2024 Annual Member Meeting of the Australian Ethical Retail Superannuation Fund

Held online on Monday 11 November 2024 at 7 pm

Present

Directors & Employees of Australian Ethical Superannuation Pty Limited

- Stephen Gibbs, Chair
- Kate Greenhill, Non-Executive Director
- Michael Anderson, Non-Executive Director
- Fiona Reynolds, Non-Executive Director
- Madeleine Bandfield, Executive Officer Superannuation

Responsible Officers and other attendees

- John McMurdo, CEO Australian Ethical Investments
- Karen Hughes, Chief Risk Officer & Company Secretary
- Ross Piper, CEO Superannuation
- Mark Simons, Chief Financial Officer
- John Woods, Deputy CIO & Head of Asset Allocation
- Alison George, Head of Impact and Ethics
- Andrew Reeves, Partner KPMG, Auditor

Agenda

- Introduction – Steve Gibbs
- Fund Update – Ross Piper
- Investment Update – John Woods
- Ethics Update – Alison George
- Q&A session – Steve Gibbs, Alison George, Ross Piper and John Woods

The Chair opened the meeting at 7 pm and closed it at 8:17 pm

A video recording is available on the Fund's website and what follows is a transcript of the proceedings.

Start of Transcript

Steve Gibbs: Okay. Good evening. Welcome to this year's annual members' meeting of Australian Ethical Superfund. I'm Steve Gibbs, Chair of Australian Ethical Super Pty Limited, which is the Trustee of the Fund.

Firstly, I'd like to acknowledge the Traditional Owners of the Country on which me and my colleagues are tonight, the Gadigal People of the Eora Nation, and recognise and celebrate their continuing connection to the land, waters, and culture. I pay my respects to Elders, past and present.

Joining me, are my fellow Directors, Kate Greenhill, Michael Anderson, and Fiona Reynolds. I'd also like to acknowledge the following members of Australian Ethical's Management Team, who are present at the meeting, John McMurdo, Managing Director and Chief Executive Officer of Australian Ethical, Karen Hughes, Chief Risk Officer and Company Secretary, Ross Piper, Chief Executive, Superannuation, Mark Simons, Chief Financial Officer, John Woods, Deputy Chief Investment Officer and Head of Asset Allocation, Alison George, Head of Impact and Ethics, and Madeleine Bandfield, Executive Officer, Superannuation. I can also confirm that our auditor, Andrew Reeves, a Partner of KPMG, is attending the meeting.

Please note that we are recording this evening's proceedings, and the video will be available on our website within the next month, along with the minutes of the meeting. The order of business tonight will be as follows. Ross Piper will start with an update on what's been happening with the Fund over the past year and the milestones that we've achieved. Then John Woods will provide you with insights into the performance of the Fund's investment options for the year. We will then have a presentation from Alison George, who will update you on the impact and advocacy work of the Ethics Team over the year.

We have received plenty of questions prior to the meeting. Following the presentations, we will dive into your questions, bearing in mind that some may have been already covered in the presentations. You can also ask a question during the meeting, and we'll answer any that come through during the proceedings once we've responded to the questions we have already received. If you would like to ask a question, please click on the Ask a Question button. Now that we've been through the introductions, we will start with a video that sets out our theory of change and how to make a better world. Then Ross will start the presentation section of the meeting.

[Video playing]

Ross Piper: Well, thanks Steve. It's my pleasure to be able to provide an overview of highlights over the past 12 months, as well as sharing some key focus areas for the year to come. It's been a really big year for AE but let me first do a recap on a few of the core elements of the Fund for our members. The video you've just seen provides a good summary of our overall investment approach and some of the principles and practices that underpin all aspects of how we invest and manage our members' retirement savings.

Australian Ethical has been established for over 38 years, and since its inception, has sought to help influence a more sustainable and equitable world through the power of investment. Other key details about Australian Ethical include our overall purpose, which is to invest for a better world, the overall fund and the Trustee's parent entity, Australian Ethical Investment, manages more than $13 billion as an ASX listed investment manager on behalf of members and investors.

Australian Ethical has consistently been one of the top 10 fastest growing superannuation funds in Australia. Australian Ethical has a multi award winning investment portfolio with a performance track record of long-term risk adjusted returns, consistent with performance objectives. We have over 130 passionate and highly capable staff and 100% of annual profits from 10% of Australian – of – sorry 10% of annual profits from Australian Ethical Investment are donated through a foundation into a range of environmental, social, and educational and health courses aligned with the Australian Ethical charter. Over $9 million has been donated through the Foundation since inception.

Australian Ethical was the first listed company in Australia to obtain a B Corp Certification. In the last year, we were the highest scoring certified B Corporation in Australia and New Zealand. This is a great recognition of the quality of Australian Ethical's business and also the ability to deliver for our members. Australian Ethical's ethical pedigree is embedded in all aspects of the business. This includes the net zero outcomes we pursue in our portfolio investments, the way we procure goods and services and our position and activities on reconciliation with First Nations Australians, the memberships that we hold and the places we seek to advocate and influence, and also the way we work hard to engage our staff and provide a healthy and thriving workplace.

Our ethical pedigree also has a deep expression in our approach to investment. We have a highly capable Investment and Ethics Team who consider every investment opportunity through a range of principles, which are clearly articulated in our constitutionally enshrined ethical charter, which has been in place since Australian Ethical was first established. A detailed ethical guide is available on our website, which outlines all aspects of our investment process with a focus on the criteria we apply to our evaluation of potential investments. I encourage all of our members to take a look at the guide which provides a comprehensive overview.

Likewise, if you'd like to read more about investment and sustainability focus areas and outcomes over the past year, I'd also like to encourage you to take a look at our recently published annual sustainability report, which is also available on our website. The report provides an excellent overview for our members and makes great reading.

I'd like to highlight some of the more specific aspects of the Fund performance and the broader context over the past 12 months. It's been a really big year for us and also for the broader responsible investment sector, which has faced both challenges and opportunities in light of market conditions. We'll hear more about this from John and Alison shortly. We've also received a broad range of questions from members which we'll cover in the Q&A section of our meeting, as Steve referenced.

