MAYFLOWER CONSULTING

MyLifeMyMoney and Catholic Super Annual Member Meeting – Q&A for website

Administrative questions		
	When will a new member representative by added to the board?	We expect the size of the Board to reduce from 12 to 9 from 1 July 2021 and be made up of three Independent Directors, three Member Directors and three Employer Directors. We are likely to be seeking candidates for a Member Director position to start from 1 July 2021 and we will communicate this to members in due course.
	Are changes planned to early withdrawal policy?	The Australian Government sets the legislation around when people are able to access their superannuation, including whether they are able to withdraw their super early (i.e., prior to retirement), so much of it is out of our control. There are mechanisms where people can access their super early if they are in severe financial hardship or there are compassionate grounds. In cases of severe financial hardship, the maximum amount we can release is no more than $10,000 in any 12-month period. Also, during 2020, the Australian Government provided additional early release mechanisms for those members who met specific COVID-19 early release criteria.
	Are you going to introduce daily pricing? What is being done in terms of a faster turnaround in changes in Super Fund portfolios? Currently it can up to 7-days. When does the fund anticipate to introduce daily unit pricing?	We answered a very similar question to these live during our Annual Member Meeting, question 2. You can read the answer in the minutes or watch the video recording.
	Have the findings of the independent external review by PwC, to understand how and why those policy breaches that occurred as part of the preparation for the Royal	In the lead up to the Hayne Royal Commission we began a review of policies and practices, and it became clear that in some limited instances our governance standards had not been fully upheld.

	Commission submission, and what has been done to ensure they cannot be repeated.	Catholic Super commissioned three independent reviews by PricewaterhouseCoopers examining marketing, credit card and governance processes, recommending a range of measures which were adopted to ensure best-practice policies were applied in the future. New guidelines and detailed oversight of all spending, marketing and sponsorship were put in place.
	Why do Binding death benefit nominations cease to have effect after a period of three years from the date you sign your nom?	This is a legislative requirement. Under SIS Regulation 6.17A, a binding death benefit nomination ceases to have effect 3 years after it was first signed, or most recently confirmed or amended, by the member. If the 3-year period is approaching, we will write to you to let you know and to give you the opportunity to confirm or amend your existing binding nomination.
	If declared TPD why do we have to wait 3 years and go through assessment again, to receive the rest of % insurance funds?	We try to strike a balance between members' needs and the affordability of premiums when offering our insurance package to members. Having certain terms and conditions in place allows us to keep premiums affordable for all members. Depending on which TPD definition a member satisfies, the benefit may be paid in two instalments, which allows our insurer to revisit whether the disablement is still permanent at that stage. That said, we continue to review the appropriateness of our insurance terms and conditions.
	Will Catholic Super members have access to another lender now that MyLife MyFinance has been sold	There will be no changes to existing services for those members who have already taken out banking products with MLMF. There will not be an exclusive banking and lending offer for members, but they will obviously be able to access other services open to the community.
	Is Catholic Super now Equip	Catholic Super and Equip are still separate funds, managed by the same trustee, Togethr Trustees Pty Ltd.
	Fee questions	
	Why are administration fees a flat fee and not tapering down or a maximum rate for members who have large balances?	We are a profit-to-member fund, so unlike some superannuation funds we do not have shareholders and all of our profits are used to benefit our members. We manage our costs carefully, try to keep fees as low as possible and also try to make sure that fees are as fair as possible for all members for the entire time they are with us. We do this by charging two types of administration fees, a flat weekly fee and an asset-based fee. For accumulation members the flat weekly fee is $1.80, and the asset-based fee is 0.18% per annum on your account balance. The flat weekly fee and asset-based fee are slightly higher for MyLife MyPension members.

