



9 June 2016

Governance Policy

for

NESS Super Pty Ltd

ABN 28 003 156 812

RSE Licence No. L0000161

AFS Licence No. 238945

as Trustee for

NESS Super

ABN 79 229 227 691

RSE Registration No. R1000115

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Governance Policy

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1. Introduction

1.1 Background

- 1.1.1 This document constitutes the Governance Policy of the NESS Super Pty Ltd (**the Trustee**), the trustee of the NESS Super (**the Fund**), and sets out policies and procedures adopted by the Trustee to ensure that it has met its obligation to promote strong and effective governance.
- 1.1.2 This document also records the approach taken by the Trustee to meet the requirements relating to governance as set out in:
- a. The *Superannuation Industry (Supervision) Act 1993 (the SIS Act)* and Regulations (as amended).
 - b. The *Corporations Act 2001* and Regulations (as amended).
 - c. The conditions of the Trustee's Responsible Superannuation Entity (**RSE**) Licence and Australian Financial Services (**AFS**) Licence.
 - d. *APRA Prudential Standard SPS 510 – Governance (July 2013) (SPS 510)*.
 - e. *APRA Prudential Practice Guide SPG 510 – Governance (July 2013) (SPG 510)*.
 - f. *APRA Prudential Standard SPS 520 – Fit and Proper (July 2013) (SPS 520)*.
 - g. *APRA Prudential Practice Guide SPG 510 – Fit and Proper (July 2013) (SPG 520)*.
(Together known as the **Relevant Law**)
- 1.1.3 This document should be read in conjunction with the Trustee's Trustee Board Charter, Audit & Compliance Committee Charter, Investment Committee Charter, Remuneration Committee Charter, Marketing Committee Charter, Position Description for the Role of Fund Secretary, Conflicts Management Policy, Fit and Proper Policy, Risk Management Strategy, Register of Material Risks, Outsourcing Policy, Business Continuity Management Plan and Privacy Policy.

1.2 Scope

- 1.2.1 This Policy documents the Governance Principles that establishes the framework by which the Board carries out its duties and obligations in relation to the management of the Fund.

1.3 Fitness and Propriety

- 1.3.1 The Trustee recognises its responsibility to ensure that collectively, the Directors and Senior Management have the full range of skills needed for the effective and prudent operation of the Trustee's business operations, and that individually each Director has the skills that allow him or her to make an effective contribution to Board deliberations and processes. This does not preclude the Trustee from supplementing its skills and knowledge by engaging external consultants and experts.
- 1.3.2 The Fit and Proper Procedures which have been put into place by the Trustee to address these obligations are documented in detail in the Trustee's **Fit and Proper Policy** and **Conflicts Management Policy**.

1.4 Risk

- 1.4.1 The Trustee recognises its responsibility to ensure that Directors collectively have the necessary skills, knowledge and experience to understand the risks associated with the Trustee's business operations, including its legal and prudential obligations, and to ensure that the Trustee's business operations are

managed in an appropriate way taking account of these risks. This does not preclude the Trustee from supplementing its skills and knowledge by engaging external consultants and experts.

- 1.4.2 For more information on the Trustee's risk management framework, see the Trustee's **Risk Management Strategy, Risk Appetite Statement and Register of Material Risks**.

1.5 Awareness and Understanding

- 1.5.1 The Trustee appreciates the importance of ensuring that all Directors (including Alternate Directors) and Senior Management have a sound awareness and understanding of the provisions of this Governance Policy.

- 1.5.2 A copy of this Policy, which includes a summary of the duties and responsibilities of a trustee as described in Section 52 and Section 52A of the SIS Act, will be made available to prospective candidates nominated for appointment as a director (including Alternate Directors) , as soon as possible following nomination.

- 1.5.3 In addition:

- a. All new Directors (including Alternate Directors) and Senior Management will receive a copy of this Governance Policy at the time of their appointment; and
- b. On an ongoing basis, an up-to-date copy of the Governance Policy will be made available to all Directors (including Alternate Directors) and Senior Management via the Directors' Intranet or on request from the Fund Secretary.

- 1.5.4 If changes are made to this Governance Policy, the Trustee will ensure that these changes are communicated to all Directors (including Alternate Directors) and Senior Management, and that a copy of the revised Governance Policy is made available via the Directors' Intranet or on request from the Fund Secretary.

1.6 Interaction with the Regulators

- 1.6.1 The Board and Senior Management will make themselves available to meet with APRA, ASIC, AUSTRAC, the ATO or the Privacy Commissioner on request.

2. Relevant Principles and Covenants

2.1 Governance Principles¹

2.1.1 The Trustee abides by the following governance principles in order to underpin a sound and effective governance framework:

- a. **Responsibility** — the Board is ultimately responsible and accountable for the decisions and actions taken by the Trustee.
- b. **Independence** — the Board discharges its review and oversight role effectively and independent of the interests of dominant shareholders, management, and competing or conflicting business interests.
- c. **Renewal** — the Board has a policy of renewal which provides for fresh insight and general reinvigoration of the Board while also ensuring ongoing understanding of the business of the Trustee.
- d. **Expertise** — the Board has the necessary expertise to fulfil its role and functions, and has access to independent expertise not readily available amongst the current Directors.
- e. **Diligence** — the Board discharges its duties and responsibilities carefully and conscientiously.
- f. **Prudence** — the Board has a clear focus on the prudent management of the Trustee.
- g. **Transparency** — the Board is open and honest in its dealings on behalf of the Trustee.
- h. **Oversight** — the Board is able to satisfy itself that the management and operation of the Trustee conforms with its strategy, direction and policies.

2.2 Common Law Obligations

2.2.1 The Trustee abides by the following common law obligations:

- a. Observe the governing rules of the Fund.
- b. Act honestly and in good faith.
- c. Act in the best interests of all Fund members and act impartially between all members.
- d. Invest the trust fund properly and for the benefit of members of the Fund.
- e. Keep trust assets separate.
- f. Keep proper accounts and provide information to Fund members.
- g. Ensure personal affairs do not conflict with the duties of the Trustee.
- h. Don't prevent the proper discharge of a Director's duties.
- i. Act personally or delegate properly.
- j. Operate with the same diligence, care and skill as an ordinary prudent person of business would exercise when dealing with the property of another person for whom they felt morally bound to provide.

2.3 SIS Covenants

2.3.1 The Trustee abides by the following Covenants contained in sections 52 and 52A of the SIS Act:

¹ See APRA Prudential Practice Guide SPG 510 – Governance (Paragraph 1)

General Covenants

- (a) To act honestly in all matters concerning the entity;
- (b) To exercise, in relation to all matters affecting the entity, the same degree of care, skill and diligence as a prudent superannuation trustee would exercise in relation to an entity of which it is trustee and on behalf of the beneficiaries of which it makes investments;
- (c) To perform the trustee's duties and exercise the trustee's powers in the best interests of the beneficiaries;
- (d) Where there is a conflict between the duties of the trustee to the beneficiaries, or the interests of the beneficiaries, and the duties of the trustee to any other person or the interests of the trustee or an associate of the trustee:
 - i. To give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons; and
 - ii. To ensure that the duties to the beneficiaries are met despite the conflict; and
 - iii. To ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
 - iv. To comply with the prudential standards in relation to conflicts;
- (e) To act fairly in dealing with classes of beneficiaries within the entity;
- (f) To act fairly in dealing with beneficiaries within a class;
- (g) To keep the money and other assets of the entity separate from any money and assets, respectively:
 - i. That are held by the trustee personally; or
 - ii. That are money or assets, as the case may be, of a standard employer-sponsor, or an associate of a standard employer-sponsor, of the entity;
- (h) Not to enter into any contract, or do anything else, that would prevent the trustee from, or hinder the trustee in, properly performing or exercising the trustee's functions and powers;
- (i) If there are any reserves of the entity—to formulate, review regularly and give effect to a strategy for their prudential management, consistent with the entity's investment strategies and its capacity to discharge its liabilities (whether actual or contingent) as and when they fall due;
- (j) To allow a beneficiary of the entity access to any prescribed information or any prescribed documents.

