

Compliance with the AIST Governance Code

AustralianSuper FY 2020

Introduction

The following table sets out AustralianSuper's Report on compliance with the Australian Institute of Superannuation Trustees (AIST) Governance Code requirements for the period ended 30 June 2020. AIST's Governance Code is a principles-based framework which consists of 21 requirements. The Code aims to protect and improve outcomes for superannuation fund members and to promote continuous improvement in governance practice by AIST member funds.

	Requirement	Compliance Level	Explanation and evidence	List changes made in FY 2020
1.1	<p>A profit-to-member superannuation Board must:</p> <ul style="list-style-type: none"> › conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director; › for the appointment of representative directors in particular, this includes engagement with sponsoring organisations. 	Full	<p>AustralianSuper conducts appropriate enquiries to ensure that nominees to the role of Director (or Board Committee Member) have appropriate skills and experience before they are appointed to such roles. The skills requirements are set out in the Trustee's Fit and Proper Policy (and in associated Procedures).</p> <p>All Director (and Committee Member) appointments made during the FY 2020 period complied with the requirements of the Fit and Proper Policy, including the skills requirements set out in the Policy.</p> <p>The skills and experience of nominees was assessed as part of the appointment process to ensure that the nominee satisfied the 'fitness' (as well as the propriety) requirements of the Fit and Proper Policy. The assessment included reviewing whether the nominee has relevant educational qualifications or training and/ or relevant experience in the required skill domains which they have obtained through employment or from experience on other Boards, Committees or organisations.</p> <p>The process for appointing a Director, includes engaging with the sponsoring organisations (Shareholders) when a vacancy on the Board or a Board Committee occurs so that they can put forward a candidate(s) to fill a role focusing on any skills/experience gaps that the Board may be looking to fill as well as diversity considerations.</p> <p>For all appointments made during FY 2020, there was active engagement with the relevant Shareholder (or both Shareholders in the case of an Independent Director appointment) prior to a nominee being considered by the People and Culture Committee and the Board.</p>	The Board Skills Matrix was reviewed and updated in FY 2020.
1.2	A profit-to-member superannuation fund must have a written agreement with each trustee director and senior executive setting out the terms of their appointment.	Full	There are Letters of Appointment in place with all Directors and Senior Executives which set out the terms of their appointment.	
1.3	The fund's company secretary is accountable directly to the Board, through the Chair, on all matters concerning effective Board operations and must provide every assistance to the Board to fulfil their obligations in acting in the best interests of members. The Chief Executive Officer must not be the company secretary.	Full	The Trustee of AustralianSuper has two Company Secretaries. The Company Secretary role (s) report to the Board on matters concerning effective Board operations. They assist the Board in fulfilling its obligations in acting in the best interests of the Fund's members. The Chief Executive is not the Company Secretary.	

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<p>1.4 Profit-to-member superannuation funds must have a written diversity policy, appropriate to the circumstances of the fund, which sets out clear and measurable objectives and provides for annual reporting to the Board and members. This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate. Objectives must relate to processes, which may, but do not necessarily, include targets for participation at Board and management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members.</p>	Full	<p>AustralianSuper has a Board Diversity Policy which includes measurable objectives for achieving gender diversity on the Board. The Board is conscious of the need to increase the number of female Directors on the Board and has targeted this as its current diversity focus. At 30 June 2020 there were three female Directors on the Board (25% of the Board). The Board continues to work closely with Shareholders to achieve higher gender diversity on the Board.</p> <p>Details of gender balance at Board, Executive and Management level at AustralianSuper are provided in the Annual Report to members. Annual compliance reporting made by AustralianSuper to the Workplace Gender Equality Agency (WGEA) under the Workplace Gender Equality Act 2012 is also available on the Fund's website.</p> <p>AustralianSuper is committed to improving diversity including (but not limited to):</p> <ol style="list-style-type: none"> Talent and succession management plans, identifying women with potential and setting targeted development activities. Annual pay equity analysis. Aboriginal & Torres Strait Islander Graduate Recruitment Program. Leave provision and inclusion policies specifically for colleagues that identify as LGBTIQ+. Continued development of technology to support flexible work and the promotion of flexible work throughout the organisation for both women and men. Development of career pathways, particularly in areas of the business where there is a lower population of women in leadership roles with a particular focus on the Investments group. Building partnerships and associations with organisations and networks focussed on supporting women. Development of internal networking and coaching opportunities through the AustralianSuper Women Network. <p>Refer to: australiansuper.com/about-us >> Reports >> Other reports australiansuper.com/about-us >> How we work >> Policies and disclosures >> Board diversity policy and skills</p>	The Board Skills Matrix was reviewed and updated in FY 2020.
<p>1.5 In accordance with SPS 510, profit-to-member superannuation funds must have:</p> <ul style="list-style-type: none"> › annual procedures to evaluate the performance of the Board and › annual procedures to evaluate individual directors. <p>The Fund must:</p> <ul style="list-style-type: none"> › disclose a summary of those procedures and; › confirm annually that the performance evaluations were undertaken during the reporting period. 	Full	<p>The Board's performance evaluation processes are set out in the Board Evaluation Policy. Board evaluation is conducted every year under the leadership of the Fund's Chair (internal process) and the review considers both the performance of the Board overall as well as the performance of individual Directors. An external independent review of Board and Director performance is undertaken at least every three years.</p> <p>An internal Board evaluation process has been completed for FY 2020.</p> <p>Refer to: australiansuper.com/about-us >> How we work >> Policies and disclosures >> Board evaluation policy</p>	

