustainable and renewable technologies and these provide significant opportunities for the Fund to grow members’ wealth. The Fund conducts detailed scenario analysis to ensure we consider the various possible paths of decarbonisation and the associated economic loss or benefit those companies we invest with may face. The Fund has invested with groups associated with the CSIRO to identify emerging technologies which, if successful, will disrupt many inefficient, high-polluting industries and companies. Between the scenario analysis and innovative solutions that are emerging, the Investments team gain valuable insights into both the risks and opportunities within the various industries in which we invest. We therefore believe that our approach materially reduces risk and increases the probability for generating superior returns to a passive, high-carbon portfolio approach.

Question 12: Does NGS Super research the ethics of companies that it invests in? For example, there may be companies in NGS Super’s portfolio that employ young people for a ‘trial’ on a weekend, without pay, and then don’t take them on? This may

² An asset that in our view cannot transition to the low-carbon economy.

be an indication of unethical behaviour and taking advantage of young people. Please confirm that NGS Super is only investing in ethical companies.

Ethical investing refers to the practice of using one's ethical principles as the primary filter for the selection of securities investing. Ethical investing depends on the investor's views.³

The best financial interests of our members is always our first consideration and when making investment decisions NGS uses a return to risk philosophy. This means we are continuously assessing our investments against potential risks over the short and long term. This approach helps us to make decisions where to invest – and where to divest from.

NGS is not ethically based or accredited as a sustainable investor, which means we don't apply negative or positive screens to investments based on ideology. Ethical investing means restricting investment to companies or industries that match the ethics or values of the investor, using this as the primary filter for investment choices.

As an ethical investor, you may need to be prepared to accept lower returns as the 'price' for investing will be according to your beliefs. When we elect to divest from an industry or company such as tobacco, we do so on the basis that we believe their future revenue will be impaired relative to other industries or companies that don't present such risks.

NGS takes a continuous improvement approach in responsible investment. That's why our Investment team works hard to create a robust portfolio that achieves strong returns over the long term, while integrating responsible investments.

Meeting close

The CEO thanked the Chair, Deputy CEO and CIO for their insights given in the members meeting. The CEO thanked the work by staff behind the scenes to make this event possible. The CEO also thanked the Board for their support and guidance and thanked NGS Super staff for their commitment to members. The CEO closed by thanking the members of NGS Super.

There being no further business the meeting concluded at 5:15pm.

³ www.investopedia.com/terms/e/ethical-investing.asp