Investment Covenants

- (a) To formulate, review regularly and give effect to an investment strategy for the whole of the entity, and for each investment option offered by the trustee in the entity, having regard to:
 - i. The risk involved in making, holding and realising, and the likely return from, the investments covered by the strategy, having regard to the trustee's objectives in relation to the strategy and to the expected cash flow requirements in relation to the entity; and
 - ii. The composition of the investments covered by the strategy, including the extent to which the investments are diverse or involve the entity in being exposed to risks from inadequate diversification; and
 - iii. The liquidity of the investments covered by the strategy, having regard to the expected cash flow requirements in relation to the entity; and

- iv. Whether reliable valuation information is available in relation to the investments covered by the strategy; and
 - v. The ability of the entity to discharge its existing and prospective liabilities; and
 - vi. The expected tax consequences for the entity in relation to the investments covered by the strategy; and
 - vii. The costs that might be incurred by the entity in relation to the investments covered by the strategy; and
 - viii. Any other relevant matters;
- (b) To exercise due diligence in developing, offering and reviewing regularly each investment option;
 - (c) To ensure the investment options offered to each beneficiary allow adequate diversification.

Insurance Covenants

- (a) To formulate, review regularly and give effect to an insurance strategy for the benefit of beneficiaries of the entity that includes provisions addressing each of the following matters:
 - i. The kinds of insurance that are to be offered to, or acquired for the benefit of, beneficiaries;
 - ii. The level, or levels, of insurance cover to be offered to, or acquired for the benefit of, beneficiaries;
 - iii. The basis for the decision to offer or acquire insurance of those kinds, with cover at that level or levels, having regard to the demographic composition of the beneficiaries of the entity;
 - iv. The method by which the insurer is, or the insurers are, to be determined;
- (b) To consider the cost to all beneficiaries of offering or acquiring insurance of a particular kind, or at a particular level;
- (c) To only offer or acquire insurance of a particular kind, or at a particular level, if the cost of the insurance does not inappropriately erode the retirement income of beneficiaries;
- (d) To do everything that is reasonable to pursue an insurance claim for the benefit of a beneficiary, if the claim has a reasonable prospect of success.

Covenants Relating to Risk

- (a) To formulate, review regularly and give effect to a risk management strategy that relates to:
 - i. The activities, or proposed activities, of the trustee, to the extent that they are relevant to the exercise of the trustee's powers, or the performance of the trustee's duties and functions, as trustee of the entity; and
 - ii. The risks that arise in operating the entity;
- (b) To maintain and manage in accordance with the prudential standards financial resources (whether capital of the trustee, a reserve of the entity or both) to cover the operational risk that relates to the entity.

Covenants for Individual Directors

- (a) To act honestly in all matters concerning the entity;
- (b) To exercise, in relation to all matters affecting the entity, the same degree of care, skill and diligence as a prudent superannuation entity director would exercise in relation to an entity where he or she is a director of the trustee of the entity and that trustee makes investments on behalf of the entity's beneficiaries;

- (c) To perform the director's duties and exercise the director's powers as director of the corporate trustee in the best interests of the beneficiaries;
- (d) Where there is a conflict between the duties of the director to the beneficiaries, or the interests of the beneficiaries, and the duties of the director to any other person or the interests of the director, the corporate trustee or an associate of the director or corporate trustee:
 - i. To give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons; and
 - ii. To ensure that the duties to the beneficiaries are met despite the conflict; and
 - iii. To ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
 - iv. To comply with the prudential standards in relation to conflicts;
- (e) Not to enter into any contract, or do anything else, that would:
 - i. Prevent the director from, or hinder the director in, properly performing or exercising the director's functions and powers as director of the corporate trustee; or
 - ii. Prevent the corporate trustee from, or hinder the corporate trustee in, properly performing or exercising the corporate trustee's functions and powers as trustee of the entity;
- (f) To exercise a reasonable degree of care and diligence for the purposes of ensuring that the corporate trustee carries out the covenants referred to in section 52.

2.4 Corporations Act Obligations

2.4.1 The Trustee abides by the following obligations contained in the Corporations Act:

(a) Duties of a Company Director

These include:

- Duty to act in good faith and in the best interests of the Company as a whole.
- Duty to act for a proper purpose (i.e. to undertake the functions of the trustee of the superannuation fund for the members' benefit).
- Duty to retain discretionary powers;
- Duty to avoid actual and potential conflict of interest.

(b) Care and Diligence – Section 180(1) of the Corporations Act

- A Director or other officer of a corporation must exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they were in a similar position.

(c) Business Judgement – Section 180(2) of the Corporations Act

- A Director or other officer of a corporation who makes a business judgement² is taken to meet the care and diligence requirements in respect of that judgement if they:

² A 'business judgement' means any decision to take or not to take action in respect of a matter relevant to the business operations of the corporation. See **Section 180(3) of the Corporations Act**.

- Make the judgement in good faith and for a proper purpose; and
- Do not have a material interest in the subject matter of the judgement; and
- Inform themselves about the subject matter of the judgement to the extent they reasonably believe to be appropriate; and
- Rationally believe that the judgement is in the best interests of the corporation³.

(d) Good Faith – Section 181 of the Corporations Act

- A Director or other officer of a corporation must exercise their powers and discharge their duties:
 - In good faith in the best interest of the corporation; and
 - For a proper purpose.

(e) Use of Position – Section 182 of the Corporations Act

- A Director, Secretary, other officer or employee of a corporation must not improperly use their position to:
 - Gain an advantage for themselves or someone else; or
 - Cause detriment to the corporation.

(f) Use of Information – Section 183 of the Corporations Act

- A person who obtains information because they are, or have been, a director or other officer or employee of a corporation must not improperly use the information to:
 - Gain an advantage for themselves or someone else; or
 - Cause detriment to the corporation.

³ The director's or officer's belief that the judgement is in the best interests of the corporation is a rational one unless the belief is one that no reasonable person in their position would hold. See **Section 180(2) of the Corporations Act**.

3. The Board

3.1 Primary Responsibility

- 3.1.1 The Board is ultimately responsible for the development of, and sound and prudent management of, the Trustee's business operations⁴. This includes:
- a. Reviewing and approving the business strategies and significant policies of the Trustee; and
 - b. Satisfying itself that an effective system of risk management and internal control is established and maintained, and that Senior Management is monitoring the effectiveness of the risk management framework.

