Australian Retirement Trust 2023-24 Annual Members' Meeting – Responses to unanswered member questions

Contents

About this document

Australian Retirement Trust's (ART) 2023-24 Annual Members' Meeting was held in person and via webcast on Wednesday 20 November 2024. Due to the large volume of questions received we were unable to answer all member questions live on the night. This document includes responses to questions that were submitted to ART but, due to limited time, were not answered during the live event. Questions appear in their original form, except in some cases where they were edited to improve readability of the question (e.g. to correct typos and formatting issues). This was done carefully to avoid any impact to the substance of the question. Notwithstanding such edits, our answers in all cases were prepared in response to the questions as originally communicated to us by our members.

A recording of the event is available on our website. Please see:

australianretirementtrust.com.au/advice/events-and-seminars/annual-member-meeting

We do not assume responsibility for the factual accuracy of statements in members' questions. Any opinions expressed in members' questions do not reflect the opinion of ART. We are unable to answer questions which would require us to disclose personal information, legally privileged information, confidential or commercial-in-confidence information or which could result in the provision of personal financial advice, and our answers also reflect these limitations. There are also a range of questions which were not relevant to ART or the management of ART and therefore not within the legal scope of questions for which ART is required to publish an answer. We have not answered these here, but have chosen, in some instances, to interact directly with members in relation to these queries.

Further information

If you require further information or would like to discuss individual details of your super, please find us at:

By phone	**ART Super Savings Accounts**: 13 11 84 8.00am-8.30pm AEDT (7.00am – 7.30pm AEST) Monday to Friday **ART QSuper Accounts:** 1300 360 750 8.00am – 6.00pm AEST Monday to Friday
Website	australianretirementtrust.com.au/ qsuper.qld.gov.au/
PDS and Guides	**ART Super Savings Accounts:** australianretirementtrust.com.au/pds-guides **ART QSuper Accounts:** qsuper.qld.gov.au/calculators-and-forms/publications/product-disclosure-statements
Financial Services Guides	**ART Super Savings Accounts:** australianretirementtrust.com.au/disclaimers-and-disclosures/financial-services-guides **ART QSuper Accounts:** https://qsuper.qld.gov.au/-/media/pdfs/qsuper-public/publications/qiib09.pdf

Investment performance

1) Can we have more information on investment options to help us decide? An explanation of the approach (for example with the risk-adjusted option). Same for asset classes like Private Credit.

Our Super Savings Investment Guide and QSuper Investment Guide outline ART's investment basics, our wide range of investment options, investment strategies, and how to change your investments to suit your stage in life.

When it comes to choosing the best super investment strategy for your needs, getting some professional guidance can help. You can find out more about financial advice options at art.com.au/advice or by calling us on 13 11 84.

The Balanced Risk-Adjusted investment option follows a risk-balanced approach focused on meeting and exceeding long-term real return objectives but doing so with less risk than similar options.

It seeks to do this by maintaining a somewhat lower exposure to shares, a higher exposure to bonds and a significant exposure to unlisted assets, including private equity, infrastructure and property. It has a strategic asset allocation of just over 60% to growth assets.

Our strategic appetite for private credit is driven by our ambition to build well-diversified portfolios of unlisted assets encompassing the full capital structure to complement our diversified multi-asset portfolios.

Private credit reflects loans that are made to companies where the loans are not issued or traded in public markets. Returns come primarily from interest payments and repayment of the loan amount with risk and return characteristics that vary depending on the investment opportunity and company's structure. For example, some private credit investments, such as mezzanine financing, can have some growth and higher risk properties. Whereas some private credit investments have similar defensive properties to fixed income assets where the main source of return is the interest paid on these loans.

ART invests in private credit instruments of varying credit risk across our multi-asset class portfolios. These instruments deliver an illiquidity premium over publicly traded debt instruments of comparable risk.

2) Ian, what are your thoughts about the recently published comments from the RBA around the risks of super sized Super funds with regards to liquidity risks surrounding hedging of investments and the possible margin calls & need to liquidate of assets?

We monitor the liquidity of our assets very closely including regularly undertaking what we call a 'fire drill' to ensure we can respond to a liquidity event and make sure the Fund remains robustly liquid in light of that liquidity event. Liquidity is overseen at the highest level in the governance structure with reporting to the Board on a periodic basis.

Hedging activities are most material for ART in relation to foreign currency exposures that arise from offshore investments. ART sets a strategic currency exposure, considering in part the liquidity implications; monitors and adjusts these exposures daily to be within tolerance, and projects our cash requirements in stressed environments with the intent to ensure the Fund retains sufficient liquidity for such events.

ART's scale is delivering benefits to members through lower fees, strong investments returns and bigger investment opportunities.

3) If and when RBA decide to reduce interest rates - will we immediately see reductions in return on investments?

So far, the global economy has held up better than we might have expected a year ago given just how far and fast interest rates were increased in recent years. We do expect to see some weakening in the labour market and slower growth in wages and prices and that will possibly allow the RBA to start reducing rates sometime next year.

The immediate impact on investment returns depends on the underlying investments. For purely cash investments, or the Cash option, the pass through to lower returns would be relatively quick. In contrast, options with high allocations to shares and fixed interest, may experience capital gains.

Our objective in designing the investment mix for our muti-asset portfolios is to ensure that we have well diversified portfolios that will deliver on our objectives across a range of environments and achieve strong long-term returns for members. For these options, the immediate impact from lower interest rates is likely to be quite modest.

4) Are there any plans to allow investment in physical precious metals? I asked the first question according to the webinar but it hasn't shown up??? Is ART ever going to allow investment in physical precious metals?

ART's portfolios have no specific allocation to physical gold or silver, although our share portfolios will hold shares in gold and silver mining companies, both here in Australia and globally.

ART's portfolios do have a relatively small allocation to commodity futures, which can include some exposure to gold and silver from time to time. Gold futures are held as protection during periods of share market stress and show similar defensive qualities to the physical investment.

We have no current plans to directly invest in precious metals.

5) How much Bitcoin does the fund have exposure to?