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1.6	The Board of a profit-to-member superannuation fund must have a documented process for evaluating the performance of the senior management. The fund should disclose whether such a performance evaluation was undertaken during the reporting period.	Full	<p>Each year all AustralianSuper employees, including senior management participate in a formal process to set, manage and assess individual performance. This process involves all employees setting measurable objectives/goals and agreeing to these with their people leader, development planning, ongoing conversations about performance with people leaders as well as formal mid and end of year performance reviews.</p> <p>The performance evaluations for senior management have been completed for FY 2020.</p> <p>Refer to: australiansuper.com/about-us >> How we work >> Policies and disclosures >> Board evaluation policy</p>	
2.1	<p>The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> › have a committee responsible for Board renewal that has at least three members; › The committee must have a charter that is publicly disclosed and; › it should meet at least annually. <p>For each reporting period the fund must disclose:</p> <ul style="list-style-type: none"> › the members of the Board renewal committee and › attendance records for any meetings during that period. 	Full	<p>The Board's People and Culture Committee has board renewal and succession planning responsibilities within its remit.</p> <p>Committee membership and attendance records for the Committee are published in the Fund's Annual Report to members.</p> <p>There are five members on this Committee and the Committee meets at least four times per annum or more frequently as required.</p> <p>The Annual Report to Members and the charter (Terms of Reference) for the People and Culture Committee are available here: australiansuper.com/about-us >> Reports >> Registers</p>	
2.2	A profit-to-member superannuation fund must maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan. It must disclose annually a representation of the existing collective skills, experience and diversity of the Board.	Full	<p>AustralianSuper maintains a Skills Matrix setting out the Board's skills across its Directors. A Skills Matrix is also maintained for each Board Committee.</p> <p>In FY 2020, the Board undertook a detailed and extensive review of its skill requirements and refreshed its Skills Matrix from five specialised skills to ten. The revised Skills Matrix sets out the skills and competencies that Directors and Committee Members should possess collectively to ensure that the Board (and the Board Committees) has the requisite diversity of skills, capabilities and experience to be able to discharge its duties effectively. Individual skill requirements are also in place.</p> <p>The following skills are required by the Board collectively:</p> <ol style="list-style-type: none"> 1. Leadership & Culture 2. Profit for member model 3. Financial Services Acumen 4. Investment 5. Financial Management 6. Risk, Compliance & Governance 7. People & Remuneration 8. Technology & Digital 9. Member experience & strategy 10. Superannuation administration 	The Board agreed a revised Skills Matrix in FY 2020 and undertook a review of the Board's skills against this.

