

Minutes of the Bendigo Super Annual Members' Meeting

Date	Tuesday, 23 February 2021
Time	6.30-7.30pm Australian Eastern Standard Time
Location	Online via live stream
Presenters	Paul Rohan, Executive Director Jenny Dawson, Chair Justin Hoare, Chief Executive Officer Thad McCrindle, Chief Investment Officer

The minutes comprise a summary of key aspects of presentations, questions, and answers.

The meeting commenced at 6.30pm Australian Eastern Standard Time	Presenter
<p>Introduction by MC</p> <ul style="list-style-type: none"> Mr Rohan welcomed the audience to Bendigo Super's first Annual Members' Meeting and introduced himself as MC for the evening. Mr Rohan acknowledged the Dja Dja Wurrung people on behalf of himself and Ms Jenny Dawson who were presenting from Bendigo, Victoria. Mr Rohan outlined the agenda for the evening and talked about the Q&A process which will be addressed later in the evening. Mr Rohan introduced Ms Dawson, Chairman of Sandhurst Trustees to welcome the audience on behalf of the Sandhurst Board. 	Paul Rohan
<p>Welcome address</p> <ul style="list-style-type: none"> Ms Dawson thanked everyone for joining the meeting and introduced the Sandhurst Board of Directors Ms Dawson acknowledged the role the Board and management take in being custodians of members' superannuation and retirement savings and that they are guided by the mantra of "always acting in members' best interests" Ms Dawson moved on to talk about the various awards and recognitions received by Bendigo SmartStart Super and Bendigo SmartStart Pension in 2020 and 2021, adding that this meeting coincides with the 10th anniversary of Bendigo SmartStart Super. Ms Dawson reiterated the mechanisms of asking questions during the meeting and noted that a representative from the fund's external auditor Ernst Young is also in attendance at the meeting. Ms Dawson concluded by acknowledging the challenges of the last 12 months and thanked its members who worked in the provision of essential services during various periods of lockdowns. Ms Dawson then introduced two key members of the management team, Chief Executive Officer Justin Hoare and Chief Investment Officer Thad McCrindle, and handed over to the CEO to provide a financial snapshot of the fund. 	Jenny Dawson
<p>Financial snapshot of the fund</p> <ul style="list-style-type: none"> Mr Hoare acknowledged the Kaurna people on behalf of himself and Mr McCrindle who were presenting from Adelaide, South Australia. Mr Hoare spoke about the structure of the Bendigo Superannuation Plan which included Bendigo SmartStart Super and Bendigo SmartStart Pension. 	Justin Hoare

<ul style="list-style-type: none"> • Mr Hoare acknowledged that many members may be concerned with the effects of the economy of their super due to the ongoing global pandemic and encouraged members to take a long-term view of their super. • Mr Hoare spoke about the investment team who are highly trained to deal with market volatility and assured members that Sandhurst has the structure in place to manage their super. • Mr Hoare then provided a snapshot of the financial position of the fund noting funds under administration had increased by 26% in the last 3 years and nearly 56% in the last 5 years. He noted Sandhurst will continue to focus on growing the fund while keeping its fees low so members can maximise their retirement savings. • Mr Hoare emphasised that Sandhurst is here to support its members, and this was evident when it came time to assist members who were financially impacted as a result of COVID-19. The fund paid out 3,865 COVID early release requests totalling nearly \$28 million without having any impact on the liquidity, returns or operations of the fund. • Mr Hoare then handed over to the Chief Investment Officer to talk about the current market climate and provide an investment update. 	
<p>Investment update</p> <ul style="list-style-type: none"> • Mr McCrindle outlined that he will talk about market conditions in the last financial year, discuss how investment options in Bendigo Super have been performing and our approach to managing these investment options and then briefly talk about our market outlook. <p>Market Conditions:</p> <ul style="list-style-type: none"> • June 2019 saw strong conditions with growth and growing employment, and this continued through until COVID started spreading rapidly sending share markets lower from late February. • Most share markets fell over 30% within a month, however we saw unprecedented support from Central banks like the RBA followed by government spending programs to support those suddenly out of work. The combination of these two gave markets confidence and since then we have seen shares rising. • For the financial year to 30 June the Australian Share market was down 7.7%, however large technology companies, especially those who benefit in a work from home world bounced back faster than Australian shares, and the NASDAQ index that includes many of these companies actually finished up 34% for the financial year. • The strong returns in shares have continued since the end of the financial year and by the end of December 2020 the ASX is up almost 50% from its March low. <p>Performance of our investment options:</p> <ul style="list-style-type: none"> • Mr McCrindle spoke about the fund's investment menu explaining members have a choice of 12 investment options plus a cash account. This offers a range of choice for members across risk, whether they want a lower cost option that uses indexing or a wholesale option using active management. • Mr McCrindle then referred to a table of returns to June 2020 reminding members that higher growth options (that carry more risk) deliver stronger returns over long periods but also have the worst returns when markets are volatile. • Mr McCrindle acknowledged that some of the options had a negative return, however Sandhurst is pleased with the long-term results as all investment options are exceeding their long-term return objectives. 	<p>Thad McCrindle</p>