ART does not currently invest in bitcoin.

We do monitor cryptocurrencies and their behaviours as well as the technology underpinning those currencies.

While we have no plans to directly invest in bitcoin or other cryptocurrencies, our venture capital managers are looking at the space for opportunities that might be generated from the use of the block chain technologies that underpin cryptocurrencies.

As a super fund, we overwhelmingly invest in financial assets that generate reliable streams of income – dividends, interest, rent etc – that can be accrued and reinvested on behalf of our members.

At this stage of their development, cryptocurrencies are still highly speculative assets that pay no income, are almost impossible to value in any fundamental sense, and are traded in relatively opaque markets.

6) Can you give more details on the infrastructure investment in the ART portfolio including the geographic spread, types of industries invested in & long term told of infrastructure investments at ART.

Infrastructure is captured within our unlisted and alternatives asset class. Infrastructure includes, but is not limited to, investments in roads, airports, ports, utility assets, power generation (including renewables), data centres, healthcare facilities and other assets.

Infrastructure assets provide exposure to a portfolio of risks that differ from the risks found in other investments of the Fund. They will generally display some or all of the following characteristics: large initial capital outlays, monopolistic qualities, regulated pricing, stable income, economic growth and/or inflation linkages, long-term contracts and long investment horizon.

ART aims to have around half of its infrastructure assets in Australia and New Zealand, with the remainder spread across the United States, Europe and other countries.

Some examples of investments within our infrastructure portfolio include London Heathrow Airport, Port of Brisbane, VicRoads, Puget Sound Energy, and Long Beach Container Terminal.

As one of the largest super funds in the country, we see unlisted assets (which include infrastructure) as an important part of our diversification strategy to help provide a smoother investment return over time for our almost 2.4 million members.

7) What has been the experience of ART when selling unlisted assets in terms of the premium or discount realised relative to valuations?

Unlisted assets are investments not listed on a stock exchange and aren't traded daily. As one of the largest super funds in the country, we see unlisted assets as an important part of our diversification strategy to help provide a smoother investment return over time for our almost 2.4 million members.

One of the biggest discussion points around unlisted assets are their valuations.

- We are confident that our valuation processes are robust.
- For all our significant assets we undertake a quarterly valuation, which is conducted by a professional valuer.
- We have an established governance structure to monitor valuations on an ongoing basis to ensure they remain reasonable. This includes a management Valuation Review Committee which meets at least quarterly and considers environmental and market factors in making out-of-cycle valuation adjustments.
- The ART Board via its Committees oversees our valuation activity. They ensure that any decisions regarding adjustments to valuations are made promptly, and with members' best financial interests in mind.
- We involve our auditors to ensure the process of signing off on our accounts is appropriate and one that is subject to testing.
- All transactions undergo back-testing which compares the carrying value to any transaction price. Recent transactions have validated the appropriateness of the values included in unit prices.

While we don't comment on individual transactions outcomes, valuations do move both up and down in response to the assessment of the environment, business plans of the assets and comparable transactions.

8) What is the future of the Listed Property investment option given the volatility it has shown in recent times and the expected downturn (possibly) in property prices in the future?

As of 1 July 2024, the Listed Property Index option is invested globally, providing unitholders diversified access and exposure to global listed property markets. Prior to this date, the exposure of the option was to Australian listed property only.

Our Listed Property Index option (previously Australian Property - Index) recorded returns of 12.7% over the quarter and 39.6% over the year to 30 September 2024.The option is designed to closely match the performance of the global listed property markets and will therefore be exposed to the changes in value and mix of the underlying physical property assets, the discount to those underlying physical assets that the listed securities trade at, and the prevailing general direction and valuation of the listed shares markets. As such the option, in the short term, may experience periods of both positive returns and negative returns, or volatility, reflecting the prevailing combination of those factors.

The recent tailwind for listed property (Real Estate Investment Trusts or REITs) has been a moderation of inflation and the beginning of interest rate cuts from many developed market central banks.

A longer-term tailwind for Industrial REITs is the potential for data centre redevelopment on existing land holdings which will help supply the increased demand for data centres driven by the AI boom.

The adoption of hybrid working conditions has put downward pressure on occupancy rates and landlord pricing power which has impacted the office sector more than other REITs.

9) The Listed Property Index performance was an outperformance at 42% for the last 12 months vs a 10 year average of 8%. What were the drivers for this?

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Our Listed Property Index option (previously Australian Property - Index) recorded returns of 12.7% over the quarter and 39.6% over the year to 30 September 2024. As Australian Listed Property is a subset of the Australian share market, over a long-term period such as 10 years, we would expect that a key driver of Australian Listed Property performance to be the drivers that impact Australian share markets overall. Over the ten years to 30 September 2024, Australian shares overall, as measured by the S&P ASX 300 Total Return Index, posted an 8.9% return per annum.

The option is designed to closely match the performance of the global listed property markets and will therefore be exposed to the changes in value and mix of the underlying physical property assets, the discount to those underlying physical assets that the listed securities trade at, and the prevailing general direction and valuation of the listed shares markets. As such the option, in the short term, may experience periods of both positive returns and negative returns, or volatility, reflecting the prevailing combination of those factors.

Over shorter-term periods like 12 months, the drivers of Listed Property performance are expected to be more limited to the property sector rather than those similar to what drives the Australian share market overall. For instance, over the 9 months to 30 June 2024, Goodman Group, which accounted for approximately one-third of the option portfolio, posted a total return of over 60%. A key driver of this return is related to the long-term tailwind for Industrial Real Estate Investment Trusts or REITS with the potential for data centre redevelopment on existing land holdings which will help supply the increased demand for data centres driven by the AI boom.

10) Do you see increasing proportion of private investments vs equity markets in the funds going forward?

As one of the largest super funds in the country, we see unlisted/private assets as an important part of our diversification strategy and will seek to retain similar levels into the future to help provide a smoother investment return over time for our almost 2.4 million members.

In ART’s diversified options, we maintain a meaningful allocation to private assets. While these assets are not immune to global downturns, they are generally less volatile than listed investments during market corrections.