3.2 Composition

- 3.2.1 The Board is comprised of two classes of Directors – Nominated Directors (the collective reference for Member Representative Directors and Employer Representative Directors) and Independent Directors.
- 3.2.2 In accordance with the terms of the Constitution, the number of Nominated Directors (excluding Alternate Directors) shall be four (4), or such other number as the Directors may determine from time to time⁵, and the maximum number of Independent Directors shall be one (1).⁶
- 3.2.3 As at the date of approval of this Policy, the Board consists of five Directors: Four (4) Nominated Directors (two (2) Member Representative Directors and two (2) Employer Representative Directors), and one (1) Independent Director.
- 3.2.4 An Alternate Director has been appointed in relation to the Employer Representative Directors and in relation to the Member Representative Directors.
- 3.2.5 The Trustee confirms that the current composition of the Board allows it to meet:
- a. The requirement that the majority of Directors of the Trustee must be ordinarily resident in Australia.⁷
 - b. The requirement that the chairperson of the Board is a Director of the Trustee.⁸

3.3 Appointment

- 3.3.1 The Constitution of the Trustee is not prescriptive as to who may be appointed as a Director.
- 3.3.2 The Member Representative Directors are nominated by the Electrical Trades Union NSW Branch (**ETU**) and the Employer Representative Directors are nominated by the National Electrical and Communications Association NSW (**NECA**). There are no election rules for the ETU or NECA.

⁴ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 4)** 'business operations' is defined as including "all activities the Trustee undertakes as a Registrable Superannuation Entity ("RSE") Licensee (including the activities of each RSE for which it is the Licensee), and all other activities it undertakes to the extent that they are relevant to, or may impact on, its activities as an RSE Licensee".

⁵ **Trustee Constitution (Clause 16.1(2))**.

⁶ **Trustee Constitution (Clause 16.1(3))**.

⁷ See **APRA Prudential Standard SPS 510 – Governance (Paragraph 13)**. As a guide, a person will be considered by APRA to be 'ordinarily resident in Australia' if they are "likely to be in Australia for a majority of days in any 12-month period". (See **APRA Prudential Practice Guide SPG 510 – Governance (Paragraph 4)**)

⁸ See **APRA Prudential Standard SPS 510 – Governance (Paragraph 17)**.

3.3.3 The Independent Director is appointed by the other Directors. The Independent Director may not be a member of the Fund, a Sponsoring Employer of the Fund, an officer or employee of a Sponsoring Employer of the Fund; or an official of a trade union or any organisation that represents employers or members.

3.3.4 All nominees are required to meet the fit and proper requirements as set out in the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993*, *APRA Prudential Standard SPS 520 – Fit and Proper*, and articulated in the Trustee's **Fit and Proper Policy**, prior to appointment.

3.4 Removal

3.4.1 Rules governing the removal of Directors are set out in Clause 16.1 of the Constitution of the Trustee.

3.4.2 Subject to Section 3.4.4 below, each Nominated Director shall hold office until he or she dies or resigns or is removed from office by his or her appointer or appointers.

3.4.3 Subject to Section 3.4.4 below, an Independent Director shall hold office for five (5) years (or such other period as specified in the resolution of the Nominated Directors appointing the Independent Director). An Independent Director is eligible to be reappointed upon the expiry of his or her term of office by a resolution of the Nominated Directors.

3.4.4 The office of a Nominated Director or an Independent Director will become vacant if the Director:

- a. Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- b. In the case of a Nominated Director, is removed by the shareholder or shareholders responsible for the appointment of the Director;
- c. Resigns his or her office by notice in writing to the Company;
- d. Is absent without consent of the Directors from meetings of the Directors held during a period of six months;
- e. Term of office expires or that Director's appointment to such office otherwise ceases;
- f. Becomes disqualified from that office by the operation of law or that Director becomes a disqualified person as that term is defined in Relevant Law;
- g. If, at a meeting of Directors, a resolution is passed where at least two-thirds of the other Directors vote that the Director no longer meets the 'fit and proper person' requirements in the Relevant Law.

3.5 Retirement

3.5.1 Clause 16.2 of the Constitution of the Trustee provides that a Director shall not be subject to retirement by rotation.

3.6 Renewal

Nominated Directors

3.6.1 Rules governing the renewal of Nominated Directors are set out in Clause 16.1 of the Constitution of the Trustee.

3.6.2 In summary:

- a. The term of office of a Nominated Director shall be five (5) years.

- b. Nominated Directors may serve a maximum of three (3) consecutive terms of office. The Trustee is confident that a maximum term of fifteen (15) consecutive years will not, and will not be reasonably perceived to materially interfere with a Nominated Director's ability to act in the best interests of beneficiaries.
- c. At the cessation of each Nominated Director's term of office (other than the cessation of the Nominated Director's maximum term of office) the Trustee will review the Nominated Director's conformity with, and ability to continue to conform with, the propriety and fitness (competency) requirements outlined in the Trustee's **Fit and Proper Policy** and consider whether it is appropriate that the Nominated Director be re-nominated.
- d. At the cessation of each Nominated Director's maximum term of office, the individual may be nominated by the ETU or NECA to the role of Alternate Director.
- e. At the cessation of each Nominated Director's maximum term of office, the individual must wait twelve months from the date of cessation of office before being able to be renominated as a Member Representative Director or an Employer Representative Director.

3.6.3 The renewal process outlined in Section 3.6.2 above commenced from 14 June 2013.

3.6.4 In the case of each current Nominated Director at 14 June 2013, the recording of terms of office will commence from that date. Although each Nominated Director will have the same 'commencement date', the Trustee is confident that resignations will be staggered in order to support continuity and the appropriate transfer of knowledge and skills to new Directors.

Independent Directors

3.6.5 Rules governing the renewal of Independent Directors are set out in Clause 16.1 of the Constitution of the Trustee.

3.6.6 In summary:

- a. The term of office of an Independent Director shall be five (5) years.
- b. The Independent Director may serve a maximum of three (3) consecutive terms of office. The Trustee is confident that a maximum term of fifteen (15) consecutive years will not, and will not be reasonably perceived to materially interfere with the Independent Director's ability to act in the best interests of beneficiaries.
- c. At the cessation of the Independent Director's term of office (other than the cessation of the Independent Director's maximum term of office) the Trustee will review the Independent Director's conformity with, and ability to continue to conform with, the propriety and fitness (competency) requirements outlined in the Trustee's **Fit and Proper Policy** and consider whether it is appropriate that the Independent Director be re-nominated.
- d. At the cessation of the Independent Director's maximum term of office, the individual must wait twelve months from the date of cessation of office before being able to renominate for this position.

3.6.7 The renewal process outlined in Section 3.6.6 above commenced from 14 June 2013.

3.6.8 In the case of the current Independent Director at 14 June 2013, the recording of terms of office will commence from that date.

3.7 Independent Professional Advice

- 3.7.1 It is appropriate that the Board has access to the highest standards of professional advice in order to make decisions that are in the best interests of all members of the Fund.
- 3.7.2 The Board as a whole, and each individual Director, is expected to have the necessary experience to make appropriate decisions, with the advice of various professionals being available where required. It is appropriate for the provision of advice that is specifically sought by the Board to be channelled through the Chair, who has an ongoing right to seek independent professional advice at the expense of the Fund.
- 3.7.3 There may be circumstances that could arise where an individual Director may require advice from an independent professional adviser at the expense of the Fund, in order to make a decision on an issue that relates to their specific responsibilities. An individual Director should only proceed to seek this independent professional advice following consultation with the Chair and upon making an application to the Chair, who will determine whether to approve or not approve the application. The application should clearly spell out the reasons for the Director seeking the separate professional advice and why the Director believes that they should have access to this advice.
- 3.7.4 The application should generally outline the estimated costs for the provision of this advice. In circumstances where the Chair has not approved the application and provided reasons for this rejection, the Director will be entitled to refer the matter to the Board for their consideration. The Board may then either reject or approve the application.