In summary, 2024 is a story of continued growth and business transformation. The Fund experienced just shy of 7% growth in our membership, to over 122,000 members and funds under management in superannuation exceeded $8.25 billion for the first time and we've made significant progress in major transformation initiatives to strengthen member services and support.

These initiatives include a custody transition and a transition to a new admin provider, GROW, for which a large cohort of our members will benefit but have also had some impacts. We've also completed an insurance tender and design of a new insurance product for all of our members, which will go live in the coming period. I'll provide further details on the admin transition shortly as we recognise this initiative has impacted on members in various ways over recent months.

Over the past year, Australian Ethical has also received continued recognition as one of the ethical investment leaders, with multiple awards and accolades. Last month, we were recognised at the Australian Growth Company Awards, sponsored by the ASX and others, as the financial services – in the financial services category as the winner for the growth company in Australia. We've won this accolade now for the last two years running. It's a great affirmation of the continued growth in the business. In the past few weeks, we were recognised by industry peers as the sustainable superfund of the year, beating the likes of Future Super, UniSuper and HESTA. Alison will share more on that shortly.

Morningstar International out of Chicago endorsed us again as one of the eight global leaders for ESG commitment and we are the only Australian owned company to make that at that echelon. The improved consumer understanding of who we are and what we stand for has also enabled us to build out a position with intention as one of the top three most trusted superannuation funds in the country. These acknowledgements represent significant recognition of our growth and the quality of our sustainably built and orientated company, recognised for our investment and our ethical craft on not just the local stage, but internationally now as well, and ultimately, recognition now as one of Australia's most trusted brands.

There are many other highlights worth noting over the past 12 months. These include strengthening support services and related tools for Australian Ethical members. This continues as a core focus for us. This includes the establishment of improved processes for listening to and acting on member feedback regarding pain points or improvement opportunities. We always value hearing from our members. Likewise, the ongoing strengthening of capability in our internal contact centre and the related tools to assist our members.

Over the past year, it has been encouraging to see the continued strong growth in new members. Likewise, to see the finalisation of all activities related to the Christian Super Successor Fund Transfer, or SFT. Just as a reminder, the Christian Super SFT was completed in late 2022 and resulted in over 28,000 new members joining Australian Ethical, where they are now valued members who are well integrated into all aspects of the fund. We continue to recognise the things that the former Christian Super members valued most about their fund and its investment approach make Australian Ethical a great fit for them.

Whilst there will of course be a diversity of perspectives, values and beliefs across our broad membership, there is also a deep alignment in the underlying principles that inform how we invest our members' retirement savings to influence and contribute to positive outcomes for people, animals, and the planet. The SFT and subsequent increase in our membership has resulted in many benefits to existing and new members, including delivery of a fee reduction for all of our members.

This is consistent with our overall strategy to pass on the benefits of scale to a larger membership, where possible. Likewise, a strengthened and more diverse investment portfolio, a strengthened – of our team capability and a continued, and in fact, amplified influence in ethical investment leadership, both in Australia and around the world. Finally, a larger and more diverse membership base for Australian Ethical, which is comprised of a broad cross section, and in fact, a growing number of Australians who care deeply about how their money and retirement savings are invested in line with their values and their beliefs. We're excited to now build on the expanded foundation that the SFT provides for Australian Ethical as we continue to work hard to serve our members well.

As I mentioned earlier, a major initiative implemented this year has been the transition to a new administration provider called GROW Technology Services. Our administration provider supports us in the completing of transitional elements of being in a super fund – a bit like processing transactions and providing a member portal. I want to be really clear on this – that an administration transition is just that. It's our core registry. It's our way we administer our members' data. It doesn't change any other aspects of what we do as a fund and how we invest and how we serve our members.

We have changed administration providers for a few key reasons – that GROW Technology infrastructure enables us to improve our support and our service capabilities. This change enables us to deliver a refreshed member portal. We're currently operating from two administration providers across our super customers. Moving to one administration provider at GROW will support cost and operational efficiencies for the Australian Ethical Superfund. Changing administration providers is a significant undertaking and it's very important that risks and data integrity throughout the transition are very closely managed.

In any process like this, we recognise that there are significant impacts on members, and most notably, a requirement for what's called a limited service period or LSP which necessitates temporary suspension of transaction processing and limiting member access to the online portal. While I'm pleased to report that the phase of the transition has been successfully completed and the largest cohort of our members have now entered into the GROW platform. Over the past week, we've gone live softly with the new system, primarily to ensure that if any issues or risks arise, impacts to members are minimised.

I do recognise and acknowledge the impacts that many members have experienced through that period. We've got a number of questions that have been raised about the admin transition and we'll certainly happily provide more context on that in due course. A remaining cohort of our former Christian Super members will transition onto the new system at some point in 2025. Again, I know that all our members have been very patient through this period and it's – but these are important changes, and we believe will enable us to serve our members better in the longer term. I acknowledge and recognise the impacts on our members through this period. Likewise, any frustrations that may have been caused. As I mentioned, we've got a lot of questions on admin and look forward to speaking to those very shortly.

Let me conclude this year in review section by highlighting some of the key focus areas for us over the coming 12 months. These include finalisation of our transition to the new administrator for our former Christian Super members, a refresh of our insurance product and a continued strengthening of our services and support for members which will include further insourcing and various processes that are currently being managed by external providers. Our strong view is that by insourcing these processes, it will ultimately give us a much better ability to work with and support our members throughout.

I talked about fees earlier. Of course, that remains part of our strategy – so periodic fee reviews to ensure that our fees are competitive, and our continued focus is on services, resources and support for our members who are already in or are nearing retirement. Again, we've got a couple of good questions on that, which I'll speak to shortly. Likewise, we see a continued significant strengthening of our Ethics and Investment Teams and their related capability. Both John and Alison will speak to that shortly.

Well, it's been a really big year of growth for Australian Ethical Superannuation. It's a privilege to invest and manage our members' money in line with their values and beliefs. I'd like to express deep thanks to all our members for their continued engagement and support, for those who've been longstanding members of the Fund as well as those who may have been – who joined more recently or as part of the Christian Super SFT. You are all highly valued and we do look forward to continuing to serve you over the coming 12 months. Our Deputy CIO, John Woods, will now provide an update on the investment markets and the Fund's performance over the past year. Over to you, thanks, John.