Our private market investments include both equity and debt investments.

11) As the block chain technologies become more accepted and in fact adopted. Does any particular technology or group of technology’s meet the ART criteria as a long term investment.

While we have no plans to directly invest in bitcoin or other cryptocurrencies, our venture capital managers are looking at the space for opportunities that might be generated from the use of the block chain technologies that underpin cryptocurrencies.

Given the implementation of block chain technology is still in its early stages, most of these investments have been smaller and in seed stage companies as managers wait to see which technologies gain greater market acceptance before deploying larger amounts of capital into the space.

12) Politics aside - can you provide more information on the potential impact on returns post the US elections?

It's worth noting that so far share markets have generally responded positively to what they see as a stronger growth and a less regulated environment. Bond markets however have focused on higher budget deficit prospects and the risks of higher inflation, and we've seen yields rise as a result.

It's also important to note that the US is a very large, diverse, dynamic and innovative economy and that when we look through any likely volatility over the coming months, the US will still be an attractive place to deploy capital.

At ART, we do not design portfolios based on our own or anyone else's short-term economic, market or geopolitical forecasts. However, our investment team and our external investment managers do seek to capitalise on opportunities that inevitably emerge during times of heightened market volatility.

Diversification across asset classes, geographies, industries etc. is our best defence in what are highly uncertain times.

At this stage it seems highly likely the incoming administration will be able to implement key parts of the policy program it ran on given that it will have a great degree of control over Congress. Much of what the incoming administration has said about its plans on trade and immigration can be done by executive order, without having to work through Congress.

We are likely to see higher US inflation – courtesy of likely higher tariffs and the impact of immigration policies on labour supply, particularly in industries such as agriculture that rely heavily on migrant workers.

Moves to extend previous tax cuts and reduce the company tax rate will be stimulating to growth. These measures, without significant cuts to spending, means a higher US budget deficit and this could potentially add to inflation pressures.

13) In a healthy economy it seems to me the official interest rate should exceed the rate of inflation - so investors get a real return. However by how much should that be? Is there much scope for the current official interest rate to reduce?

So far, the global economy has held up better than we might have expected a year ago given just how far and fast interest rates were increased in recent years. We do expect to see some weakening in the labour market and slower growth in wages and inflation, and that will possibly allow the RBA to start reducing rates sometime next year.

Inflation has declined across much of the world, including here in Australia, and even though it remains generally above central bank policy objectives, it's been heading the in the right direction enough to allow the world's major central banks to change course and cut rates.

While we expect inflation rates to fall further, those falls are likely to be gradual, particularly as tight labour markets are continuing to put upward pressure on wages and labour costs in services industries where inflation rates have remained stubbornly high.

By how much interest rates stay above inflation depends on many factors. Interest rates should generally reflect not only inflation, but economic growth (growth in the volume of economic activity), thereby generating a real return. However, this real return is also impacted by other factors, such as the balance between investment activity and savings levels, as well as debt levels in the economy.

Sustainable investments

14) Woodside and Santos are two of the most climate-damaging oil and gas companies in your portfolio. What is ART asking of these companies in its engagement with them?

We recognise that, as a large investor, we have a responsibility to use our ownership rights to seek to encourage better environmental, social and governance (ESG) practices and disclosures in companies where we invest, to the extent that we are able. Our primary consideration when exercising our ownership rights is the best financial interests of our members.

ART voted against Woodside's Climate Transition Action Plan (CTAP) at its 2022 AGM. ART also voted against the re-election of non-executive director Ian Macfarlane at Woodside's 2023 AGM, given our concerns about Woodside's climate strategy and the board's responsiveness to shareholder concerns on its climate strategy.

Over the past year, we engaged with Woodside on several occasions in relation to climate change and their plans to manage the transition to a net zero economy. We have met with Woodside multiple times since the release of their 2023 full-year results and their 2023 CTAP, to discuss their climate change strategy. We voted in line with the Woodside Board's recommendations for most resolutions at Woodside's 2024 AGM, except for the resolution to approve its CTAP.

We met with Santos in October 2023 to discuss the Barossa gas project and developments in their energy solutions business, and in April 2024 before their AGM to discuss their emissions reduction targets, the Moomba carbon capture and storage (CCS) project, and the direct air capture pilot, among other topics. We voted in line with the Santos board's recommendations for all agenda items at Santos' 2024 AGM.

We'll continue to engage and will take into account the outcomes of those engagement meetings when considering our voting decisions.

15) As the largest fossil fuel companies in Australia continue to open new methane pollution-intensive projects, what is ART doing to ensure members' money isn't being used to prop up an industry that should be preparing to phase down as fast as possible?

16) Superannuation is a long-term investment. Yet ART remains invested in fossil fuels, exacerbating climate change, with immediate risk of stranded assets, as well as ethical challenges. Why an isolated "socially conscious option", not core principle?

17) QSuper as part of ART, has a so-called ethical investment option, which is not ethical, as it supports investment in fossil fuels, causing global heating because of CO2 and methane emissions. When will ART offer ethical, non fossil fuel investments?

We believe integrating environmental, social, and governance (ESG) factors into our investment processes alongside other traditional financial considerations helps us make better long-term decisions for our members' retirement outcomes.

Our approach to sustainable investing is guided by our legal duty to act in our members' best financial interests, our core investment beliefs, and our Sustainable Investment Policy.

ART acknowledges that as a systemic risk, if climate change is left unchecked, it will create significant impacts on the global economy and society. ART published our Net Zero 2050 Roadmap (Roadmap) in September 2023. The Roadmap outlines our current plan to transition towards a net zero greenhouse gas emissions investment portfolio by 2050[1] and accelerate actions towards our target. It establishes the guiding principles, our approach to setting interim targets and the two-year action plan for our investment portfolio.

The transition to a net zero greenhouse gas emissions investment portfolio will take time. ART does not have a policy in place to divest from all companies pursuing coal, oil and gas projects, and these companies are not currently excluded from our investment portfolio as we believe they will continue to contribute to members' returns, helping to deliver on our overall investment objectives and our legislated duty to act in members' best financial interests.