3.8 Board Committees

- 3.8.1 The Board has established five Board Committees, to whom it has delegated authority to act on its behalf in respect of fulfilling certain obligations and strengthening its overall governance framework:
- a. Audit & Compliance Committee
 - b. Investment Committee
 - c. Marketing Committee
 - d. Remuneration Committee
 - e. Insurance Committee
- 3.8.2 In establishing these Committees, the Board had regard to the risk profile of the Trustee and the complexity of its business, as well as to the experience and expertise of the Directors.
- 3.8.3 On the basis that each of these Committees has responsibility for activities that have the potential to have a material impact on the interests, or reasonable expectations, of beneficiaries⁹, or to the long term financial soundness of the Trustee or the Fund, the Trustee has ensured that only a Director of the Trustee holds the position of chairperson on each Committee.

⁹ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 5)**, a reference to “beneficiaries” is a reference to “*beneficiaries of an RSE within the RSE Licensee’s business operations*”. In addition, a reference to “business operations” includes “*all activities as an RSE Licensee (including the activities of each Fund of which it is the RSE Licensee) and all other activities of the RSE Licensee to the extent that they are relevant to, or may impact on, its activities as an RSE Licensee*”.

3.8.4 The roles, responsibilities and objectives of each Committee, including appointment, tenure and reporting obligations, are set out in detail in the **Audit & Compliance Committee Charter**, the **Investment Committee Charter**, the **Marketing Committee Charter**, the **Insurance Committee Charter** and the **Remuneration Committee Charter**, which are regularly reviewed by the Board.

3.8.5 Whilst some functions and responsibilities of the Board may be delegated to Board Committees, the Board retains ultimate responsibility for ensuring that these duties are performed. The Trustee's **Delegations Policy** is contained in Section 6 of this Policy.

3.9 Board Performance Assessment

3.9.1 The Board has procedures in place to assess, at least annually:

- a. Its performance relative to its objectives; and
- b. The performance of individual Directors.

3.9.2 These procedures are contained in **Appendix B**.

3.9.3 In assessing the Board's performance, issues to be considered may include:

- a. Whether the Board's division of time between its various responsibilities is appropriate.
- b. Whether the Board has the appropriate mix of skills and experience to undertake its responsibilities.
- c. How effectively the Board is functioning as a team.
- d. How effectively the Board is addressing key responsibilities with regard to:
 - i. Quality and continuity of management;
 - ii. Setting strategic direction;
 - iii. External relationships with members, employer sponsors, sponsoring organisations, regulators, government and the media;
 - iv. Risk and compliance;
 - v. Board skills and experience, including programs for inducting Directors' and developing their skills and involvement;
 - vi. Board Meetings and operations are efficient, including procedural matters such as scheduling of meetings, timing of meetings, receipt of minutes, Board papers and agendas; and
 - vii. Ensuring that resolutions of the Board are implemented and complied with.

3.9.4 In undertaking this assessment, the Board will consider the extent to which the objectives that it has set for the Board collectively and for individual Directors have been met.

3.9.5 Objectives for the Board are determined annually, taking into account the previous Board performance assessment outcomes, and will be reviewed as part of the next scheduled Board performance assessment. Relevant objectives may include:

- i. Establishing the overall strategy for the Trustee and ensuring reporting against this strategy;
- ii. Assessing operating and financial conditions against forecasts; and
- iii. Making key decisions in a timely manner.

- 3.9.6 As part of the Board Performance Assessment process, Directors will be required to develop objectives for the coming year, taking into account the previous the Board performance assessment outcomes, and will be reviewed as part of the next scheduled Board performance assessment. Relevant objectives may include:
- i. Participating in relevant development opportunities to enhance their expertise and contributions to the Trustee and the Fund;
 - ii. Level of attendance and participation at Board meetings; and
 - iii. Contributing to Board deliberations and the overall direction of the Trustee.
- 3.9.7 The Trustee will schedule a Board performance assessment to be initiated by the end of the first quarter of each calendar year, with a focus on performance during the previous calendar year. Reporting on the outcomes of the performance assessment will be made directly to the full Trustee Board, and the full Trustee Board will be responsible for actioning the recommended courses of action. It is generally expected that recommended courses of action stemming from the assessment process will be implemented, as appropriate, prior to the commencement of the next scheduled Board performance assessment.
- 3.9.8 Prior to the commencement of each Board performance assessment process, the Board will determine whether the assessment will be undertaken internally, as a self-assessment process, or outsourced to an appropriately qualified and experienced service provider who is free from connection to the Trustee.
- 3.9.9 A self-assessment process would typically involve the assistance of the Fund Secretary and External Risk & Compliance Consultant however it is distinct from an external assessment in that any findings reflect the Directors' views only.
- 3.9.10 At a minimum, the Board is committed to ensuring that the board performance assessment is undertaken by an external party at least one in every three years.

3.10 Trustee Board Charter

- 3.10.1 The roles and responsibilities of the Board, including the conduct of meetings, are set out in detail in the **Trustee Board Charter** which is reviewed annually.

4. The Secretariat and Service Providers

4.1 Fund Secretary

- 4.1.1 The Board has appointed a Fund Secretary. The Fund Secretary acts with delegated responsibility from the Board to manage and operate the Fund on a day-to-day basis and to implement the Board's decisions and policies.
- 4.1.2 This includes the implementation and monitoring of structures, processes, information and oversight arrangements used in managing the Trustee.
- 4.1.3 The Board has the power to appoint and terminate the Fund Secretary. The Fund Secretary is directly accountable to the Chairman of the Board, and reports on actions taken to the Board Committees and/or the Full Trustee Board as appropriate.
- 4.1.4 The Board may delegate activities to the Fund Secretary, and requires the Fund Secretary to draw to its attention any changes that may impact on any aspect of the operation of the Fund.
- 4.1.5 For more information, see the Position Description for the Role of Fund Secretary (attached as Appendix 1 of the Fit and Proper Policy).

4.2 External Risk & Compliance Consultant

- 4.2.1 The Trustee has appointed an External Risk & Compliance Consultant.¹⁰
- 4.2.2 The External Risk & Compliance Consultant is responsible for assisting the Board, the Audit & Compliance Committee, and the Fund Secretary, in developing and maintaining all aspects of the Trustee's compliance management framework and risk management framework. This includes risk and compliance monitoring and reporting activities and responsibility to notify the Audit & Compliance Committee and/or the Board, of any material deviation¹¹ from, or material breach of, the compliance or risk management frameworks.
- 4.2.3 The Trustee has established the necessary authorities and reporting structures between the External Risk & Compliance Consultant and the Board, the Audit & Compliance Committee, and the Fund Secretary, to allow the External Risk & Compliance Consultant to conduct compliance and risk management activities in an effective and independent manner.
- 4.2.4 For more information, see Section 3.4 of the Trustee's **Risk Management Strategy**.

4.3 Service Providers

- 4.3.1 The Trustee has appointed a range of service providers to assist in the operation of the Fund.
- 4.3.2 For more information, see the Trustee's **Outsourcing Policy**.

¹⁰ The Trustee will ensure that the appointment of the External Risk & Compliance Consultant has been executed in accordance with the relevant requirements as contained in **APRA Prudential Standard SPS 231 - Outsourcing**.

¹¹ See **APRA FAQ 27**: A 'material deviation' is "a movement out of the ordinary, but not necessarily a breach".