		We do this to strike a balance on how we levy fees on our whole membership and to make the cost of administration more equitable throughout a member's time in the fund. For members with smaller balances, the flat weekly fee in percentage terms is much bigger than the asset-based fee. This is true for balances of up to about $50,000. For members with higher account balances, the flat weekly fee in relation to their account balance becomes smaller, as a percentage, as the account balance increases. We currently don't have a cap on the asset-based fee in place for accumulation members, but as the fund is getting bigger, it's something that we will be considering. There is already a cap on the asset-based fee for MyLife MyPension members.
	Why have fees not been waivered during Covid 19 crisis?	Unfortunately, we're not in a position to be able to waive fees. As mentioned earlier we are a profit to member fund so all our costs go towards providing retirement outcomes and services to members, there is no profit. We do, however, support members who are in financial hardship by allowing early access to benefits when permitted by superannuation laws.
	Given the current high relative fees and the merging of funds, when are we to see reductions in fees? With Togethr as trustee, multiple funds can retain their brands and relationships with members and employers, while enjoying the efficiencies and opportunities derived from scale in investments, insurance, services and technology. Since it was set up, I have not seen the efficiencies resulting	The CSF fund has been reducing its investment fees steadily over the course of the past year but due to regulatory requirements, we are not able to disclose to members the reduction in these fees until the middle of this year. We are currently reviewing the administration fee structure of the fund and strong consideration is being given to aligning CSF fees with the approach of EquipSuper. Regarding the question on daily pricing, this was answered live, live during our Annual Member Meeting, question 2. You can read the answer in the minutes or watch the video recording.

	in lower fees for CSF members. In particular, it makes sense to have a cap on the administration charges for larger investments, as the work involved does not increase with investment size. Equip Super has this and what plans are there to CSF to introduce it? Why do you not have daily pricing? Are you going to reduce fees - they are ~20% higher than other industry funds I use? Given the current high relative fees and the merging of funds, when are we to see reductions in fees? When will the members likely to see cost reductions benefits passed onto them from the merger? ie mgt of investment cost??	
Security questions		
	Describe to members how you protect against identity fraud and how you rate your information security controls with others	We answered a very similar question live during our Annual Member Meeting, question 3. You can read the answer in the minutes or watch the video recording.

	I recognise that security over superannuation assets has improved but identity fraud, ransonware and other threats are still prevalent and reported in the media. I wanted to understand what measures and new initiatives you are putting in place to protect members from these threats. Also in the event of a fraud whether members are covered for such an incident?	Regarding the first part of this question, we answered a very similar question live during our Annual Member Meeting, question 3. You can read the answer in the minutes or watch the video recording. For the 2nd part of the question, in the event of a fraud on a member's account, each incident will be considered on a case by basis.
	Investment questions	
	Has CSF changed their investment options to ensure my super investment does not depreciate. Please detail how you have changed.	Note: in answering this question we have taken depreciate to refer to a fall in value of the investment. We have not changed our investment practices. We diversify investments (explained below) as we believe it's the best way of ensuring your superannuation earns long term returns above inflation and can weather any individual poor returning annual periods. We do offer different investment 'options', such as Balanced, Aggressive and Conservative, to suit different attitudes toward risk and differing expectations of investment return. All types of investments have a risk associated with their expected return. In general, the higher the expected return, the higher the risk associated with that return. All assets have the possibility of delivering you a negative return in any given year. What we try and do with our diversified options, eg. our Balanced Option, is to hold a large number of different assets so that they don't all have a negative year at the same time. We then hold the assets for several years so that the return over many years outweighs any single negative year. This is how the Balanced Option has returned an average of 8.0% pa after investment fees and taxes over the last 10 years to 30 June 2020, even though the return for the year to 30 June 2020 was only 0.5% due to the equities market falling in that year. The Balanced Option has also experienced negative annual periods previously. Cash is often considered to be the 'safest' asset class in that it hardly ever delivers a fall in value and it's also 'liquid' i.e., easy to withdraw, move around or invest in other assets. But cash only earnt around 0.3% over the past year (and is expected to earn 0.1% for the year ahead) and the current

		annual inflation rate is around 0.9%. So, this means that over the last year cash has lost value after inflation. Some of our investment options are expected to experience fewer negative annual periods than other investment options, e.g., our Balanced Option is expected to experience 4.1 negative years in any 20-year period, whereas our Conservative Option is expected to experience 1.4 negative years in any 20-year period. You might want to consider these relative probabilities when choosing your Investment option/s. However, all our investment options (and those of any other super fund) have the possibility of delivering a negative annual return.
	Given catholic super has underperformed the benchmark (industry) for most options for the quarter and FYTD and slightly underpeformed across most options over 3 years - and especially the shocking australian share debacle return two years ago which impacted all catergories because of one investment management group!!! can you please tell me when/how you will be addressing performance moving forward. Great to hear about merger/board management/growth strategy etc but as a member I want to see improved performance/returns and gain the benefit of reduction of investment costs with the merger which has not been passed onto members???	Each option targets an investment return above inflation over a time period corresponding with its risk profile. For instance, the Balanced option targets CPI+ 3% over a rolling ten-year period and has comfortably delivered above that objective (8% p.a. at January 2021). Super is a long-term game and we are firmly focused on delivering long-term returns in line with the stated option objectives. Returns over shorter periods of time can be very volatile. We are also mindful that we live in a competitive environment and seek to outperform peers for similar products over reasonable timeframes. On that note the Balanced option has outperformed peers by around 0.4% p.a. over the ten years to January 2021. All of our options have delivered competitive returns over appropriate time frames. We are very aware of the fees that members incur in managing their funds. However, we are also mindful that it's the after fee 'total return' to members that matters most. One of the benefits of the merger with Equip is that we expect significant cost reductions, via better scale and other factors, to result in lower fees over time. We are working very hard on this right now.