ART applies screening (exclusions) in limited circumstances. While ART generally prefers to retain its position in investments, there are some occasions where it may be considered appropriate to exclude certain investments. Details of exclusions that apply across the Australian and International shares asset classes and exceptions to these exclusions can be found in ART's Super Savings Investment Guide and the QSuper Investment Guide.

Consistent with our Net Zero 2050 Roadmap commitments, since 1 July 2024, ART has applied an exclusion relating to thermal coal within the Australian and International shares asset classes as follows:

Exclusion[1]	**Description of exclusion criteria**	**Exclusion threshold**
Thermal Coal Thermal coal includes lignite, bituminous, anthracite and steam coal.	Mining of thermal coal and its sale to external parties.	10% total revenue threshold (estimated or reported) in the most recent year of financial reporting.

1 Exclusions relating to thermal coal are based on MSCI ESG Climate Change Metrics Methodology and definitions (October 2023), data supplied through, and defined within, ESG Manager platform and associated universe coverage.

Exceptions to these exclusions

The screening criteria don't apply to pooled vehicles or derivatives, which may have indirect exposure to companies involved in the mining of thermal coal, manufacture of tobacco, cluster munitions or landmines. The thermal coal exclusion does not apply to companies deriving revenue from metallurgical coal (in other words, coal used in the production of steel); coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; revenue from coal trading; and royalty income for companies not involved in thermal coal extraction operations. Sometimes we may accept excluded listed shares as part of super fund mergers. In this instance, we seek to divest in a manner aligned with members' best financial interests, usually within 30 days. We rely on accuracy of data from a third-party provider (MSCI) to implement the exclusions. We update exclusion lists twice a year. Following those updates, we tell external investment managers which listed equity shares must be excluded from new and existing investments.

[1] Scope 3 category 15 (investments) emissions. PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

Any decision to fully divest from specific securities or to change our current approach to exclusions would only be made if these decisions were in line with our Sustainable Investment Policy, our investment objectives and our legal obligation to act in our members' best financial interests.

ART offers the Socially Conscious Balanced (SCB) option for members who want their investments to be made in line with an extended set of environmental, social and governance (ESG) principles than those considered across our other available investment options.

The SCB option applies a 5% total revenue exclusion threshold (reported or estimated) in the most recent year of financial reporting for direct investment in companies within the Australian and International shares asset classes relating to **thermal coal, metallurgical coal, oil and gas, and fossil fuel power generation**, subject to some exceptions. The table below summarises the full list of exclusions we apply when the SCB option directly invests in Australian and International shares asset classes.

<table>
<tr><th>Exclusions[1]</th><th>Description of exclusion criteria</th><th>Exclusion threshold</th></tr>
<tr><td>Thermal Coal
Thermal coal includes lignite, bituminous, anthracite and steam coal.</td><td>Mining of thermal coal and its sale to external parties.</td><td rowspan="8">5% total revenue threshold (reported or estimated) in most recent year of financial reporting.</td></tr>
<tr><td>Metallurgical Coal
Metallurgical coal includes coking coal.</td><td>Mining of metallurgical coal and its sale to external parties.</td></tr>
<tr><td>Oil and Gas
Oil and gas includes conventional and unconventional oil and gas, oil sands, shale oil, shale gas, Arctic oil and Arctic gas.</td><td>Extraction and production or refining of oil and gas.</td></tr>
<tr><td>Fossil fuel power generation
This includes thermal coal, liquid fuel and natural gas-based power generation.</td><td>Fossil fuel power generation.</td></tr>
<tr><td>Alcohol
Alcoholic products are any fermented liquor that contains ethyl alcohol or ethanol as an intoxicating agent.</td><td>Companies that manufacture alcoholic products, including brewers, distillers, and vintners. It also includes companies that own or operate wine vineyards.</td></tr>
<tr><td>Gambling
Gambling facilities include casinos, racetracks, bingo parlors or other betting establishments, including: horse, dog or other racing events that permit wagering; lottery operations; online gambling; fantasy sports that permit wagering; pari-mutuel wagering facilities; bingo; pachislot and pachinko parlors; slot machines; jai alai; mobile gambling; and sporting events that permit wagering.</td><td>Companies that own or operate gambling facilities.</td></tr>
<tr><td>Adult entertainment</td><td>Companies that produce, direct or publish adult</td></tr>
</table>

Adult entertainment products are materials that fall into the following 6 categories: producer of X-rated films, producer of pay-per-view programming or channels, producer of sexually explicit video games, producer of books or magazines with adult content, live entertainment of an adult nature, producer of adults-only material on the internet.	entertainment materials.	
Tobacco and alternative smoking products Tobacco products include cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. Alternative smoking products include electronic cigarettes and tobacco inhalers.	Companies that manufacture tobacco products including companies that grow or process raw tobacco leaves, or products aimed to replace or supplement tobacco products.	No threshold (companies deriving any revenue from the manufacture of these products are excluded).
Controversial weapons Controversial weapons are cluster munitions, landmines, biological /chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons and/or nondetectable fragments.	Companies that have any ties to controversial weapons.	Any involvement.
Nuclear weapons A nuclear weapon is an explosive device that derives its destructive force from nuclear reactions, either fission or a combination of fission and fusion.	Companies that have an industry tie to nuclear weapons.	
Live animal exports	Australian shares companies that own and/or operate live animal export operations.	Australian shares companies identified by Australian Retirement Trust through internal desktop research that own and/or operate live animal export operations.

1 Thermal coal, metallurgical coal, oil and gas, and fossil fuel power generation exclusions are based on MSCI ESG Climate Change Metrics Methodology and definitions (October 2023), data supplied through, and defined within, MSCI ESG Manager platform, and the associated universe coverage. The alcohol, gambling, adult entertainment, tobacco and alternative smoking products, controversial weapons and nuclear weapons exclusions are based on MSCI Business Involvement Screening Research Methodology and definitions (October 2023), data supplied through, and defined within, MSCI ESG Manager platform, and the associated universe coverage. The live animal exports exclusion applies to listed Australian shares companies identified by Australian Retirement Trust through internal desktop research.