4.4 Internal Audit Function

- 4.4.1 The Trustee is required to have an independent¹² and adequately resourced internal audit function.
- 4.4.2 The objectives of the internal audit function will include evaluation of the adequacy and effectiveness of the financial and risk management frameworks of the Trustee. To fulfil this objective, the Internal Auditor will be provided with unfettered access to all the Trustee's business lines and support functions.
- 4.4.3 Where control weaknesses are identified, the Fund Secretary will work with the Internal Auditor to ensure rectification procedures are in place, actively monitored and appropriately reported on.
- 4.4.4 The Internal Auditor will have a right to direct access to the Board Chairman or Chairman of Audit & Compliance Committee if required, but will also have a reporting line to the Fund Secretary. The Trustee is confident that this reporting line will not undermine the independence of the internal audit function, either in appearance or fact.
- 4.4.5 See the Trustee's Risk Management Strategy and Audit Procedures.

4.5 External Audit Function

- 4.5.1 The Trustee appoints an external Approved Auditor¹³ annually, by a letter of engagement and in accordance with the Trustee's normal outsourcing procedures, to conduct an external financial and compliance/risk management audit and provide a report to the Board.
- 4.5.2 The appointment of the Approved Auditor is arranged on the basis of a recommendation made by the Audit & Compliance Committee, who is also responsible for reviewing and approving the terms of engagement, reviewing any management letter points or recommendations made by the Approved Auditor, and reporting to the Board. The Approved Auditor will be made aware of any significant control issues and any other issues that may impact on the assessment undertaken during the audit.
- 4.5.3 An Approved Auditor may also be appointed to perform any additional audits at other times as may be deemed necessary by the Board or the Fund Secretary (subject to such the cost of such engagements being within budgeted limits).
- 4.5.4 The Approved Auditor has a right to direct access to the Board Chairman or Chairman of Audit & Compliance Committee if required.
- 4.5.5 See the Trustee's Risk Management Strategy and Audit Procedures.

¹² For more information on the Auditor Independence Requirements, see **Appendix A**.

¹³ As defined in **Superannuation Industry (Supervision) Act 1993 s.10(1)**.

5. Code of Conduct

5.1 Background

- 5.1.1 The attainment of strong and effective governance requires the commitment and support of all Directors, Senior Management, and external service providers who are responsible for the day-to-day operation of the Trustee and the Fund.
- 5.1.2 While this Code of Conduct is intended to provide practical assistance to Directors and Senior Management faced with ethical challenges, it is ultimately the responsibility of Directors and Senior Management themselves to take responsibility for their own behaviour and to give proper attention to the values which should guide their actions or decisions.

5.2 Standards

- 5.2.1 To maintain member confidence in the integrity of the Trustee and the Fund, it is essential that Directors and Senior Management exhibit, and are seen to exhibit, the highest ethical standards in the performance of their duties.
- 5.2.2 As such, Directors and Senior Management are expected to:
- a. Effectively perform the duties required by the position.
 - b. Be informed about the management of the administration, insurance, investment, and risk and compliance functions of the Fund.
 - c. Obtain all necessary information to be able to constructively participate in the decision making process of the Board.
 - d. Take all reasonable steps to ensure that the information upon which they base their decisions or actions is factually correct.
 - e. Exercise their technical or professional judgement.
 - f. Participate on Committees using the same standard of diligence, care and commitment as applied for the Board.
 - g. Maintain and develop knowledge of their professional field and of superannuation.
 - h. Maintain and develop their knowledge of the Fund, its purposes, and its business plan.
 - i. Comply with any legislative, industrial or administrative requirements relative to their position and any official guidelines concerning the performance of their duties.
 - j. Ensure that legislative and regulatory requirements are expeditiously and effectively addressed.
 - k. Ensure the Board, its processes and procedures are free from discrimination and harassment.
 - l. Treat other Board members and staff members with respect and sensitivity to their rights, providing appropriate example, guidance and assistance.
 - m. Treat members of the Fund with respect and sensitivity to their rights, providing appropriate assistance, and if and where necessary, guidance.
 - n. Ensure that resources of the Fund are used efficiently.
 - o. Lead by example.
 - p. Ensure fairness in decision making.
 - q. Ensure that there is no engagement in activities that can be interpreted by the Board or an appropriate Regulator as involving improper conduct.

5.3 Conflicts of Relevant Duties and/or Interests

- 5.3.1 The Trustee's **Conflicts Management Policy** documents the arrangements in place for managing situations giving rise to actual and potential conflicts of relevant duties and relevant interests.
- 5.3.2 Where an actual or potential conflict arises, the Trustee expects that:
- a. Priority will be given to the duties and interests of beneficiaries over the duties and interests of the Responsible Person or any other persons;
 - b. The duties to beneficiaries are met despite the conflict; and
 - c. The interests of beneficiaries are not adversely affected by the conflict.
- 5.3.3 All interests, gifts, emoluments or benefits, whether pecuniary or non-pecuniary, received by the Trustee, an associate of the Trustee, or a Responsible Person or employee of the Trustee, from a third party in connection with Trustee or Fund matters, are required to be declared.
- 5.3.4 All duties including directorships, roles and office positions held by Responsible Persons and employees of the Trustee, in any corporate entity, as well as any material shareholdings in, or derivation of any financial benefit from, any corporate entity, are required to be declared.

5.4 Use of Information, Assets and Facilities

Use of Official Information

- 5.4.1 Other than as required by law, in the course of their duty, when a Director (including Alternate Directors) or Senior Manager is called to give evidence in court or when the proper authority has been given, a Director or Senior Manager must not disclose confidential information or documents acquired in the course of their appointment.
- 5.4.2 Directors (including Alternate Directors) and Senior Management must not misuse information gained in their official capacity for speculation in shares or commodities on the basis of confidential information about the affairs of a business or of the Fund; or gossiping on the basis of personal or other information held in official records and must preserve confidentiality of official documents.
- 5.4.3 Directors (including Alternate Directors) and Senior Management must take care to maintain the integrity and security of official documents or information for which they are responsible.
- 5.4.4 Any intellectual property developed, invented or created by a Director (including Alternate Directors) or Senior Manager as a result of their appointment is the property of the Fund unless otherwise agreed in writing between the Director, the Chairman of the Board and the Fund Secretary.

Use of Fund Assets

- 5.4.5 The Fund's assets must only be used for the purposes authorised by legislation governing and regulating superannuation funds.
- 5.4.6 Directors and Senior Management, in authorizing or certifying expenditures within their delegated authority, or in establishing systems of control related to expenditure, have a personal responsibility to ensure the Fund's assets are validly and appropriately used.

Use of Secretariat Facilities

5.4.7 Directors (including Alternate Directors) and Senior Management must not use the services and facilities of the Fund Secretariat for private purposes.

5.5 Public Comment

5.5.1 Only the Chairman of the Board, and the Fund Secretary after clearance from the Chairman of the Board, are authorised to provide comment to the media on matters that are connected to Board considerations.

5.5.2 Directors (including Alternate Directors) and Senior Management in their private capacity as members of the community have the right to make public comment and enter into public debate on political and social issues. Nonetheless, Directors (including Alternate Directors) and Senior Management need to be sensitive to the fact that because of their responsibility and status, there will tend to be the implication that the public comment, although clearly made in a private capacity, may be attributed as an official comment of the Fund. Directors (including Alternate Directors) and Senior Management are therefore encouraged to state that discussion reflects personal opinion only.

6. Delegation Policy

6.1 Background

- 6.1.1 This section constitutes the Trustee's Delegation Policy.
- 6.1.2 In the context of this Delegations Policy, a delegation involves a transfer of power from the Trustee to a Board Committee, an individual, or an external service provider.
- 6.1.3 A delegate is authorised by the Trustee to do a certain thing or make a certain decision that the Trustee Board would ordinarily be empowered to do or to make, but for the fact that it is impractical for the Trustee Board to do that thing or make that decision.
- 6.1.4 Delegations are to be distinguished from the powers and duties that a person may have by virtue of the position they hold with the Trustee.