John Woods: Thanks, Ross. Look, financial year 2024 was a strong year for investments recurrence, with momentum particularly in global shares like the technology stocks as a dramatic improvement in AI took hold. The magnificent Seven, Nvidia, Apple, Alphabet, Microsoft, Tesla, et cetera, delivered significant returns, propelling markets to record highs. Over the long term, the majority of superannuation and pensions options are exceeding their inflation plus targets. Given the strength of equity markets in '24, returns in our growth and high growth options both had particularly strong years, delivering roughly 8% and 9%, respectively, above their 10 year averages. The MySuper balance fund delivered a return of about 7%, in line with its long run averages.

Despite the strong returns in FY24, it was not without risk. Interest rate markets challenged central bankers. Furthermore, 24 election outcomes have underscored a general increase in electorate unhappiness, with change being the operative word. Major Western democracies faced anxiety over populous movements such as the rise of the National Front in France and the recent election of Donald Trump as President of the United States. Escalating conflict in the Middle East has entered into its second year, and in the Ukraine, its third. It's an ever evolving environment that we experienced through '24. We continue to maintain a strong focus on valuation across all our portfolios, reluctant to chase momentum.

Our risk focus means that we favour protecting investors from potential drawdowns, while selectively participating in further upside scenarios. While in 2024, that saw us more modest returns than others as volatility surged in the first quarter of FY25, our positioning has been a strong tailwind.

Our ethical portfolios are different to mainstream funds, which means our funds may perform in opposing cycles in the short term. While weaker demand for Australian commodities like iron ore from China served as a tailwind for our portfolios towards to the end of 2023 and into 2024, escalating tensions in the Middle East have resulted in surging crude oil prices from December lows, which [creates] a headwind for us.

The long term trend remains true. Investments in renewables is overtaking fossil fuels. 90% of the world's economies remain focused on achieving net zero by 2050, based on 195 countries that have signed up to the Paris Agreement. The recent COP 28 underscored the pressing nature of the climate prices, emphasising the critical juncture at which we stand.

While government spending may face headwinds, transition to cleaner energy will remain a pressing need and opportunity for growth. We take a broad approach to investing for the energy transition, including investing capital and venture capital through main sequence, late stage private equity through a new investment in UK private equity investment, Octopus Energy. Our focus within infrastructure debt, transition commodities and technology have been important allocations in the portfolio. The recent underperformance in resources gave us an opportunity to add metals linked to the transition at more attractive prices like lithium and copper.

Active management within sectors focused upon the future economy will remain a key theme for our portfolios, particularly [as a greater range of] assets to address the challenge that faces us are [brought] to market. Over the year, we continued to enhance our investment process, expanding our Investment Team considerably. In March 2023, our new CIO, Ludovic Theau, joined AE. Since then, we have accelerated the development of the Investment Team, expanding recently to over 30 people across equities, operations, private markets, and most recently, fixed income, to support the enhancement of our investment returns.

We have also cultivated new investment partnerships in global active equities and private markets, particularly to enhance diversification across our portfolios. We look forward to the rest of FY25. While we expect volatility will remain constant, but with the US election now behind us and China beginning to seriously address its own very different problems, the prospect for continued global growth, coupled with reasonable returns on defensive assets and our increasingly asset investment and management approach should support investment outcomes for members.

Steve Gibbs: Thanks, John. We'll now hear from Allison about the year in ethics.

Alison George: Thanks, Steve. A few weeks ago, I had the honour of accepting, on behalf of Australian Ethical, the award for Sustainable Superfund of the Year, as judged by SuperRatings. It caused me to reflect on what was new this year that might have earned us that recognition. I came to the conclusion that it was, in fact, the consistency year on year of our commitment to implementing our ethical standards in everything that we do that was being recognised.

Our ethical charter that has remained unchanged for 38 years guides us to pursue real world progress across a comprehensive set of environmental and social priorities. We have continued to do this this year on your behalf. We have continued to scrutinise all of our investments against our ethical standards. While the market found short term gains in the supply of weapons and polluting fuels, we held true to our principles and found new areas of investment aligned to a better future for people, planet, and animals. We approved our first investments in carbon credits and in net zero steel producers. Our infrastructure debt fund will provide the lending needed to enable new renewable energy projects across Australia.

This year, we have continued to advocate for positive change, leveraging collaboration to extend our reach and contribution. We undertook more than 330 engagements during the financial year '24. In our 140 proactive engagements, more than 30% demonstrate progress relevant to our change objectives. We have continued our work to influence healthcare companies and universities to have robust animal research policies and to pursue efforts to transition towards alternatives. Building on progress with domestic investments, we've expanded our engagement program to include several international companies. Pleasingly, five provided evidence that they meet our minimum expectations. These examples help us to promote and reenforce this standard with others.

Recognising that while the severity of the climate impacts continue to grow, global progress towards net zero is continuing to fall short. We added a new focus area to our stewardship efforts to advocate for science led climate policy. We encourage corporates and other investors to raise their voices in support of ambitious climate targets for Australia.

This year, we have maintained our high standards of transparency, reporting on the activity and outcomes of our voting, engagement, and advocacy and on the extent to which your investments contributed towards the sustainable development goals. Our listed equity investments earn more than two times the benchmark level of revenue from sustainable impact solutions, while producing only 0.25 of the carbon emissions of the benchmark on a scope 1 and scope 2 basis.

Through our first mandatory modern slavery statement, which will be published early next year, we have explained our approach to identifying the risk that slavery occurs in our investments, operations, or supply chain and how we seek to mitigate this risk and respect human rights. This year, we have continued to hold companies to account. We secured strong investor support for AGM proposals seeking that Westpac and NAB provide the detail that shows their scrutiny of their customers' climate change approach will be meaningful.

We ruled out investment in lenders to small and medium businesses that could not show that they met our expectations to disclose interest rates to customers. We communicated our expectations to these companies and also to external investment managers that help us to invest money on your behalf. You saw earlier about our theory of change. It's summarised again for you on this slide.

We believe that if we do all of these things – if we ethically allocate capital, that we advocate and engage for positive change, that we provide consequences where ethical performance falls short, such as through divestment and public commentary, if we collaborate to amplify our messages and role model this approach – then not only will your investments benefit, but more people will want to invest this way. This way, ethical investing can scale and multiply, with the aim of eventually reaching a tipping point where money is a force for good.