Exceptions to these exclusions

The screening criteria do not apply to pooled vehicles or derivatives, which may have indirect exposure to companies exceeding the screens. The thermal coal exclusion does not apply to companies deriving revenue from metallurgical coal (in other words, coal used in the production of steel), coal mined for internal power generation, intra-company sales of mined thermal coal, revenue from coal trading, or royalty income for companies not involved in thermal coal extraction operations. The metallurgical coal exclusion does not apply to companies deriving revenue from thermal coal (in other words, coal used for power generation), intra-company sales of mined metallurgical coal, revenue from coal trading, or royalty income for companies not involved in metallurgical coal extraction operations. Sometimes we may accept excluded listed shares as part of super fund mergers. In this instance, we seek to divest in a manner aligned with members' best financial interests, usually within 30 days. We rely on accuracy of data from a third-party provider (MSCI) to implement the exclusions, other than the exclusion concerning live animal exports. We update exclusion lists twice a year. Following those updates, we tell external investment managers which listed equity shares must be excluded from new and existing investments.

18) What are the likely implications of the recent US election results on goals and the utility of making investment portfolios "net zero"?

Our view is that climate change remains a systemic risk regardless of any change in the geopolitical landscape.

Our Net Zero 2050 Roadmap outlines our current plan to transition towards a net-zero greenhouse gas emissions investment portfolio by 2050[2] and accelerate actions towards our target. It establishes the guiding principles, our approach to setting interim targets and the 2-year action plan for our investment portfolio.

We will review our Net Zero 2050 Roadmap every 2 years, and our approach is subject to change should circumstances or assumptions that have been relied upon change.

19) Please explain how ART meaningfully factors in people, society and the environment yet still retains investments of $236 million in 15 businesses associated with Israeli settlements as per the UN and illegal by the International Court of Justice

20) As a member, I'm concerned about ART involvement and my high growth investments in companies profiting directly from producing arms used in war crimes. Take Gaza as an example. Why ART continues to invest our money in the top weapon manufacturers?

21) Given ART's commitment to sustainable investment as per the (SI) Policy, how do you reconcile your investments in companies operating in illegal and occupied Palestinian territories with your commitments to human rights, legal and ethical compliance?

Our approach to sustainable investing is guided by our legal duty to act in our members' best financial interests, our core investment beliefs, and our [Sustainable Investment Policy](). This includes consideration of environmental, social and governance (ESG) factors alongside other traditional financial considerations. We use ESG integration, stewardship (engagement and proxy voting) and in limited cases, screening (exclusions), as part of our approach to sustainable investment.

ART applies exclusions in limited circumstances. While ART generally prefers to retain our position in investments, there are some occasions where it may be considered appropriate to exclude certain investments. Details of exclusions that apply across Australian and International shares asset classes and exceptions to these exclusions can be found in the QSuper Investment Guide and ART's Super Savings Investment Guide.

ART does not have any specific exclusions on investments in companies on the basis that they are classified by the Global Industry Classification (GICS) as aerospace and defence companies. We also don't screen out companies on the basis that they have operations in conflict affected regions.

Any decision to fully divest from specific companies or to change our current approach to exclusions would only be made if these decisions were in line with our Sustainable Investment Policy, our investment objectives and our legal obligation to act in our members' best financial interests.

[2] Scope 3 category 15 (investments) emissions. PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

22) Woodside ignored the results of the significant vote against its Climate Transition Action Plan (CTAP) in 2022. Why did the fund think that simply voting against the CTAP again this year was good enough, considering Woodside has strayed further from (duplicated x1)

We recognise that, as a large investor that considers environment, social and governance (ESG) factors, we have a responsibility to use our ownership rights to seek to encourage better ESG practices and disclosures in companies where we invest, to the extent that we are able. Our primary consideration when exercising our ownership rights is the best financial interests of our members. We undertake stewardship activities through engagement and proxy voting.

Over the past year, we engaged with Woodside on several occasions in relation to climate change and their plans to manage the transition to a net zero economy. We have met with Woodside multiple times since the release of their 2023 full-year results and their 2023 Climate Transition Action Plan (CTAP), to discuss their climate change strategy. We voted in line with the Woodside Board's recommendations for most resolutions at Woodside's 2024 AGM, except for the resolution to approve its CTAP.

In making out decision to vote against the CTAP, we noted the progress the company had made in the 12 months prior to the AGM, but also noted:

- While we were pleased Woodside had welcomed investor feedback in relation to its CTAP, ART believed Woodside had room to improve its climate strategy, in particular, disclosure on its large-scale abatement opportunities, consideration of its heavy reliance on offsets, and explanation for why it considers itself well positioned in a 1.5°C scenario.

- Woodside had provided insufficient detail on large-scale abatement opportunities that we believe are within its control. Although these projects are in the very early stages of investigation, our view is that the company could have moved faster to better scope and rank them, and to provide more detail on potential implementation.

We will continue to engage with Woodside on its climate change strategy where appropriate and will take into account the outcomes of our engagement meetings when considering our voting decisions at future shareholder meetings.

23) Can ART commit to reporting annually on the methane emissions associated with its investment portfolio?

To calculate the greenhouse gas emissions of our investee companies, we currently use the Global GHG Accounting and Reporting Standard for the finance industry developed by the Partnerships for Carbon Accounting Financials (PCAF).

In accordance with PCAF standards, greenhouse gas emissions are reported as CO2-equivalent (tCO2e). Investee companies are not required to, and generally do not, disclose methane emissions separately – on this basis, it is not possible for ART to separate out and report on methane emissions.

Given the evolving understanding of climate change, we will review our Net Zero Roadmap every 2 years, and our approach is subject to change should circumstances or assumptions that have been relied upon change. We will continue to produce a report annually in accordance with voluntary or mandatory requirements, detailing our progress.

24) Why have all environmental questions been ignored? Is this a deliberate strategy to avoid scrutiny?

ART continues to aim for transparency to our members, and our Chief Investment Officer, Ian Patrick, spoke substantively about our approach to sustainable investing during his address.