<ul style="list-style-type: none"> • Mr McCrindle pointed out that 7 year returns for the fund's two most popular investment options the Growth Index Fund and the Conservative Index Fund are 7.66% and 5.58%. Both of these funds as well as all of the others on the menu have performed above average according to independent research house Morningstar. • Mr McCrindle reminded members that performance reports are available every month on our website. Members can visit bendigobank.com.au, click on Superannuation, then either My SmartStart Super or My SmartStart Pension and then click on Performance Reports. <p>Team Management of investments:</p> <ul style="list-style-type: none"> • Mr McCrindle spoke about the investment team and their adaptive process to manage investments so that when conditions change quickly, the fund doesn't get caught holding the wrong positions. This adaptive process has performed well over the long term, particularly through the volatility of 2020. He provided an example of how this process worked with the Balanced Index Fund investment option. <p>Environmental, Social and Governance</p> <ul style="list-style-type: none"> • Mr McCrindle spoke about the way ESG policies and processes of our external fund managers are reviewed. • Mr McCrindle also spoke about a stewardship program for our Index Manager, Vanguard, which involves engaging with companies and voting proxies on issues that have long term risk and reward impacts. • Mr McCrindle reminded members that they can choose to invest in the Bendigo Socially Responsible Growth Fund, which currently uses ESG screens across over 80% of its portfolio. Since inception just over 3 years ago, this fund has outperformed the average growth fund peer, including funds without ESG screens. <p>Market outlook</p> <ul style="list-style-type: none"> • Mr McCrindle moved on to talk about his market outlook, expecting to see improving economic conditions and low interest rates through 2021, driven by consumers confidence as COVID-19 vaccines are rolled out and Government spending programs continue. • Mr McCrindle maintained however there were some risk due to deteriorating relation with China. • Mr McCrindle concluded by encouraging members who make their own investment choices to stick with an appropriate long-term strategy. He then handed back to the CEO to talk about future plans for the fund. 	
<p>Strategic update</p> <ul style="list-style-type: none"> • Mr Hoare began by talking about some changes and improvements made to the fund over the last 12 months to help members get the most out of their super, while ensuring they weren't paying unnecessary fees. • Mr Hoare discussed the closure of Bendigo SmartOptions explaining that after a detailed investigation was conducted into the Bendigo SmartOptions Product around member activity and demand, it was highlighted that the majority of Bendigo SmartOptions members were invested in investment options which were also offered though the lower cost product Bendigo SmartStart. In September 2020 the more complex Bendigo SmartOptions product was closed, and members were moved into Bendigo SmartStart. It was determined this was in the best interest of members as they are able to achieve similar outcomes at a much lower cost. 	<p>Justin Hoare</p>

<ul style="list-style-type: none"> • Mr Hoare also discussed changes to the fund's insurance offering as a result of new legislation introduced in 2019. • Mr Hoare then spoke of some digital and marketing initiatives to help members navigate options available and look after their financial wellbeing and retirement goals. This included the launching of a new website, access to the Education Hub and the introduction of a Wealth Concierge if members were looking to receive general advice or a referral for personal advice. • Mr Hoare then moved on to plans for the next 12 months, stating the fund will continue to navigate regulatory changes and continue strong compliance with super regulations. • Mr Hoare mentioned the recent legislation that prohibited superannuation trustees from assuming any obligations other than the duties of a trustee of a superannuation fund. The Board and management are in the process of looking into how to separate the superannuation business from the other businesses operated by Sandhurst and hope to be in a position to provide further detail to members in the coming months. • Mr Hoare also mentioned another regulatory requirement which is for the fund to carry out an annual assessment of the outcomes of products provided to members. The assessment reviews how Sandhurst is delivering against its objectives across various areas of the business that will have an impact on members' retirement savings. • Mr Hoare confirmed the fund's first annual Outcomes Assessment was being finalised and that findings will be published on the website by the end of March 2021. • Mr Hoare said another priority over the next 12 months was to continue to consider new ways to share information with members. Currently members can access information about the fund by visiting the website, logging on to their secure online account, and viewing their super balance via e-banking if they are a Bendigo Bank customer. • Mr Hoare concluded the presentations for the evening and handed over to the MC to begin the Q&A session. 	
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Q&A Session	Respondent
<p>Sandhurst received 5 questions on a similar theme –the environment and climate change. These questions have been split into two sections to avoid repetition.</p> <ol style="list-style-type: none"> 1. Please give a brief summary of your response to climate change. 2. What is being done to ensure our investments are protected or harm is minimised from the increased effects of Climate change? <p>Our Climate Change Policy Statement is as follows: <i>"Sandhurst recognises climate change has far-reaching risks for the environment, the economy, society, our customers and their communities. We support the Paris Agreement objectives and the required transition to a low carbon economy. We are committed to playing our part in this</i></p>	<p>Thad McCrindle</p>