	A balanced fund usually implies a balanced allocation of equities and fixed income etc. That is not the case with Catholic Super. Should fund titles reflect clearly how the funds are invested?	We acknowledge that the naming conventions of the options can at times be confusing for members and we appreciate the feedback. We are always looking to improve the experience for members and as part of the joint venture with Equip we are looking at a number of these issues right now. All of our diversified options invest in a range of assets. The way these investments are allocated is determined by: • The option's target return objective; • Our return expectations for each asset class; • And diversification benefits for each asset class. For the Balanced option, the weighting to Australian and international shares is currently around 50%, with another 25% in property, infrastructure and alternatives. The remainder is allocated to defensive assets including cash and bonds.
	What role does derivatives play on investments and investment performance?	Derivatives play a small role in the investments of the fund. We typically use derivatives to manage cash flows or move assets from one investment manager to another. Some investment strategies, such as hedge funds, will employ derivatives as part of their investment process however our allocation to these strategies is very small.
	How do CSF annual returns compare to the Australian Future Fund?	There are several important differences between superannuation funds, such as CSF, and the Future Fund which make comparing investment returns difficult. The Future Fund does not receive regular member contributions, or make withdrawals, which means it can invest more in illiquid assets such as airports and toll roads, which have delivered very good returns over recent years. Also, importantly, the Future Fund does not pay tax, whereas CSF accumulation members do. Having said that, our returns compare well to the Future Fund after accounting for these issues and the level of investment risk.
Responsible investment questions		
We gave three full answers to questions on responsible investment during the Annual Member Meeting (Questions 1,3 and 8). You can read our answers to these questions in the minutes here or watch the recording here. For the parts of the questions which were not answered live, we have provided answers below.		
	What policies, guidelines and practices does Catholic Super	We detail our Approach to Responsible Investing on our website, under the Investments sub-section.

	have in place to consider risk associated with climate change in its investment decisions to protect the value of my superannuation funds? Has Catholic Super provided evidence of these policies, guidelines and practices to its Members,? If so where and if not will it do so in a special communique to Members and nominate a time frame?	Relevant documents available on our website include our Responsible Investment Policy, our Climate Change Position Statement and our Proxy Voting Policy, all of which can be emailed to you on request. Another document that you may find useful is our Annual Responsible Investment Report which is due to be published on our website in the next few months (previous year reviews are also available on the website).
	Is there the possibility of Catholic Super working to secure our futures by investing in line with the sentiments of Laudato ‘Si	Catholic Super supports the principles Pope Francis outlined in Laudato Si’. Catholic Super was a founding signatory of the UN Principles for Responsible Investment in April 2006, one of only three Australian super funds. We recognised early on the potential impact of climate change and the importance of investing in a responsible manner that recognises environmental, social and governance factors as key influences and key risks for investment outcomes. We also believe that it is possible for us to maximise the returns on your investments with us at the same time as ensuring we do the right thing by the world in which we live. We feel our approach is very much in keeping with the key messages of Laudato Si’. Some of the ways in which we believe we can do this include: • Our efforts to collaborate with other investors, here in Australia and globally, to address ESG issues at our investee companies and encourage global best practice in responsible investing. • Our dedicated investments in renewable infrastructure of around $540m at 30 June 2020. • Of this $540m, we also have investments of around $120m in renewable infrastructure in developing countries (in addition to over $400m in equity investments in developing countries). We recognise that more can be done to support the developing world, particularly with regard to the disproportionate negative impacts developing countries face from climate change. We are actively