While we aim to answer as many questions as possible during our Annual Members' Meeting, due to the large volume of questions received, we were unable to answer all member questions live on the night.

25) How does ART ensure that they maintain a clear investment focus on best financial returns for members when they find themselves being pushed to exclude some investment opportunities irrespective of price and potential investment returns?

We believe that sustainable investing – where we consider the financial implications of environmental, social and governance (ESG) factors alongside traditional financial matters – helps us make better long-term decisions for our members' retirement incomes.

Our approach to sustainable investing is guided by our legal duty to act in members' best financial interests, our core investment beliefs, and our Sustainable Investment Policy.

ART applies exclusions in limited cases. We generally prefer to retain our position in investments (rather than divest of them), because it can provide an opportunity for us or our investment managers to engage companies to potentially improve their practices, where we have the ability to do so. There are some occasions however, when we consider it appropriate to exclude certain investments as part of our sustainable investment approach, and in accordance with members' best financial interest.

Advertising

26) How much does ART spend in TV and other advertisements? I would prefer reduction in fees rather this ongoing expenditure. Surely the merger is enough member growth. Comment please.

In accordance with our commitment to transparency and compliance, all of the payments made in relation to marketing and advertising in 2023-24 were disclosed in the documents provided with our notice of annual members' meeting.

The promotion, marketing and sponsorship expenditure amount disclosed in accordance with regulations was $35,404,352 and represents the spend on marketing, promotion and sponsorship (other than internal costs), including the launch of the new ART brand campaign.

The campaign's main goal is to get Australians to engage and 'Awaken their Super', because our research shows that the earlier people engage with super the better off they will be in retirement.

The data tells us it is working; in the month of July 2024 1 in 10 working Australians visited our website which was a significant increase on prior year. Continuing to grow the Fund is a key focus for ART as size and scale are important to unlocking benefits for our members. As we grow sustainably, we aim to return these benefits to members through greater investment opportunities, lower fees and enhanced services, all in support of our members' best financial interests. ART's spend is aligned with our peers and is in our view essential to attract and retain members.

Fees and product

27) Is it possible to publish investment return for each investment option daily like Australian Super? This will facilitate switching investment option

Our investment returns are published daily on our website here:
https://www.australianretirementtrust.com.au/investments/performance/unit-prices.
For QSuper account holders: Performance | QSuper

28) The administration fee is now being deducted from the number of units each week. We trusted the previous approach, so why was this change implemented? Could the administration fee be returned to the previous arrangement?

Changes to the way administration fees are deducted for QSuper account holders started on 1 July 2024, as part of providing a single investment menu to all members at the same date. Effective 1 July, the administration fee we charge members is deducted directly from the members account (and is $1.20 per week plus 0.06% p.a. - capped at $500 for QSuper account holders). This change was needed when we moved to a single investment menu, to ensure that administration fees were applied in the same way to all members who invest in the same options and we cannot return to the previous arrangement.

29) Can ART Board pls explain why fees on QSuper have jumped from $435 pa in 2016 to $2672 in 2022 - a 500% increase. I'm not paying any extra funds into my a/c and have been a Queensland public servant for over 26 years and with QSuper for this period

On the 1 July 2024 we changed the QSuper percentage administration fee deducted from members' accounts from 0.15% p.a. capped to $875 down to 0.10% p.a. capped to $500 per account. We also introduced a dollar administration fee of $1.20 per week per account.

Super fund fees vary depending on the size of your account and your investment options. The total fees and costs amount you pay per year is made up of administration and investment fees and costs, and transaction costs. Investment fees and costs also include performance fees, which can change depending on how your investments perform. You may also pay insurance premiums or advice fees depending on whether you hold insurance or obtain advice in relation to your account.

In relation to your specific fees, we encourage you to speak directly with one of our member representatives in our contact centre on 1300 360 750 as we cannot publish answers to questions relating to your personal account.

30) Are ART looking at introducing Annuity type retirement income products which might provide greater retirement income certainty i.e. guaranteed income level, compared to what is currently available e.g. lifetime pension?

ART currently offers a Lifetime Pension. We believe this solution strikes the right balance between a product that is linked to investment performance and has the potential to deliver higher levels of income compared to traditional annuity products while still ensuring that income is sustainable and stable throughout retirement.

Although the Lifetime Pension payments are adjusted annually and can increase or decrease based on the performance of the Lifetime Pension pool, ART believes it offers a comparatively high starting payment rates compared to traditional annuity products and it is designed so that income payments are likely to increase over time.

The underlying pool that the Lifetime Pension is invested in is the Balanced Risk-Adjusted option, which seeks to smooth the ups and downs of investment markets and is uniquely suited to our retirees.

Products, like traditional annuities, that include a guarantee generally have lower starting payment rates which generally reflect the cost of providing the guarantee. For example, at the date of writing, the starting payment rate for a 65-year-old single female in a guaranteed CPI linked annuity (provided by a well-known annuity provider) was ~37% less than the ART Lifetime Pension starting payment rate.

ART values and appreciates feedback on our products and uses this feedback when looking at opportunities to continuously improve our product offering for members.

31) What was the rationale for limiting the self invest option to the ASX 100 when previously it was the ASX300? Additionally why weren't the holders of self invest account individually notified when the decision was made?

The decision to limit the number of ASX listed companies available within Self Invest option was based on a goal of assisting Self Invest members to make investment choices that will improve their retirement outcomes. In that context, our view is that it is appropriate to limit the investment selection to equities in the ASX 100. While past performance is not a reliable indicator of future performance, over the past five years to 30 June 2024, the S&P/ASX100 outperformed the S&P/ASX300 in terms of risk-adjusted returns.

Changes to the Self Invest option were published in a Significant Event Notice emailed to each Self Invest member in May 2024, prior to the changes on 1 September 2024. You can read more on page 31 here.

32) Is it time to put a risk category in lifetime pension?

ART values and appreciates feedback on our products and uses this feedback when looking at opportunities to continuously improve our product offering for members.