6.2 Trustee Responsibility

- 6.2.1 The Trustee Board is responsible for the governance and management of the Fund, and for ensuring that the Trustee and the Fund operate within the confines of the Relevant Law.
- 6.2.2 Whilst delegations may empower others to perform functions on its behalf, the Trustee remains ultimately responsible for all functions delegated and decisions made under delegation.

6.3 Legal Basis for Delegations

- 6.3.1 Pursuant to Rule 6.3.1 of the Trust Deed, the Trustee can delegate any power exercisable by it to any person or persons as it thinks fit from time to time.
- 6.3.2 Sections 52 and 52A of the SIS Act contain the covenants by which the Trustee must abide. Section 52(5) states that "a covenant... does not prevent the trustee from engaging or authorising persons to do acts or things on behalf of the trustee".
- 6.3.3 Section 198D of the Corporations Act provides that unless a company's constitution provides otherwise, the directors of a company may delegation any of their powers to a committee of directors, a director, an employee of the company, or any other person, so long as the delegation is recorded and the delegate exercises his or her powers in accordance with the directions of the directors.

6.4 Outsourcing Agreements

- 6.4.1 In accordance with the Trustee's **Outsourcing Policy**, the Trustee engages specialised service providers to perform a number of material business activities required to operate the Fund pursuant to service level agreements which govern the arrangement.
- 6.4.2 Where delegations are made to service providers, these delegations are established, monitored and reported on pursuant to the terms and conditions of the service level agreement in place between the service provider and the Trustee.

6.5 Selection of Delegates

6.5.1 All delegations must attach to a position title, or Committee, or service provider, and not a specific person, to ensure that if there is a change in personnel, the delegations can continue to be exercised without requiring amendment.

6.5.2 All delegates are carefully selected after due consideration of their fitness (competency) and propriety.

6.6 Documentation of Delegations

6.6.1 Each delegation is clearly documented in, as applicable, the **Terms of Reference** in place for each Committee, the **Position Description for the Role of Fund Secretary**, and specific service level agreements.

6.6.2 Delegations may also be referenced in specific Trustee policies and procedures.

6.7 Responsibility of Delegates

6.7.1 Delegates must act at all times within the prescribed limits of their delegations and must exercise their powers for proper purposes.

6.7.2 Delegates must ensure that all decisions made under delegated authority are documented in writing.

6.8 Monitoring of Delegates

6.8.1 The performance of delegates is regularly monitored and reviewed.

6.8.2 The responsibility for monitoring individual delegates rests with the Fund Secretary and the Chairman of the Board.

6.9 Specific Delegations

6.9.1 The Fund Secretary delegated authority to:

- Authorise payment of all NESS Super expenses, except those of the Fund Secretary which are submitted to the Chairman for approval.
- Authorise payment of financial hardship claims.¹⁴
- Authorise payment of benefits as delegated under the Insurance Committee Charter.

6.9.2 Where the Fund Secretary is absent for 5 consecutive business days, the Business Development Manager has delegated authority to:

- Authorise payments that have already been approved by the Board
- Authorise payments (except those of the Business Development Manager which are submitted to the Chairman for approval in the absence of the Fund Secretary) that have not already been approved by the Board up to \$10,000 or such other amount as approved by the Board.

6.9.3 The Administrator has delegated authority as set out in the Insurance Committee Charter.

¹⁴ See the Fund Secretary Position Description contained in the Trustee's Fit & Proper Policy.

7. Remuneration Policy

7.1 Overview

7.1.1 This Remuneration Policy outlines:

- a. The Trustee's remuneration objectives
- b. The structure of the Trustee's remunerations arrangements.¹⁵

7.2 Remuneration Objectives

7.2.1 The Trustee is committed to ensuring that the structure of remuneration of all persons and entities covered by this Remuneration Policy, including performance-based components (if any), does not compromise the independence of those persons and entities in carrying out their functions.

7.3 Application¹⁶

7.3.1 This section constitutes the Trustee's Remuneration Policy.

7.3.2 This Remuneration Policy applies to:

- a. Each person that meets the definition of a Responsible Person as outlined in SPS 520, excluding RSE Auditors and RSE Actuaries – being the Directors (including Alternate Directors), the Fund Secretary, the Business Development Manager, the External Risk & Compliance Consultant, the External Insurance Consultant and the External Superannuation Consultant.
- b. The persons whose primary role is risk management, compliance, internal audit, financial control or actuarial control (collectively known as the 'risk and financial control personnel') – being the External Risk & Compliance Consultant and the Internal Auditor.

¹⁵ In accordance with **APRA Prudential Standard SPS 510 – Governance (Paragraph 23)** 'remuneration arrangements' include measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity-related benefits) and the timing of eligibility to receive payments that a person receives by virtue of the role that they undertake for the Trustee.

¹⁶ In accordance with **APRA Prudential Standard SPS 510 – Governance (Paragraph 27)** a person is covered within one of the three categories of persons who must be addressed in the Trustee's Remuneration Policy if that person is:

- a. Employed directly by the Trustee; or
- b. Retained directly by the Trustee under contract; or
- c. Employed by, or a contractor of, a body corporate (including a service company) that is a connected entity or a related body corporate of the Trustee; or
- d. An entity that is not a connected entity or a related body corporate of the Trustee, but which meets the requirements of **APRA Prudential Standard SPS 510 - Governance (Paragraph 28)** in that:
 - i. Their primary role is to provide risk management, compliance, internal audit, financial control or actuarial control services to the Trustee; or
 - ii. The services provided by the body, either individually or collectively with like services provided by other bodies, may affect the interests of beneficiaries, the financial position of the Trustee or the Fund, or any other relevant prudential matter, and, under the service contract with the Trustee, a significant portion of the total payment to the body is based on performance.

Unless:

- iii. The Trustee's risk management framework explicitly addresses the structure of payments to bodies of the relevant kind and the risk that payment incentives can give rise to inappropriate behaviour; and
- iv. Oversight of this risk has been delegated to a Board Committee.

- c. All other persons for whom a significant proportion of their total remuneration is based on performance and whose activities, individually or collectively, may affect the interests of beneficiaries, the financial position of the Trustee or the Fund, or any other relevant prudential matter – no such persons exist as at the date of approval of this Policy.

7.4 Power to Remunerate

- 7.4.1 The Trustee is empowered to remunerate the Directors by Clause 16.1 of the Constitution which states:

“(c) The Directors shall be paid such remuneration as is from time to time determined by the Company in general meeting.

(d) That remuneration shall be deemed to accrue from day to day.

(e) The Directors may also be paid all travelling and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company...”

- 7.4.2 The Trustee is empowered to remunerate the Fund Secretary, the External Risk & Compliance Consultant and the Internal Auditor by Clauses 17.1 and 17.2 of the Constitution which state:

“...the Company shall be managed by the Directors, who may pay all expenses incurred in promoting and forming the Company...”

“Without limiting the generality of Clause 17.1 and without prejudice to the other powers conferred by this Constitution it is hereby expressly declared that Directors shall have powers necessary to enable the Company to carry out its trusteeship of the Fund in accordance with the Governing Rules and Relevant Law.”