transition. We will work, with our parent Bendigo and Adelaide Bank to build climate mitigation and adaptation into our business and work to assist our customers and their communities to build climate resilience into their futures”.

As an organisation we follow the below principles:

- a) Reduce our carbon footprint
- b) Support our customers
- c) Understand and manage the risks
- d) Be Transparent

We are reducing our footprint by moving to being carbon neutral in our business operations next year (this incorporates scope 1 and 2 emissions). We support our customers by offering choice. The Bendigo Socially Responsible Growth Fund is available to all members to invest in. This Fund currently applies Environmental, Social and Corporate Governance (ESG) filters to all of its share investments, reducing environmental impacts and filtering out gambling, tobacco, adult entertainment, and controversial weapons.

We understand and manage the risks via security level ESG processes. We assess our external fund managers ESG processes, consider ESG ratings of companies we are directly investing in and our Index manager runs a stewardship program to engage with and influence for positive change.

The stewardship program operated by our Index Manager Vanguard, is focussed on engaging to see companies improve on their weaknesses and risk vulnerabilities. Related to climate change, the engagements involve requesting companies to commit to the Paris Agreement and disclose physical & transition risks, set targets for carbon and progress toward those targets. Where companies are not responsive or they fail to progress then proxies will be voted to see change in the Board, to one that will respond. Really pleasingly in the past 2 years there has been a material increase in Australian companies disclosing Scope 1 & 2 emissions and setting carbon reduction or zero net emission target dates.

As for being transparent, Sandhurst’s parent Bendigo and Adelaide Bank has been busy on this front joining the taskforce on climate related financial disclosures, you will receive further communication regarding this via your super fund over the next 12 months.

- 3. What long term strategies are in place to ensure our investments are not contributing to climate change? How are these disclosed?**
- 4. Can you provide data on what percentage of the fund is invested in companies actively undermining the climate goals of the Paris Agreement?**
- 5. Which fossil fuels industries does Sandhurst hold investments in?**

Sandhurst has a robust process to oversee the management of the fund and each investment option and this includes an Investment Governance Committee. The Committee monitor and question the investment team ensuring that amongst other risks, climate risk is being addressed.

Thad McCrindle

<p>There are different ways we manage climate risks for different products. For the Bendigo Socially Responsible Growth Fund there are filters in place on the holdings, resulting in the shares having 45% less carbon intensity than the index. This investment is in essence operating ready for a lower carbon emission world.</p> <p>In the Index funds, last financial year as part of the fund's stewardship program there was engagement with 250 of the highest carbon intensity listed companies in the world. These companies were told that climate change and carbon risk are Board risks, and they were asked how they are addressing this risk. Companies who do not respond over the coming year will see action taken against them.</p> <p>Across Bendigo Super, there is exposure to over 15,000 securities – pleasingly many of these companies are acting to disclose and target lower or zero emissions over varying timeframes.</p> <p>The relevant holdings for Bendigo Super are:</p> <ul style="list-style-type: none"> • Oil & Gas industry:1.64% of assets • Coal producers: <0.01% of assets 	
<p>6. Why was my income reduced by 50% and how long will that reduction last?</p> <p>In response to the COVID-19 crisis, the government reduced the minimum annual payment amounts for superannuation pensions to help retirees manage the impact of volatile financial markets on their retirement savings.</p> <p>Sandhurst wrote to its pension members in May last year to let them know that from 1 July 2020, members who elected to receive the minimum payment for the 2020-21 financial year will have their payment reduced to the new temporary minimum. This reduced minimum rate will apply until 30 June 2021. Members can also increase their pension payments at any time by completing the Change of Details Form on our website.</p>	<p>Justin Hoare</p>
<p>7. I'm curious as to Sandhurst being listed as one of the underperforming funds on the Government super fund website. I would like to know where it now sits on this competitive site.</p> <p>We believe this member is referring to the APRA MySuper Heat Map results. The Heat Map shows that after all fees, our MySuper outcomes are close to our competitor's average results. It also shows our returns are close to an index-based benchmark. The APRA performance heat maps have also only been published once with data to 30 June 2019. Most of our investment options have fully recovered the negative returns of February and March 2020.</p> <p>Furthermore, the Heat Map relates to the default MySuper investment option and not to members who are making their own choice. At this stage, there is no government published comparison data for choice options, however when we look at Morningstar who compares superannuation choice options, we see our suite of funds performing better than average over the longer time periods.</p>	<p>Thad McCrindle</p>