		investigating further ways that we can continue to achieve great returns on your money while also achieving positive social and environmental impacts in developing countries. You can find out more about our approach to Responsible Investment in our Annual Responsible Investment Report, our Responsible Investment Policy and our Climate Change Position Statement on our website.
	Has Catholic Super at its highest level taken up the invitation to Catholic institutions in the 2020 Vatican Statement “Laudato Si Action Platform” to publicly commit to total sustainability and divestment from fossil fuels?	**Please see the response above (and below regarding divestment).**
	Have and will the fund devest in fossil fuel companies as most large industry funds are.? Why are the indirect fee's so high? When is CS going to fully devest in fossile fuel investments.	Currently we do not exclude fossil fuels from our investments. A number of the larger energy companies in which we invest both in Australia and oversees are among the biggest investors in renewable energy generation, including solar and wind. They recognise the climate change risks to their businesses, and they are taking action to ensure that their business models are resilient to the transition to low carbon. Local examples include Origin and AGL. We engage with companies like these through groups such as the Australian Council of Superannuation Investors (ACSI) to ensure that they continue to address ESG related risks appropriately. This year, we have included a Climate Change Transition Roadmap in our Annual Responsible Investment Report. The roadmap explains how the Fund will play an active role in the transition to a low-carbon economy. We acknowledged the issue of climate change requires urgent global attention and action. Separately, indirect costs are costs that relate to the investment of assets of the Fund which we elect to disclose as ‘indirect costs’. These costs are not new, and our indirect costs are on par with most superannuation funds. Indirect costs are made up of transactional, operational, and other indirect costs. Each investment option incurs these costs to different extents, and they can vary from year to year. For example, during the COVID market crash, fund managers needed to rebalance their portfolios and this incurred more

		indirect costs than in a less volatile year for things like brokerage, stamp duty, settlement and clearing costs, buy/sell spreads, market impact, and foreign exchange.
	How are we balancing divesting from fossil fuel investments vs maintaining returns?	Currently we do not exclude fossil fuels from our investments. A number of the larger energy companies in which we invest both in Australia and oversees are among the biggest investors in renewable energy generation, including solar and wind. They recognise the climate change risks to their businesses, and they are taking action to be ensure that their business models are resilient to the transition to low carbon. Local examples include Origin and AGL. We engage with companies like these through groups such as the Australian Council of Superannuation Investors (ACSI) to ensure that they continue to address ESG related risks appropriately. We invest in assets with a sustainability theme, however they must meet our standard risk and return criteria. We currently do not have a target for specific themed investments as we believe adopting such a target could lead us into investments which do not satisfy our normal investment criteria, just to meet the targets.
	What's the commitment to sustainable and ethical investment choices?	We integrate Environment, Social, Governance (ESG) considerations into our investments, practicing active ownership, continuously engaging and collaborating and aiming to be transparent with our ESG reporting by publishing an annual report on carbon emissions and our Annual Responsible Investment (RI) report. RI is embedded within the common practices of our investment team, rather than having a separate RI team which may not be able to influence investment decision outcomes. Specifically related to climate change, we have included a climate change transition roadmap in our soon to be published 2020 Annual Responsible Report. Our roadmap sets a target to be Net Zero by 2050. We understand that some members want to invest a greater proportion of their savings in assets that align with their environmental beliefs. With this in mind, the PositiveIMPACT option was introduced in 2017. The fund evaluates investment strategies that will benefit from the transition to a low carbon, energy efficient and climate resilient future. It is invested across listed equities and unlisted investments including property, infrastructure and private equity. Investors should be aware that PositiveIMPACT is a relatively high-risk option, with a weighting of over 50% in international listed shares and growth investments in infrastructure and private equity. If you

		want to further discuss this or other investment options that match your personal views, please contact our financial planning team on 1300 963 720.
	The Super Fund's Responsible Investment Policy refers to the funds practice of screening and excluding investment into funds that do not ESG criteria such as modern slavery. Does the fund monitor businesses the members' funds are invested in over time of investment?	We have investments in thousands of businesses in nearly every country around the globe. To manage ESG risks in these underlying businesses, we employ a model of cascading oversight and responsibility. Our asset consultant and our internal investment team conduct an initial assessment of the ESG practices of our fund managers prior to investing with them, and our fund managers are responsible for assessing each of the businesses they invest in regarding their ESG practices. Managers who do not meet minimum requirements will not be appointed. Then we conduct ongoing assessments of these managers throughout the year to ensure standards continue to be met and address any issues that arise. Managers can be terminated if their ESG practices deteriorate or are found wanting. We can also decide to divest from underlying businesses (eg. a company listed on the Australian stock exchange) if circumstances warrant such action. Ultimately, amongst the thousands of investments and despite our ESG processes, it is likely that from time to time there will be companies that employ poor practices, experience a negative ESG-related event or experience isolated incidences, and we will consider the best action in each case.