Steve Gibbs: Thank you, Alison, Ross, and John for your presentations. We could, of course, spend a lot more time on presentations but we do want to leave as much time possible to hear from you, our members, and to address the issues that might be concerning you, so we now move to the question and answer section of the meeting. We asked you to send in your questions prior to the meeting. Before we get on to them, I would just like to share this feedback we received from one of our 2022 Visionary Grant recipients through our Foundation, who is also a member of the superfund.

Quote – Hi Australian Ethical Team. I wanted to send you an email to say a huge thank you for your help for Rahma Health when we were just starting. Your support has meant that our content has now been used 700,000 times by people, globally. Your grant helped us create world-first resources for the Arabic speaking community, including content on contraception and child marriage. Our content about refugee mental health and children's healing post trauma has also been very relevant and read a lot by the community. Thank you so much for the grant that enabled us to do this work and to build on where we are now.

The impact that we've had will – have had and we'll continue to have would not have been possible without you. Our next steps are to expand to Durrani in Afghanistan in the next few years, as child marriage and women's rights are similar to what we face in the Arabic speaking community. We also recently won to Women's Agenda Leadership awards, and we are the first to learn the history of the awards to win two categories – sorry – the first to win two categories in the history of the awards – unquote.

Just to give you a bit of background before we go to your questions, the Australian Ethical philanthropic work – every year, Australian Ethical Investment donates 10% of its profits to the Australian Ethical Foundation to create environmental and social impact in Australia and overseas. Since the year 2000, Australian Ethical has donated over $11 million, driving positive outcomes for the planet, people, and animals. The total we will disburse this year is $1.7 million.

Now, we shall get into the questions. We received more than 20 questions before the meeting started. I repeat that you can ask questions during the meeting by clicking on the Ask a Question button. We intend to deal with the questions we received prior to the meeting and then we'll get to the questions that are being submitted during the meeting, and hopefully we'll have time to answer all of them. We've had a number of questions about the administration transition and the member portal. Ross spent some time in his presentation on this. I'm going to read the questions in full. There are a number of them. I'm going to read every one first and then Ross will answer them collectively.

Bear with me. Here are the questions. Will a change in the body managing the superannuation fund see increased investments in sustainable environmental ethical projects? I switched to Australian Ethical because of your focus on investments for a better world. The second question – using this quote from your report – quote – but having a measured approach to growth means that we don't rise or drop quickly but maintain steady growth over the long term in superannuation. Where most people are invested for 30 plus years, the long term is what matters most to us – unquote. Question – will that approach be maintained diligently with the new managing body?

Question – will the transition to the new superannuation administration provider uphold the same ethical standards that have been a cornerstone of our organisation since its inception? If not, what changes can members expect in this regard and/or what improvements? Question – with the shift to a new administration provider, do you anticipate any changes in costs or fees for super members that will significantly affect the amount of money collected, considering the potential variation depending on the chosen risk fund?

Question – why do the managers of this fund think that a zero service period for one month where members [can't] access their money [or] check on status is a service to their members? Software can be installed and tested without shutting down the website. Question – why was the website down for such a prolonged period over one month and what does this say about the resilience and security of the site? Question – what are the benefits of the new portal compared to the old one? Why was it not functioning on 4 November as previously stated on the website?

Question – you shut down our – you shut our access down for six weeks and notified members with one email. Yes, there was info regarding the shutdown in the portal – a word I am not familiar with. The portal, we go to if we need our money but not for news. Then after 4 November, I have tried my portal six times, have tried the online forms, and spent two hours on the phone. Your system does not work, fails to recognise my details and has changed my account number. I was then advised to use Adobe Acrobat. Then when I signed the form online, I was told I had to submit a signature verification document. This did not appear, and your staff had no idea why. It is beyond me that you can get this so wrong. They were the questions we received. I've read them verbatim – warts and all. I'm going to throw it over to Ross now who's going to deal with them.

Ross Piper: Great. Thanks, Steve. Firstly, thank you for those questions. I suspect we've probably got a whole lot of other members who haven't raised questions but would have similar sentiment and frustration through this period so let me start by just reiterating and acknowledging the frustration that our members may have felt over the last period – the so-called LSP or limited service period, and express deep appreciation for the patience of our members through this transition. There's a couple of common themes in the questions that have come through there. I want to address them thoughtfully and clearly and hopefully give additional context to members that are going to be helpful in understanding this.

I guess the first point, as I said earlier, is to just make it very clear that an administration transition is just that. It's our core member registry data moving from one provider to another. It's how we keep records. It's how we look at historic transactions and all aspects of the money that we are managing on your behalf. It is not, in any way, shape or form, a change in our investment approach or anything like that. Everything else and the way we work as a business to serve and support our members in line with the ethical charter and the investment approach is absolutely unchanged so let me just reassure members in all aspects of that.

The other point to make in that regard relates to the sorts of providers that we want to work with. Of course, as a B Corp and as an ethical fund, we look very closely at the providers and the partner organisations that we outsource or actually work with and so we have a high degree of confidence in the integrity and the way of working that GROW Technology Services actually provide. That was a really important part of our vetting and our selection process.

Another point to note is that an administration transition is a really complex process. I know we had a question there saying, look, is it just not a configuration on a website or software update? Can't that just be done in real time? When superfunds transition to a new administrator, it is essentially moving one member database and all of its history and transactions from one service provider to another. The transition of an administration provider for a superfund often takes more than 12 months in its planning and preparation and there's always an accompanying limited service period.

With so much data to move, it is impossible to do that if investments are constantly changing and the Company data needs to be reconciled so in order to do that well and to manage risk, we have to freeze at a point in time to reconcile and then reconcile once all the data transition has actually been completed. Let me just reassure members that transactions and the way that we manage your money actively continues throughout that process. That includes receipt of funds and money coming in and the money is obviously invested throughout. Regular contributions also continue throughout the period of limited service.