7.5 Remuneration Committee

- 7.5.1 The Board has constituted a Remuneration Committee, to whom it has delegated authority to act on its behalf in respect of fulfilling certain obligations associated with this Remuneration Policy.
- 7.5.2 The role, responsibilities and objectives of the Remuneration Committee are set out in detail in the **Remuneration Committee Charter**.

7.6 Risk

- 7.6.1 The Trustee is aware that this Remuneration Policy forms part of the Trustee's risk management framework.
- 7.6.2 As at the date of this Policy, the Trustee has not identified any material risks associated with the remuneration of its Responsible Persons and other entities captured in the scope of this Policy.
- 7.6.3 For more information on the material risks for the Trustee and the Fund, see the Trustee's **Risk Management Strategy, Risk Appetite Statement, and Risk Register**.

7.7 Provision of Policy to APRA

- 7.7.1 The Trustee will provide a copy of this Policy to APRA upon receipt of such a request from APRA.

7.8 Equity or Equity Linked Deferred Remuneration

- 7.8.1 The Trustee is aware of its obligation to ensure that Responsible Persons who receive equity or equity-linked deferred remuneration are prohibited from hedging their economic exposures to the resultant equity price risk before the equity-linked remuneration is fully vested and able to be sold for cash by the recipient.¹⁷
- 7.8.2 As at the date of this Policy, the Trustee confirms that none of its Responsible Persons receive equity or equity-linked deferred remuneration.
- 7.8.3 If the Trustee intends to introduce equity or equity-linked deferred remuneration for some or all of its Responsible Persons, the Trustee will ensure that the affected Responsible Persons are aware of the prohibition outlined in Section 7.4.1 above, and that this Remuneration Policy is updated to specify the actions that the Trustee may take upon discovery that a Responsible Person has breached this prohibition.

7.9 Performance Based Remuneration¹⁸

- 7.9.1 To the extent to which remuneration is performance-based, the Trustee will ensure that all performance-based components of remuneration are designed to:
- a. Encourage behaviour which supports protecting the interests and meeting the reasonable expectations of beneficiaries; the long-term financial soundness of the Trustee, the Fund and any connected entities; and the Trustee's risk management framework; and
 - b. Align remuneration with prudent risk-taking and incorporate adjustments to reflect the outcomes of the Trustee's business operations¹⁹; the risks related to the Trustee's business operations; and the time necessary for the outcomes of those business operations to be reliably measured.
- 7.9.2 To the extent to which remuneration is performance-based, the Trustee will also ensure that the Board has the ability to adjust performance-based components of remuneration downwards, to zero if appropriate, in relation to relevant persons or classes of persons, if such adjustments are necessary:
- a. To protect the financial position of the Trustee, the Fund, and its connected entities, or for the purpose of any other relevant prudential matter; and
 - b. To respond to significant unexpected or unintended consequences which were not foreseen by the Remuneration Committee.
- 7.9.3 As at the date of this Policy, the Trustee confirms that it does not provide performance-based remuneration.
- 7.9.4 On an ad hoc basis employees of the Trustee may receive an annual salary supplement at the discretion of the Board. Such payments are based on the employees' overall performance and are not aligned to

¹⁷ See **APRA Prudential Standard SPS 510 – Governance (Paragraph 30)**.

¹⁸ See **APRA Prudential Standard SPS 510 – Governance (Paragraphs 24-26)**

¹⁹ In accordance with **APRA Prudential Standard SPS 510 – Governance (Footnote 4)**, an 'RSE Licensee's business operations' includes "all activities as an RSE Licensee (including the activities of each RSE of which it is the Licensee), and all other activities of the RSE Licensee to the extent that they are relevant to, or may impact on, its activities as an RSE Licensee".

specific metrics or key performance indicators. The Trustee has no obligation to make such payments regardless of any employee's performance. These payments do not constitute performance-based pay.

7.10 Remuneration of Nominated Directors

7.10.1 The Trustee uses the term 'Nominated Director' to refer to Member Representative Directors and Employer Representatives nominated by NECA and the ETU.

7.10.2 Under the current arrangements, Director remuneration comprises the following:

- a. The Trustee pays an agreed amount to the NECA-nominated Director (including Alternate Directors) s, in accordance with their instructions, on a quarterly basis, to cover the costs of time spent by these Directors in their role as Nominated Directors of the Fund.
- b. The Trustee pays an agreed amount to the ETU in respect of the ETU-nominated Directors (including Alternate Directors), on a quarterly basis, to cover the costs of time spent by these Directors in their role as Nominated Directors of the Fund.
- c. The level of remuneration is determined by the Remuneration Committee on an annual basis having regard to market practice.
- d. All reasonable costs associated with being a Nominated Director, including those relating to travel to and from meetings, and other expenses incurred in connection with the operation of the Trustee and the Fund, are reimbursed by the Trustee directly to the Nominated Director.

7.11 Remuneration of the Independent Director

7.11.1 The Independent Director is appointed by the Nominated Directors.

7.11.2 The Trustee directly remunerates the Independent Director an agreed amount on a quarterly basis.

7.11.3 The level of remuneration is determined by the Remuneration Committee on an annual basis having regard to market practice.

7.12 Remuneration of the Fund Secretary

7.12.1 The Fund Secretary is appointed by the Board.

7.12.2 The Trustee directly remunerates the Fund Secretary by way of an agreed fixed salary payable fortnightly.

7.12.3 There are currently no performance-based components to this remuneration.

7.13 Remuneration of the Business Development Manager

7.13.1 The Business Development Manager is appointed by the Board.

7.13.2 The Trustee directly remunerates the Business Development Manager by way of an agreed fixed salary payable fortnightly.

7.13.3 There are currently no performance-based components to this remuneration.

Remuneration Paid to PFS

- 7.13.4 The Trustee has appointed Professional Financial Solutions Pty Ltd (**PFS**), to assist the Board, the Audit & Compliance Committee, and the Fund Secretary in developing, implementing, maintaining and monitoring all aspects of the Trustee's compliance and risk management frameworks.
- 7.13.5 The Trustee remunerates PFS by way of payment of an agreed, fixed retainer for the provision of ongoing compliance and risk management services. The retainer is invoiced quarterly in advance, and is indexed annually in line with AWOE on the basis of a three-year contract.
- 7.13.6 Additional fixed fee and/or time and materials based remuneration (at agreed hourly rates) may also be paid to PFS for consulting services performed which are outside the scope of the retainer. The services to be provided, and the method of payment, will be agreed with PFS in advance of any services being provided.
- 7.13.7 The retainer paid by the Trustee to PFS is fixed. There are no performance-based components to the remuneration structure in place. As such, the Trustee is confident that the payment of fee for service to PFS does not compromise the independence of those responsible for carrying out the compliance and risk management services.

Remuneration Paid to Employees of PFS

- 7.13.8 Employees of PFS who provide services to the Trustee in accordance with the terms and conditions of the Service Level Agreement are remunerated by way of a base salary, plus superannuation.
- 7.13.9 On an ad hoc basis employees may receive a bonus at the discretion of the PFS Board. Such a bonus is based on the employees' overall performance in their role with PFS, and is not linked to their performance in relation to a specific client.
- 7.13.10 The Trustee is comfortable that these remuneration arrangements align broadly with its own approach to remuneration.