For example, in the 5 years to 30 June 2020 the Growth Index Option outperformed the Morningstar Growth Superannuation peer group average by 1.6% p.a.

8. Is there any consideration for a fixed amount or a capped percentage of a portfolio to be used to invest in Crypto currencies?

We have investigated these assets but struggle to develop risk and return models for them and believe their value is only a function of current supply and demand, somewhat different to a commodity and a currency. Crypto assets have grown in popularity since their invention with Bitcoin in 2009. Some of them have appreciated materially and many have depreciated materially.

At this point we don't see them as an appropriate long-term investment given their low liquidity, extremely high volatility, uncertain regulatory outlook, and the challenges with safe custody. We know some short-term trading hedge funds use Bitcoin and Ethereum and so it is possible our wholesale investment options will have short term trading exposure to this.

9. I don't have a financial adviser; can you explain what fees I pay in super and how they compare to other funds?

Fees and costs can vary for different members. The fees you pay are influenced by whether you are a member of Bendigo SmartStart Super or Bendigo SmartStart Pension, your super balance, and the investment options selected.

In Bendigo SmartStart Super, there is a fixed fee of \$98 per annum plus an investment fee which varies from 0.39% p.a. to 1.28% p.a. depending on the investment option you selected.

If you are a Bendigo SmartStart Pension member, there is a fixed fee of \$98 per annum as well as a percentage-based fee of 0.20% of your account balance, plus any investment fees.

We continually monitor our fees, and we are pleased to be regarded by leading publications such as SuperRatings as one of the lowest fee super products as at 30 June 2020.

If we do determine that it is appropriate to amend any of our fees, then we will provide you with clear and advance notice.

10. Why was life insurance automatically added to my account when I joined?

Superannuation trustees are required by law to provide permanent incapacity and death benefits to members automatically by taking out insurance.

These laws were recently modified in the 'Protecting Your Super' legislation, so automatic life insurance can now only be provided to

Thad McCrindle

Justin Hoare

Justin Hoare

<p>members over the age of 25 years or older and who have an account balance of \$6,000 or more. You can opt-out, reduce or cancel this automatic insurance at any time.</p> <p>11. Why have my insurance premiums gone up?</p> <p>Recent changes to superannuation laws that I referred to earlier this evening, have resulted in premium increases across the industry. Our premiums increased on 1 July 2020 as a result of the new legislation and a rise in the insurance claims paid.</p> <p>Our premium rates increased approximately by 15.9% for Death and Total Permanent Disablement (TPD) cover and 11.7% for Income Protection cover.</p> <p>We are very conscious of the need to support members at the time of needing to make a claim whilst ensuring premiums are affordable. We have an experienced Insurance Reference Committee in place to support the Board in assessing this. We continue to work closely with the insurer, TAL, to ensure you are well supported with your insurance needs.</p> <p>12. Is Bendigo Super planning to merge with any of the larger super funds or are there any future plans for the fund that will impact my super?</p> <p>We focus on the best interests of you, our members. Other than the need to separate the super business from other functions, Sandhurst does not have any plans to change the current operating model of the Bendigo Super Plan.</p>	<p>Justin Hoare</p> <p>Justin Hoare</p>
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<p>Conclusion</p> <ul style="list-style-type: none"> • The MC thanked the respondents and concluded the meeting by reminding members that if their question wasn't answered, written responses to all questions will be published on the website in the coming weeks. • The MC thanked everyone again for their attendance, and said he looked forward to members joining us in 12 months. 	<p>Presenter</p> <p>Paul Rohan</p>
<p>The meeting concluded at 8.20pm Australian Eastern Standard Time</p>	