We went live with the new system last Monday, 4 November. That's what we'd communicated to our members on our website. That was in line with the plan for the transition that was implemented. We have intentionally, however, adopted a phased approach or a soft go live approach. The reason we did that is that we wanted to make sure that any post go live issues could firstly be quickly identified but also then properly resolved without unduly impacting members. It's really important that we manage risk really thoughtfully and prudently through a transition like this.

We do recognise this has obviously been frustrating for a number of members who've been trying to login or access the new site, but as I've said, it's really important and we take the management of risk through a process like this with great seriousness. Members can be absolutely confident about the integrity and security of your superannuation funds throughout this transition. However, we are in the immediate post go live period. Of course, as you'd think with any project of this sort of complexity, inevitably, any post go live issues, risks, et cetera, need to be quickly identified and things do occur.

Even over the weekend, on Friday night, we recognised there had been an intermittent issue with the new portal activation and registration process. This was quickly identified, but as a result, a decision was taken to temporarily disable the link on the member portal over the weekend and today whilst the issue is resolved. We absolutely want to minimise the impact on broader members as these teething issues are actually resolved. At this stage, our plan is that that link will be reactivated tomorrow but we'll continue to provide regular updates through our website. Again, I do recognise that this has frustrated and impacted on many members.

Over and above the regular updates we are providing on our website, however, we will shortly be commencing proactive notification out to our members about the change and the need to reregister on the portal. Again, if you have questions or any issues that arise during that process, of course, we have an internal contact centre that is ready and willing to receive your calls and your queries. In fact, we've mobilised additional resources to provide additional support to our members through that process.

There was a good question about costs and fees and whether or not there'd be any changes. Whilst there won't be any immediate shift in costs or fees as a result of the transition to GROW, we do expect to be able to leverage some of the resulting efficiencies over time and we want to use those to further strengthen member support, but likewise – and as I mentioned earlier – we do periodically review fees and we want to pass on the benefits of scale and related efficiencies to our members, where possible.

In closing on some of these questions, I just want to remind us of some of the headline benefits of, why did we make this change? Administration services for superannuation are a really important part of the way we support and serve our members. Key benefits in moving to GROW – it delivers a more modern and secure technology platform for us. Over time, that will enable us to build and improve our member experience and the support we provide to each of our members. This includes obviously initially a new member portal, which has a user friendly interface and additional enhancements will come online in time, including a new balance and performance graph, and likewise, increased security with better two-factor authentication.

The transition will also deliver a new advisor portal – and many of our members work very closely with a number of advisors – and that delivers more efficient client management, and likewise, the new portal will give us a much better ability to give our client services and ops teams to have real time access and transparency and availability of our member data. Again, that will just enable us – when you call in with issues or questions, we always seek to try and resolve those queries on a first time or in a real time basis. This system will actually enable us to do that.

Some great questions that have come in. Likewise, as Steve said, if you've got other questions or points to note, please ask those. We're very happy to speak to them, but again, let me just reiterate thanks and appreciation for the patience that our members have exhibited through this process. It will be good for us, for our fund and for the way we serve and support our members – but again, we recognise any transition can have frustrations so thank you for your patience. Thanks, Steve.

Steve Gibbs: Thanks very much, Ross. I'll go to the next question which is, are we doing enough to address climate change? Alison?

Alison George: Thank you for the question. It's one that we ask ourselves regularly. Let me start with what we are doing, now. Our portfolio is already very low carbon, producing only about 20% of the emissions of the benchmark on a full scope basis, looking at our listed equities. We have also sought out investment opportunities that support climate transition like in the minerals needed for an electrified future and in renewable energy producers. Our listed equity investments have more than five times the benchmark's level of investment in renewables and energy solutions. We expect these investments will benefit as governments progressively do more to tackle climate change.

In our Foundation giving, we prioritise supporting climate action. In our stewardship, we continue to work on system level change toward a lower carbon future, seeking that banks and insurers withdraw their support for fossil fuel expansion and that building materials companies take up the decarbonisation challenge. This year, we've added a new strategic stewardship area building on our prior policy advocacy work to seek science led climate policy.

Contributing to addressing climate change is a clear focus of our work but we also know the scale and urgency of the problem. Climate change often gets characterised as an environmental issue, but it is already and will continue to have huge implications for communities, disproportionately affecting the most vulnerable. Climate change affects how disease spreads around the world, exposing new populations to diseases like malaria, which cause high rates of child mortality among the poorest who can't afford to protect themselves. We expect to see climate change refugees who will become vulnerable populations at greater risk of exploitation for modern slavery and human trafficking, for example.

In Australia, we see more people facing unaffordable insurance premium rises and needing to relocate from increasingly flood and bushfire affected areas. There is also a nature crisis which both feeds and is worsened by climate change. Given its broad ranging implications for people, planet, and animals, it's hard to see how we can achieve our ethical aims without dangerous climate change being prevented so we need to think both in terms of whether we should do more but also how we can increase the effectiveness of our efforts. While we can't solve this problem alone, we can do our utmost to make sure our contributions make a difference. As we revisit our net zero and stewardship plans over the coming year, these questions will again receive serious consideration.

Steve Gibbs: The next question is, I would like to have a clearer understanding of how superannuation is taxed and why it is heavily taxed for women who have had low paid incomes? Of course, Australian Ethical doesn't set the tax rates for superannuation but Ross has got some information that might help the questioner.

Ross Piper: Yes. Great. Thank you for the question. I know a lot of our members have to navigate complexity around tax issues. Superannuation is a great way to save money for your retirement. It is generally taxed at a lower rate than your regular income. It's not easy to answer this question directly without knowing the specifics of your situation. I should also caveat this noting that, of course, this is not financial advice, but let me provide some general insights, here.

You typically pay 15% tax on your superannuation contributions. If you withdraw, it is tax-free if you are 60 or over. The investment earnings on your superannuation is also taxed at 15%. In summary, money going into your superannuation is generally taxed at a lower rate than your regular income. Concessional contributions can be before tax contribution. Before tax contributions are generally taxed, as I mentioned, at 15%. This includes the super your employer pays for you and any super you salary sacrifice. Non-concessional contributions are contributions you can make from your after tax savings. Earnings on investments within your superannuation fund are also taxed at 15%.