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			<p>In FY 2020, the Board participated in a self-assessment of its skills and proficiency levels against the new Skill Matrix with reference to each Directors experience, training and qualifications.</p> <p>Where skill gaps have been identified, the Board (and Committee where relevant) is considering measures to strengthen knowledge/skills to bridge these gaps including training and development programs where appropriate; succession planning to identify candidates for future roles as part of Board renewal processes and by bringing in expertise through the use of external consultants and advisers where necessary.</p> <p>A short bio setting out each Director's experience and qualifications is available on AustralianSuper's website. A collective representation of the Board's skills for the period ended 30 June 2020 is also available on the Fund's website.</p> <p>Refer to: australiansuper.com/about-us >> Meet our Board of Directors (for Director bio's) australiansuper.com/about-us >> How we work >> Policies and disclosures (for Board Skills collective representation)</p>	
2.3	In disclosing the names of its directors, a profit-to-member superannuation fund must identify for each director whether they are a member representative, an employer representative or a non-representative member. In each instance, the name of the nominating body must also be disclosed.	Full	<p>Director bios available on the Fund's website, identify whether the Director is a member or employer representative Director or an Independent Director. The nominating body is disclosed.</p> <p>Refer to: australiansuper.com/about-us >> Meet our Board of Directors</p>	
2.4	The voting rights of all trustee directors on the Board must be equal, regardless of their status as a member or employer representative director, or non-representative director. The voting majority for any Board decision should be no less than two thirds of all trustee directors.	Full	<p>Voting rights of all Directors is equal regardless of their status as a member or employer representative Director or an Independent Director. All decisions are required to be made by no less than two thirds of all Trustee Directors.</p> <p>There are additional special voting rules for some Board decisions including decisions relating to the appointment, reappointment and removal of Directors, the Chair and the Deputy Chair of the Board.</p> <p>Refer to: australiansuper.com/about-us >> How we work >> Governance (for a link to the Constitution)</p>	
2.5	The Chair of a profit-to-member superannuation fund Board must be appointed by the Board and must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair.	Full	<p>The Chair of the Board is appointed by the Board in accordance with the Trustee's Constitution.</p> <p>The Chair satisfies the skill and experience requirements identified in the Chair Skills Matrix, as set out in the Fit and Proper Policy.</p>	Dr Don Russell was appointed as the Independent Chair of the AustralianSuper Board in FY 2020.
2.6	The CEO must not be a director of the fund.	Full	The Chief Executive is not a director of the Trustee company.	

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2.7 A profit-to-member fund must have an induction program for new trustee directors and provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.	Full	<p>AustralianSuper has an induction program in place for newly appointed Directors (and Committee Members) and provides ongoing professional development and training opportunities to all Directors. Training and development plans are developed for the Board and the Board's Committees each year to continuously enhance the skills and knowledge on the Board and its Committee members.</p> <p>Minimum professional development training hours that must be met by Directors each year are set out in the Responsible Persons Training Policy. For Directors the requirement is 30 hours of CPD per year.</p>	
3.1 A profit-to-member superannuation fund must have a code of conduct for its Board, senior management and employees. This code, or a summary of it, must be disclosed.	Full	<p>The Fund has a Code of Conduct for employees and Directors which articulates the standards of behaviour expected of them. A summary of the Code of Conduct is available on the Fund's website.</p> <p>Refer to: australiansuper.com/about-us >> How we work >> Policies and disclosures</p>	
4.1 The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.	Full	<p>The Board is responsible for the preparation and fair presentation of the annual audited financial reports in accordance with statutory requirements. Their responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial reports that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable.</p> <p>The Board's Finance and Audit Committee is responsible for the general oversight of the budgetary requirements of the Fund including the review of the annual budget and forecasting processes to ensure it is appropriate having regard to the annual business plan, strategic plan and other relevant financial objectives and having regard to SPS 515 – Strategic Planning and Member Outcomes.</p> <p>The Finance and Audit Committee is also responsible to the Board for the general oversight of policies and procedures relating to financial management, financial reporting, accounting, audit and taxation. Financial reports for both the Trustee and the Fund are subject to external audit.</p> <p>The Board appoints an external auditor to undertake an annual independent audit on the Fund's (and the Trustee's) financial reports and statutory compliance requirements.</p> <p>Refer to the Fund's website for audited financial statements.</p> <p>australiansuper.com/about-us >> Reports >> Financial statements</p>	
4.2 A profit-to-member superannuation fund must ensure due process in all transactions and ensure that any related party transactions are conducted under market conditions with full transparency and disclosure.	Full	<p>Related party transactions are disclosed in the Fund's Audited Financial Statements. All related party transactions are conducted under market conditions and with full transparency and disclosure.</p> <p>Refer to: australiansuper.com/about-us >> Reports >> Financial statements</p>	