ART's Lifetime Pension product is designed to provide a retirement income stream for the rest of your life (and your spouse's life if you choose optional spouse protection). ART invests the money used to buy the Lifetime Pension product in a pool of funds. The pool is invested in the Balanced Risk-Adjusted option and used to fund future Lifetime Pension payments. Payments change each year to reflect the financial performance of that Lifetime Pension pool.

The Balanced Risk-Adjusted option, is uniquely suited to underpin the ART Lifetime Pension, deliberately setting out to deliver a smoother ride in terms of variability of returns, and to minimise the size of negative returns. We believe this option provides the right balance between potential future payment increases and reduced volatility to ensure that payments do not change too much from year to year.

As with any decision or change in strategy that ART considers, such as a change in underlying investment option or the risk level , we have a legal obligation to act in members best financial interests.

Claims

33) How is ART able to reassure members that the issues in the media currently about the poor management of member superannuation claims does not apply to ART and what is monitored to actively ensure this is the case in real time

Members making insurance claims are often going through one of the most challenging times in their lives, and so our priority is to treat claims with the empathy and care our members expect. Once the claim has been assessed, approved and all requirements are received, the claim is generally paid in 10 days.

The experience in relation to processing times for claims depends on individual circumstances. ART is focused on timely assessment and paying claims quickly on approval.

We are continually reviewing our claims services to deliver improved experiences for our members.

34) In light of recent bad media reports re some industry super funds being investigated and charged by APRA for unacceptable processing times of death & disability claims, what is ART doing or done to ensure that this happen to ART members

ART is focused and continuously improving the experience for our members and recognise that claims are a difficult time for those impacted. We monitor service performance closely and aim to ensure members or claimants do not face unnecessary delays.

The experience in relation to processing times for claims depends on individual circumstances, however we proactively review our services to better meet member expectations.

Members making insurance claims are often going through one of the most challenging times in their lives, and so we treat claims with the empathy and care our members expect.

Governance

35) Given recent prosecutions by ASIC against Banks / Insurers how confident is ART that they remain compliant in all areas of their operations? It is important to ensure we maintain best possible brand reputation.

The ART Board takes compliance with statutory and fiduciary obligations seriously.

The Board believes a high standard of corporate governance is essential to achieving our corporate and strategic objectives in a manner that is compliant with legal obligations.

In support of this, we have established frameworks which govern the Trustee's operations in administering the Fund. Those systems, structures, policies, processes and controls promote strong governance and compliance with legal obligations and are supported by ongoing monitoring and reporting with further assurance gained from internal and external audit activities.

ART acknowledges however, that from time-to-time errors may occur. We take these matters seriously and have processes and systems in place to appropriately respond if issues occur.

36) What does it take for an issue to be recognized as a potentially "systemic issue" and reported to ASIC if it is not for the potential that the issue may have had the potential to adversely affect members?

ART acknowledges that from time-to-time errors may occur. We take these matters seriously and have processes and systems in place to respond if they occur. This includes our incident and breach management processes and an Executive oversight committee. Considering the number or frequency of similar events is an embedded part of this process to identify any potentially systemic issues. Other ongoing quality assurance processes provide an avenue for identifying trends that might indicate systemic issues.

ART regularly engages with regulators on a variety of topics, including those identified by ART. ART reports issues to ASIC and APRA in accordance with breach reporting obligations. .

ART complies with these obligations and reports issues identified where they are assessed as meeting the prescribed criteria. This includes consideration as to whether the issue is of a systemic nature, such as potentially impacting many members. ART has frameworks and policies in place that govern the identification, reporting and remediation of issues.

37) Does ART have a Code of Conduct as many companies do , so ART members clearly know what behaviour to expect from their super fund. If not why not?

Yes, ART has a code of conduct for our personnel. A summary of the code of conduct is available on ART's website. The code of conduct is underpinned by three guiding principles:

- Personnel conduct themselves lawfully, ethically, and fairly.
- Personnel respect others, and make sure ART's workplaces are safe and inclusive.

Personnel protect ART Group and member information and property.

38) Given recent prosecutions by ASIC against Banks / Insurers how confident is ART that they remain compliant in all areas of their operations? It is important to ensure we maintain best possible brand reputation.

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AMM

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ART acknowledges however, that from time-to-time errors may occur. We take these matters seriously and have processes and systems in place to appropriately respond if issues occur.

Complaints

40) How are members' best interests served if members who have pending IDR and/or EDR complaints are not contacted by the complaints manager dealing with their complaint to discuss their concerns firsthand.

We take members' feedback and complaints seriously and recognise them as an opportunity to improve our services and products to meet their needs.

Australian Retirement Trust follows our complaints handling policy - [Complaint Handling Policy | Australian Retirement Trust] – in managing all complaints.

We aim to resolve complaints as quickly as possible, however if the complaint is unclear, a complaint officer or other representative will make additional contact with members so that we can better understand and resolve their enquiry.

Service

41) Why are ART Members still waiting for Annual Super Statements to be produced after 5 months from the end of the Financial Year.

The majority of Australian Retirement Trust annual statements are delivered between September and November each year. We work to get these to our members as quickly as possible. The timing is dependent on several factors, including the finalisation of investment fees and costs and transactions costs and receipt of updated salary information from our corporate employers.

42) Now the 2 funds have merged, how can ART ensure that it retains the personal contact with members and that members don't just become numbers, or part of a process. I ask this following difficulties recently simply trying to make an appointment

We're sorry that your recent experience with ART has not met your expectations. We're committed to our goal of delivering world class service standards and we recognise there are areas we can improve and evolve. Our staff are passionate about approaching each member interaction with empathy and skill to create a positive experience.

If you would like to speak to a financial adviser, in addition to speaking with one of our member representatives, you can also request an appointment via our website.

43) Why does a withdrawal from the Accumulation fund take "7 business days" to process? It was 5 days at Qsuper. Can this be set to 5?

We want to assure all our members that we are committed to our goal of delivering the best possible experience. Unfortunately, there has been some instances of delays to withdrawal timeframes during 2023-24. Additional resources have been allocated to the payment processes and we have seen timeframes improve through the year.