Consolidating your super is generally not taxed. If you're 60 years or older, you won't be taxed on withdrawals, as I mentioned earlier. If you're under 60, the tax you will pay on any lump sum superannuation is 22%. I hope this helps. It's a lot of information there but a great source of further details on superannuation tax is the government's MoneySmart website. If you just Google, government MoneySmart website, you'll get a whole lot of guidance around tax. Hopefully that is going to be helpful. Thanks for the question.

Steve Gibbs: Thank you. The next question is, I would be keen to hear on the following topics – (1) do you have plans to offer a low cost ethical ETF as an alternative to your managed funds or into which a portion of our superfund could be allocated, and (2) will you be reducing percentage charges on managed funds? If so, to what level? I note that many other managed fund super providers have significantly lower costs and Australian Ethical is one of the more expensive products on the market. I am considering moving to another provider because I'm losing so much money in the charges with Australian Ethical, noting that there are several alternatives now who offer ethical managed and ETF funds. I'll ask John to answer the first question.

John Woods: Yes. Thanks, Steve. Thanks for your question. Look, Australian Ethical Investments' products are available across a range of different channels – through managed funds, super, pension – and we actually have one ETF that's listed at the moment, AEAE, which invests in our high conviction Australian equity strategy. We're always reviewing our product range to meet demand. In the last year, we've actually launched a few new managed funds, including our first wholesale private debt fund, which invests in providing loans to renewable energy.

Steve Gibbs: Thank you. Ross, I'll ask you to have a go at the second question.

Ross Piper: As I mentioned earlier, Australian Ethical has reduced its fees over the past few years to increase the competitiveness of our offerings and to build continued market share in line with our fee strategy. As we continue to grow the fund, we're investing in technologies that will help us to realise further benefits of scale and we look to pass those benefits through to members in the future. More recently, we've reduced fees on our high growth and our growth options. Thanks, Steve.

Steve Gibbs: Thank you. The next question is we received a question from a member that related to a duplicate account issue that arose following the superannuation fund transfer of Christian Super members into the Fund. Now, I'm not going to read this question in full because it does contain personal information. As a result of the creation of a duplicate account, the member raised a complaint with us about their insurance cover that – sorry – raised a complaint with us about their insurance cover that arose from this issue. Their question contained a number of points, including, do we really care about our members, and do we think that the word ethical also includes treatment of our members, and also, how does this person ever trust information given by our Customer Relations Team again?

Firstly, can I say that we are sorry for what has occurred? It is difficult for me to comment on your specific situation, however, our team is looking at the complaint you have raised and the most appropriate way to resolve it. We strive to treat our members with respect and our ethical charter applies to everything we do – not just the way we invest. Our customer team comprises trained and dedicated people. Again, I can only apologise for the error which occurred. I am confident that we can resolve this matter to your satisfaction.

Question 6 – in 2023, I received my annual summary on 22 December instead of mid-July like other super companies. I haven't yet received my 2024 report. What are the reasons for this lack of accountability around your members' super holdings? I also find the website hard to navigate and interpret compared to the website of multiple previous superannuation providers I've been part of. Does the delay in annual summaries only affect ex-Christian Super members or does it affect everyone? Ross?

Ross Piper: Thanks, Steve. Thank you for the question. Again, apologies that you have been inconvenienced by that. The first question or the first point to note is that all of our statements have gone out, so if you haven't received yours, please do reach out to our contact centre and they can certainly follow that up. Last year, we recognised that the statements going out late, in fact, was a real disappointment to all of our superannuation members. It wasn't just the ex-Christian Super members who were impacted by that.

As a result and from learnings from our process last year, we've completely changed the process for our super statements. These have all gone out to customers this year in a much earlier fashion. Certainly, by the end of October, and many of our members would have received their statements in September. We are working hard to further improve on that process again in 2025. As I said, you should have now received your statement. If you haven't done, please reach out to our contact centre on 1800 021 227 and we will certainly follow that up. Thank you for the question.

Steve Gibbs: The next question is, could you start funding cooperative housing, please? John?

John Woods: Look, housing supply and affordability are existential issues facing Australians. There are a number of ways which we are considering supporting additional housing supply. We currently have investments across aged care, specialist disability accommodation, and shortly in the build-to-rent area. As with all investments that we make, we need to consider the risk return and ensuring that we are achieving a market rate of return for our members' money when we make decisions to invest their capital. We're exploring a number of opportunities to support the development of social and affordable homes projects that have been shortlisted by the Housing Australia Fund, so we are looking to address this area.

Steve Gibbs: Thank you. The next question is – actually, two questions. We had two questions on retirement, which are, are Australian Ethical planning to offer a better service to those members moving into retirement and accessing their superannuation, and just wondering if there are financial advisors or something similar available for super members that can advise how to manage my super to get the most return or achieve retirement goals? Ross, again?

Ross Piper: Thanks, Steve. In fact, yes. Look, let me answer those questions, and together because there's a couple of common themes, there. Firstly, look, we recognise that we have a number of our members who are approaching retirement age and who may be seeking additional support in this area. In fact, we have a number of our members who are also in the pension phase. Over the past 12 months, we've implemented a number of initiatives to strengthen support for these members.

These include the development of further retirement resources on our website and proactive communications to members who are moving into a transition to retirement life stage. Our focus in this area is going to continue moving forward, with work underway on potential digital advice tools and further product enhancements. We always strive to listen to our members to continuously improve on the services we offer, including the support we're providing to members transitioning to retirement. Moving into retirement involves many important and personal decisions and many people find it useful to speak with a financial advisor.

We don't have a financial advice practice ourselves, but we quite often refer our members to values aligned advisors – the RIAA website. RIAA – Responsible Investment Association of Australasia are listed advisors who may be able to help our members in this regard. I might also just add that when we talk about retirement tools and processes, again, this is a really important part of our strategy as we move forward. Whilst we have a full demographic spread of members, from young right through to pension stage, again, we want to make sure that our product offering and our services and support are fit for purpose, and so thanks for the question. It's really a very central part of our consideration, of our strategy and an area where we're going to be continuing to focus.

Steve Gibbs: Thanks, Ross. The next question is, looking at the super performance comparison websites, Australian Ethical Super has the highest or second highest admin annual cost per member out of all of the superfunds. What steps are being made to lower the administration costs, so it becomes more competitive – so it becomes competitive with other funds? Ross?