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<p>4.3 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> › Receive an attestation from the fund's CEO and CFO that the fund's accounts are a true and accurate reflection of the fund's financial position and that the financial records have been properly maintained, before approving the financial statements. › In accordance with SPS 510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS 520 and must issue their opinion on the financial statements to the trustee and members of the fund. 	Full	<p>The Chief Executive and the Group Executive Finance & Operations provide an attestation to the Board each year that the Fund accounts are a true and accurate reflection of the Fund's financial position and that the financial records have been properly maintained when the annual accounts are presented for approval to the Board each year.</p> <p>An independent auditor who satisfies the requirements of fitness and propriety (SPS 510 and SPS 520) is appointed to audit the financial statements of the Fund each year and provides an audit report confirming whether in their opinion the financial statements present fairly, in all material respects, the financial position of the Fund.</p> <p>Refer to: australiansuper.com/about-us >> Reports >> Financial statements (for Financial Statements and independent auditors report)</p>	
<p>5.1 A profit-to-member superannuation fund must develop and implement a stakeholder engagement program, for effective disclosure of relevant and material issues. The program must provide opportunities for directors and senior management to communicate directly with stakeholders and for stakeholders to ask questions of them.</p>	Full	<p>AustralianSuper has been holding Member Briefings since 2007 and from 2016 they have been held in every capital city. Member Briefings are typically held during September – October each year and other stakeholder events for Businesses and Unions are held at the same time. Member Briefings demonstrate the Fund's commitment to openness and transparency and our desire to meet the needs of members and stakeholders which includes giving them the opportunity to directly communicate with our directors and senior management and to ask questions of them.</p> <p>All super funds are now required to hold an Annual Member Meeting (AMM) as part of new 'Member Outcomes' legislation. Due to COVID-19 prohibitions against large gatherings, it is unlikely that AustralianSuper will host in person member briefings this year. The Fund is in the process of planning a digital event and redefining our processes to ensure that the AMM/Member Briefing complies with the requirements of the new legislation.</p> <p>Refer to: australiansuper.com/tools-and-advice >> Events and seminars (for details on superannuation education, seminars and webinars)</p>	

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<p>6.1 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> › Have a strong risk culture with a Board that provides robust oversight of the fund's material risks. › The risk management framework must explicitly address factors that may erode the fund's members-first culture. 	Full	<p>AustralianSuper has a strong member-first culture with robust oversight of the Fund's material risks by the Board (and the Board's Committees) including our new enterprise risk framework which includes an enterprise risk for culture and conduct. Currently the Fund is focussed on the following six culture elements with data on these items drawn directly from the annual colleague (employee) survey:</p> <ol style="list-style-type: none"> 1. Leadership: The extent to which the Board, Executive and Senior Leaders embrace responsibility for fostering an appropriate risk culture within the organisation. 2. Openness: The extent to which staff are empowered to raise issues and are protected and recognised when they do. 3. Challenge: The extent to which the capacity to engage in 'constructive conflict' is built so that individuals and teams make better and move innovative decisions. 4. Accountability: The extent to which employees foster a commitment to holding themselves and each other accountable for the strength of organisational risk culture. 5. Consequences: The extent to which the organisation takes appropriate action to address behaviour that is not aligned to organisational values. 6. Remuneration: The extent to which remuneration reflects and is aligned to organisational values. <p>Our Board approved Risk Management Framework (RMF) also references members best interests and a risk culture that focuses and acts on the risks that advance or detract from our objectives of helping our members achieve their best possible retirement outcomes.</p> <p>Refer to: australiansuper.com/about-us >> Reports >> Annual reports</p>	
<p>7.1 A profit-to-member superannuation fund must have policies and practices in place to attract and retain highly competent people, assessed relative to the size, nature and complexity of the fund. These policies and practices must be consistent with its responsibilities for maximising members' retirement outcomes and encouraging and rewarding ethical practices and behaviour.</p>	Full	<p>AustralianSuper recognises that effective recruitment practices are critical to its success. Effective recruitment depends on finding people with the necessary skills, expertise and qualifications to deliver the Fund's strategic objectives and the ability to make a positive contribution to the values and aims of the organisation. AustralianSuper's recruitment policies and practices are designed to identify and remove biases, ensure that an equitable and transparent recruitment process is adhered to and that a consistent recruitment experience is provided to all candidates, including existing employees and contractors.</p> <p>Details of our remuneration practices are set out in the Annual Report to members.</p> <p>Refer to: australiansuper.com/about-us >> Reports >> Annual reports (for information on remuneration practices and our people and culture focus)</p>	

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8.1	A profit-to-member superannuation fund must design and manage appropriate investment strategies having regard to member demographics and circumstances during both the accumulation and decumulation phases.	Full	<p>AustralianSuper investment strategies and objectives are reviewed at least annually. Changes are made to meet emerging member requirements and the Fund's objectives of providing the best possible retirement outcome for all members. When reviewing the investment objectives, our strategic asset allocation review considers factors such as member demographics and cashflow projections, typical investment horizons, market conditions, liquidity and switching activity. Investment strategies are also reviewed periodically in response to changing circumstances, for example market conditions and assistance to members under the Early Release provisions this year.</p> <p>Refer to: australiansuper.com/InvestmentGuide</p>	

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