Once a withdrawal request is received, we aim to process the payment within agreed service standards, which is 6 business days for QSuper accumulation account holder payments. The receipt of the payment can also be impacted by banking timeframes.

44) What is the Board doing to ensure member experience, including the timely payment of benefits, is at the absolute forefront of management attention?

We want to assure all our members that we are committed to our goal of delivering the best possible experience. In the 2025 financial year, we have invested in uplifting the capacity within the front-line member servicing teams.

Regarding withdrawal timeframes, higher volumes of requests are continuing to be experienced for contributions, payments and Income Streams which has led to some delays in processing time frames for our back-office teams.

Service delivery and member experience as well as our Customer Satisfaction Score (CSAT) are reviewed monthly by the CEO, COO and other members of senior management.

Growth

45) Total funds under management (FUM) by ART grew substantially in last year - my question is how much was due to investment performance vs growth by way of consolidation of "other" funds transferring their FUM into ART?......

ART is committed to sustainable growth to deliver the long-term benefits of scale to our members. There are a number of contributing factors to growth over the last financial year including new members joining the Fund, new corporate clients joining the Fund through mergers and successor fund transfers (SFTs) and investment performance.

- Growth as a result of net investment returns was approx. $21b.
- ART has completed 4 SFTs in the last financial year – Woolworths, Commonwealth Bank Group Super, Alcoa Super and AvSuper – welcoming close to 100,000 new members and approx. $19b to ART as a result.

People and Culture

46) Given the success of QSuper and Sunsuper why has there been a significant change in the management team following the appointment of the new CEO

To support the next phase of strategic growth for the Fund, we introduced a streamlined operating model, resulting in changes to our management team. It was a timely step forward for ART to unlock efficiencies, create simplicity and position us as a market leader to best serve our members.

The current ART Executive Committee is made up of the CEO and 8 leaders who were all existing leaders at ART prior to the change in the operating model.

47) Based on what can be seen on LinkedIn, ART has paid for middle management to undertake the AICD director course. How is this in member's best financial interests?

At ART, we need to foster our talent, ensuring employees can grow and develop skills to better service our members. AICD is supported for our Executive team, and case by case for other leaders, where there is value in doing this aligned to the requirements of their role, i.e. the leader sits on one of the subsidiary boards.

Some employees invest in their own career development, often self-funding opportunities such as AICD, tertiary qualifications, or certifications.

Cyber Security

48) I have serious concerns about Digital ID and Central Bank Digital Currency. Digital ID is said to be voluntary. However, I foresee life being made hard without it, to coerce people into it. What plans/considerations does ART have in relation to this?

We take the protection of our members' money and their personal data and details very seriously and believe this is one of our most significant responsibilities.

We have processes in place to confirm a member's identity prior to providing any account specific information.

While we offer members the convenience of transacting on their account digitally, we also understand that each member has their own communication preference which is why we offer a range of options for members to interact with us.

Members can contact us online, over the phone and via post.

Finance & Tax

49) Can you please explain why an Australian based Superannuation Fund would need to have 10% of its related entities incorporated in countries considered to be global tax havens? Caymen, Luxembourg, Bermuda, Jersey etc?

Some of our investments are made via establishment of special purpose vehicles (SPVs). These SPVs typically act as aggregator vehicles, pooling funds from different investors, often from different jurisdictions, without incurring double taxation. In all cases, tax is paid by ART in the jurisdiction of the business or investment in Australia. We recognise the importance of respecting both the letter and spirit of the law, taking steps to determine and follow the intention of the legislation.

Our low tax risk appetite is managed in line with OECD (Organisation for Economic Co-operation and Development) and Revenue Authority guidance and risk management standards. Tax is neither avoided nor deferred, as ART remains subject to tax in Australia on these vehicles under various integrity measures, such as the controlled foreign company regime.

50) For what range of purposes was the Reserve Fund established? From what source does the money in the Reserve Fund come? With regard to the 2023-2024 financial year, in round figures: What amount was paid into the Reserve Fund and what amount was withdrawn from the Reserve Fund? For what purposes were the 2023-2024 withdrawals from the Reserve Fund taken,with a round figure for each of these purposes, for example: how much for extra Administration Fees was taken from the Reserve Fund?

51) Reserve is just a cost to members, can they be smaller?

Australian Retirement Trust predominantly maintains two Reserves – the Operational Risk Financial Requirement (ORFR) Reserve and the General Reserve – in order to assist meeting the operating expenses of Australian Retirement Trust as well as assisting with the management of operational risks. ART maintains reserves at levels it considers are appropriate for its current and future operational and strategic ambitions.

The funds held in the General Reserve predominantly originate from the General Reserves maintained by QSuper and Sunsuper at the time of the merger in February 2022 , the General Reserve has also been added to since then. Generally, the source of funds in the General Reserve is member fees and earnings on the monies held in the reserve.

Reserves enable investments in things that are important to enable better services for our members, as well as guarding against risk. We report on the various reserves that are held within the Fund through our financial statements which have been audited.

For more information on the ART's reserves and withdrawals during the 2023-24 financial year and prior years, please refer to our 2024 Consolidated Annual Financial Report available at https://www.australianretirementtrust.com.au/about/annual-reports

52) On the advice of QSuper and QInvest over the last 10 years I now find myself with several separate individual QSuper accounts – income and accumulation. As a result of the number of account and their balances, the total fees I pay will now be higher.

Unfortunately, we cannot provide answers to questions relating to your personal accounts or personal advice you have received in this published response to questions asked at the Annual Members' Meeting. We encourage you to speak to one of our member representatives on 1300 360 750 so that we can assist you further.

53) Where was the "empathy, courage and excellence" on display as referenced the CEO of ART in the handling of my complaint (your member)?

We're sorry that your recent experience with ART has not met your expectations. While we strive to get everything right, we are also committed to continuously improving our service and experience for members.

While we cannot provide answers to questions relating to your personal account in this published response to questions asked at the Annual Members' Meeting, we encourage you to speak to one of our member representatives on 13 11 84 so that we can assist you further.