Ross Piper: Thanks, Steve. Look, as I mentioned earlier, we have a broader strategy which looks to pass on the benefits of scale to our members on an ongoing basis. We have reduced our fees at various points over the past few years and we believe this is important, obviously to increase the competitiveness of our offering, but also to build a continued market share in line with our fee strategy. As we continue to grow the Fund, we're investing in technologies that will help us realise further benefits of scale for our members and we will intentionally be looking to pass on those benefits to our members in the future. Thanks for the question.

Steve Gibbs: Thanks, Ross. The next question – I would like to request a precious metals / rare earth investment option – e.g., unallocated storage – not paper – ETFs relying on capital growth. John?

John Woods: Yes. Precious metals and rare earth are a good example of a thematic investment. Metals like copper and cobalt are critical to renewable technology for the transition. While we don't offer this as a dedicated investment option, within our multi-asset portfolio – so the balanced option or the growth option funds – we look for opportunities to invest in critical minerals. We currently have exposure to copper and lithium, and we've been investing in Australian lithium companies for over five years, now. We also believe that thematic investments can play an increasingly important role in our portfolios to identify our long term investment themes.

Steve Gibbs: Thanks, John. The next question – I am unconvinced that my Christian Super pension funds were transferred into a close equivalent Australian Ethical pension fund. My impression is that my risk may have increased. I sought reassurance from AE customer support, but looking at the returns, I remain sceptical. The returns are good. No complaints, but as a pensioner, I need to be happy with increased risk. Lack of clarity may arise from the words used to describe funds. Ross, over to you.

Ross Piper: Thanks, Steve. Thanks for the question. It's really helpful feedback for us because we always seek to ensure that our products and our investment choices and options are as clearly articulated as possible, so we absolutely take that feedback well. Look, when we undertook the transfer of members from Christian Super to Australian Ethical, a lot of work was done to ensure that there was – where there was no equivalent investment option, members' accounts were invested across options to match their original risk profile. Our team obviously regularly reviews the asset allocation and risk of all our investment options to ensure that they meet their objectives and adjust those where necessary.

We also calculate the standard risk measure for each of our options, which is based on industry guidance and also allows you to compare investment objectives across options. Details of this are available in our product disclosure statements and additional information booklet. Please, if you've got further questions on that, reach out to our contact centre who would be more than happy to help you, but likewise, refer to our website. Thank you for the question.

Steve Gibbs: The next question is, when can retirees get better and proper information – brackets – no fob offs – close brackets – about how to invest and manage one's account when the balance stream is such low returns? I'll throw this one to John.

John Woods: Yes. Look, our pension offering covers a number of risk profiles to cater for different risk appetites and investment timelines. The default balance pension option is approximately 50% risk assets and 50% defensive assets. In the last financial year, it generated a return of about 6.5% in line with its long run averages and CPI plus targets. Pension investors can also select the growth option which is about 85% risk and 15% defensive – and that delivered a higher 8.5% return over the last year – or the conservative option, which is 30% risk and 70% defensive. It generated a more modest 4% return in the last year.

All our risk profiles target between 4.25% above CPI for the growth option and about 1.5% for the conservative option, so depending on your own risk appetite and your own timelines, there are a number of different options to choose from.

Steve Gibbs: Thanks, John. The next question – we're going to end with two questions on ethics. The first one is – quote – I've been wondering if there was any investment in anything related to Israel, directly or indirectly, as they're at minimum, ethnic cleansing, but almost certainly genocide of Palestinians should definitely fall under the category of unethical. The destruction of every university and 0.666 of the hospitals in Gaza alone would be enough to prove this without even questioning the near 70% of the tens of thousands, if not hundreds of thousands of deaths being women and children. I don't recall seeing any statements about it from Australian Ethical Super but sorry if I missed it somewhere. Alison?

Alison George: We are deeply saddened by the suffering and loss of life in this conflict. Like many around the world, our hope is for steps towards peace and a just, long term solution. In terms of our investment exposure, we restrict investments in companies producing weapons and components. We exclude companies which earn any revenue – so it's a 0% threshold – from the production of military weapons or lethal firearms. The exclusion threshold is 5% of revenue for companies which make critical hardware components for military weapons that are developed and sold for that purpose.

We don't invest in Israeli government bonds as Israel doesn't pass the external militarism test in our Government's framework. When look at investments in companies, we don't have a blanket rule to exclude all Israeli companies. Rather, we apply ethical investment restrictions to any company which is assessed to be supporting illegal occupation. We're guided by the UN Commission on Human Rights Assessment in this. We're not invested in any companies listed by the UN as conducting business activities in occupied territories. This information is available on our website, as is all of our portfolio holdings.

Steve Gibbs: Finally, before we get to the questions submitted during the meeting, a multiple part question which I shall read out in its entirety. What is your environmental, social and governance ESG policy? Does it include screening for weapons manufacturing, companies breaching human rights obligations, countries engaging in conflicts or acting against United Nations' resolutions? Has our superannuation fund divested from Russian assets or companies due to Russia's invasion of Ukraine in 2022 and subsequent human rights abuses? Are you considering divesting from Israeli assets or companies for similar reasons?

Does the Board of our superannuation fund have a position on how its ESG policy is applied to companies operating on and/or complicit in Israeli's illegal settlements on occupied Palestinian land? How are you monitoring the actions of companies operating and/or complicit in Israel's illegal settlements on occupied Palestinian land to ensure they are not breaching your ESG policies? Is the Board currently considering divesting from any of the companies that the United Nations has found to be complicit in Israel's illegal settlement enterprise on Palestinian land due to their breaches of human rights?

If the Board is not currently considering divestment from companies complicit in illegal Israeli settlements on Palestinian land, I formally request that this be escalated through the appropriate dispute processes and reported to the Board and/or appropriate committee and ask that the result of this discussion be reported back to me. Alison, again?

Alison George: I'm sorry. I've answered a number of the elements relevant to the Israel specific parts of those questions. I'll try to answer the remaining aspects, now. You asked about our ESG policy. We're an ethical investor. We choose the word ethical rather than ESG because our approach is differentiated from others who use that term. We're very interested in environmental, social, and governance issues and we think that considering them can improve financial returns to our members but we're not content to consider ESG issues through a financial frame, alone. We don't only care about a better portfolio. We also care about bringing about a better world for people, planet, and animals.

When you're looking on our website, what you'll find is lots of information about our ethical investment approach, and in particular, our ethical guide is intended as a useful summary for members about our approach to key ESG issues. That includes weapons and militarism and also our approach to human rights. We do take a strong position on human rights. For companies, we look at any breaches that become apparent and the response to these. We also expect that companies that are exposed to high risk activities will have management systems and processes in place to fulfil their human rights responsibilities, even when a breach is apparent.

We restrict investment in instruments issued by governments that are involved in militarism, whether that's externally or within their own country towards their own population. We utilise a range of sources when making these assessments, including information from the UN and specialist NGOs.

You asked also about divestment from Russia and the experience there and how that compares with Israel. What we saw when Russia invaded Ukraine was that a lot of so-called ESG funds did have to rapidly divest. This is a key point of difference for Australian Ethical. We didn't divest. We didn't need to because these investments would never have passed our ethical assessment. As I mentioned before, we don't invest in Israeli government bonds as Israel doesn't pass the external militarism test in our government's framework.

Steve Gibbs: Thank you. To that question, can I just say that your suggestion that the Board takes on action or has some report is irrelevant, because we do not invest in those places that you were seeking to have more information about. I hope that's reassuring to you. Thank you. Now that the questions have come through, there has been – I saw three but maybe one we've already answered. Anyway, I'm going to start with this question. There was a question about the impact of recent events in the US. Unfortunately, I've misplaced an important piece of paper which will enable me to answer that question. I'm just looking in the room. Do you have that note? No?

John Woods: I can look that up.

Steve Gibbs: Can you?

John Woods: Yes.

Steve Gibbs: That would be useful, John. Oh. No. We need you to answer this question, please.

John Woods: Okay. Yes. All right.

Steve Gibbs: Okay. This question is, how does AE's investment philosophy change with falling global democratic ideals?

John Woods: Look, this is a relatively straightforward question for me to answer. Australian Ethical's charter which guides our investment decisions across our portfolio has remained unchanged since its inception for the last 30 years. While events of the last week or so have no doubt been distressing, I still hold a bright candle for democracy. At the end of the day, more people ever than before have gone to the polls this year. Not just in the US, but across swathes of the emerging world as well. On that basis, given the consistency of the application of our charter for more than three decades now, I think our process and our investment philosophy will also remain unchanged in the face of this challenge.

Steve Gibbs: Can I have on the screen, please, the question? Oh. Here we go. What impact, if any, do you think the outcome of the US election and the incoming President will have on Australian Ethical returns?

I'll answer that in this way. At Australian Ethical, we've maintained a steady course and invested in accordance with our ethical charter since 1986. This approach has weathered many market cycles, geopolitical changes and even market shocks. At the same time, our Australian shares fund has outperformed the benchmark over the last 30 years, as one example.

The impact of a Trump presidency – or any government change, for that matter – on capital and financial markets will be varied and multi-dimensional and is likely to bring as many positives and opportunities for our way of investing as is likely to be negative or present risks. We continue to have an active approach, enabling us to take advantage of these opportunities. There is a continued and growing demand for capital to support the energy transition in our region and Australian Ethical is well placed to help investors benefit from that demand. We don't see it being a hugely negative impact on the way we invest. On the other hand, in my view, it's impossible to predict what President Trump will do.

We had a question that was about fees and costs indicating that the question had been sent in and that we hadn't answered it, but I believe we did in fact answer that question and so I won't repeat the question or the answer. Ross gave us the response to that – talked about a super comparator, to which we addressed, so thank you. Are there any other questions that have come in during the meeting? One more. Thank you.

[Technical difficulty]

Steve Gibbs: The question is, could you clarify that there is portal access for the new platform at this point in time? I cannot see any way to access it on multiple browsers. The FAQ on access is circular and of no real help. Short of – quote – call us during business hours. If the access is restricted, would it be possible to make that clear in a message on the site to that effect? Many of the questions have been around addressing frustrations with the transition. I suspect more frequent and timestamped updates will help alleviate some concerns. Back to you, Ross.

Ross Piper: Yes. Thank you.

Steve Gibbs: I think you can answer that.

Ross Piper: That's a really great question. Thank you. The feedback is appreciated. Our team, in real time, is taking feedback from members and seeking to provide as much clear information as possible via our website. In fact, there's even been some updates made today. Just to reflect current status – and equally, we don't want members to be unduly frustrated trying to login when there may be a disconnect on the portal, or something similar to that, so thank you for the feedback. Again, we are continuing to refine and ensure we've got good, clear messaging via our website. If you've got questions, the website is the best source of truth. We will be updating that. We do look forward to returning to full service and full access service within coming weeks, but again, the feedback and the question is appreciated and taken on notice, and we'll continue to clarify that.

Steve Gibbs: I think the question also was, is the portal accessible at this point in time? Well, the answer probably is no but we hope it will be tomorrow.

Ross Piper: We are live. The system is functioning, and we have a number of members who are transacting in the system. We know that there are new members who want to login for the first time. As I mentioned earlier, over the weekend, there was a minor issue identified with the activation process, so the decision was taken to temporarily take that link off the site while the issue is rectified so we don't see more members impacted by that. Again, we appreciate your patience. Our current plan is that that will be reactivated tomorrow but if there's any change to that process, again, the website will be updated, accordingly, Thanks, again, for the patience.

Steve Gibbs: Thank you, again, for that question. We're just checking if there are any more questions. We are due to finish at 8:30 so there is more time. We'll just do a double check. If not, then – nothing. Thank you. Okay, then. Thank you. Given that there are no more questions, I would like to draw the 2024 annual member meeting of Australian Ethical Super to a close. I would like to thank my fellow Directors and the entire Australian Ethical Team for their outstanding efforts and achievements during what has been another extraordinary year. We have demonstrated how a superfund that is capable of delivering positive outcomes for its members can also provide positive outcomes for people, the planet, and animals.

I'd also like to take this opportunity to thank you, all, for taking the time to listen to us and to ask us your questions. Thank you. I'll now declare the meeting closed.

End of Transcript