7.14 Remuneration of the External Superannuation Consultant

Remuneration Paid to Deloitte

- 7.14.1 The Trustee engages Deloitte Australia (Deloitte), to provide external superannuation consulting services to the Board and the Fund Secretary.
- 7.14.2 The Trustee remunerates Deloitte on a time and materials basis (at agreed hourly rates) or a fixed-fee arrangement depending on the consulting services that the Trustee has requested Deloitte to perform. In relation to each consulting service provided, the method of payment has been agreed in advance of Deloitte commencing the provision of the requested services.
- 7.14.3 There are no performance-based components to the remuneration structure in place for the external superannuation consultant. As such, the Trustee is confident that the payment of fee for service to Deloitte does not compromise the independence of those responsible for carrying out the consulting services.

Remuneration Paid to Employees of Deloitte

- 7.14.4 Employees of Deloitte who provide services to the Trustee in accordance with the terms and conditions of the Service Level Agreement are remunerated by way of a base salary, plus superannuation.
- 7.14.5 On an ad hoc basis employees may receive a bonus at the discretion of the Deloitte Board. Such a bonus is based on the employees' overall performance in their role with Deloitte, and is not linked to their performance in relation to a specific client.
- 7.14.6 The Trustee is aware that an employee of Deloitte who provides consulting services to the Trustee is a partner of Deloitte Touche Tohmatsu Australia and receives partnership payments.
- 7.14.7 The Trustee is comfortable that these remuneration arrangements align broadly with its own approach to remuneration.

7.15 Remuneration of the External Insurance Consultant

Remuneration Paid to ASAS Pty Ltd

- 7.15.1 The Trustee engages ASAS Pty Ltd to provide external insurance consulting services to the Board and the Fund Secretary.
- 7.15.2 The Trustee remunerates ASAS Pty Ltd on a time and materials basis (at agreed hourly rates) or a fixed-fee arrangement depending on the consulting services that the Trustee has requested ASAS Pty Ltd to perform. In relation to each consulting service provided, the method of payment has been agreed in advance of ASAS Pty Ltd commencing the provision of the requested services.
- 7.15.3 There are no performance-based components to the remuneration structure in place for the external insurance consultant. As such, the Trustee is confident that the payment of fee for service to ASAS Pty Ltd does not compromise the independence of those responsible for carrying out the consulting services.

Remuneration Paid to Employees of ASAS Pty Ltd

- 7.15.4 Employees of ASAS Pty Ltd who provide services to the Trustee in accordance with the terms and conditions of the Service Level Agreement are remunerated by way of a base salary, plus superannuation.
- 7.15.5 The Trustee is comfortable that these remuneration arrangements align broadly with its own approach to remuneration.

7.16 Remuneration of the Internal Auditor

Remuneration Paid to KPMG

- 7.16.1 The Trustee has appointed KPMG to the position of Internal Auditor. The Trustee remunerates KPMG by way of payment of an agreed, fixed retainer for the provision of internal audit services.
- 7.16.2 There are no performance-based components to the remuneration structure in place for the Internal Auditor. The Trustee is confident that the payment of fee for service to KPMG does not compromise the independence of those responsible for carrying out the internal audit services.

Remuneration Paid to Employees of KPMG

- 7.16.3 Employees of KPMG who provide services to the Trustee in accordance with the terms and conditions of the Service Level Agreement are remunerated by way of a base salary, plus superannuation.
- 7.16.4 On an ad hoc basis employees may receive a bonus at the discretion of the KPMG Board. Such a bonus is based on the employees' overall performance in their role with KPMG, and is not linked to their performance in relation to a specific client.
- 7.16.5 The Trustee is comfortable that these remuneration arrangements align broadly with its own approach to remuneration.

8. Legal Documents

8.1 Trust Deed

8.1.1 The Fund has a Trust Deed which sets out how the Fund operates and the obligations, rights and benefits of the Directors, members and employer sponsors of the Fund. It is the final authority in any matter relating to the receipt of contributions, the payment of benefits and the conditions of membership.

8.2 Constitution

8.2.1 The Trustee is bound by its Constitution, which sets out how it must operate when dealing with shares, meetings, appointments, removals and remuneration of Directors, records, indemnity, winding up etc.

8.3 ABN

8.3.1 The Trustee holds an Australian Business Number (ABN): **28 003 156 812**.

8.3.2 The Funds holds a separate ABN: **72 229 227 691**.

8.4 RSE Licence

8.4.1 The Trustee holds a Public Offer, Registrable Superannuation Entity (RSE) Licence: **RSE Licence L0000161**.

8.4.2 The Fund is a Registered Superannuation Entity under this RSE Licence: **Registered Superannuation Entity R1000115**.

8.5 AFS Licence

8.5.1 The Trustee holds an Australian Financial Services (AFS) Licence – **AFS Licence 238945** – which authorises it to carry on a financial services business to provide general financial product advice for superannuation and deal in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product in respect of superannuation to retail clients.

9. Policies and Procedures

As at the date of this Policy, the Trustee is operating with reference to the following policies and procedures:

- A. Anti-Money Laundering and Counter-Terrorism Financing Program
- B. Business Continuity Management Policy
- C. Business Plan
- D. Compliance Policy
- E. Conflicts Management Policy
- F. Complaints Handling Procedures
- G. Crediting Rate Policy
- H. Fit and Proper Policy
- I. Governance Policy
- J. Incident and Breach Handling Procedures
- K. Insurance Management Framework
- L. Investment Policy Statement
- M. MySuper Adequacy of Scale and Assets Policy
- N. MySuper Fee Policy
- O. Operational Risk Financial Requirement Strategy
- P. Outsourcing Policy
- Q. Privacy Policy
- R. Audit Procedures
- S. Register of Material Risks
- T. Reserving Policy
- U. Resources Statement
- V. Retention of Records Guidelines
- W. Risk Appetite Statement
- X. Risk Management Strategy
- Y. Taxation Policy

As at the date of this Policy, the Trustee is operating with reference to the following charters:

- A. Trustee Board Charter
- B. Audit & Compliance Committee Charter
- C. Insurance Committee Charter
- D. Investment Committee Charter
- E. Marketing Committee Charter
- F. Remuneration Committee Charter

10. Communication

10.1 Duty to Members

- 10.1.1 The Trustee has a duty to adequately inform members about the Fund's features and benefits, financial condition, investment performance and other issues relevant to its management.
- 10.1.2 Communications to members should be easy to understand, accurate and readily available, having regard to the Trustee's obligations under the conditions of its AFS Licence in relation to the provision of financial product advice.
- 10.1.3 The current Communications Programme includes, among other things, the following (which can be accessed online):
- a. A Product Disclosure Statement for each of the Fund and the Pension, which summarises benefits and terms and conditions.
 - b. Insurance Guides for Employed Members, Self-Employed Members and Spouse Members.
 - c. An Annual Report.
 - d. A Benefit Statement which is provided to each member annually and explains their current benefit entitlements.
 - e. A half yearly report and newsletter.
 - f. Occasional announcements relevant to members.
 - g. A website.
- 10.1.4 Any material changes to the Fund's benefit design or fees charged to members will be communicated to members in accordance with legislative requirements.

10.2 Enquiries and Complaints

- 10.2.1 The Trustee has procedures in place to ensure that member enquiries and complaints about the operation and management of the Fund are properly considered and dealt with. See the Trustee's **Complaints Handling Procedures**.

10.3 Privacy

- 10.3.1 The Trustee has procedures in place to ensure that members' personal information is properly collected, used and stored. See the Trustee's **Privacy Policy**.

11. Provision of Information to Third Parties

11.1 Whistleblower Protection Provisions

11.1.1 The Trustee will abide by the Whistleblower Protection Provisions as contained in sections 336A-336E of the SIS Act and reproduced in Section 11.1 and Appendix 9 of the **Fit and Proper Policy**.

11.2 Provision of Information to APRA

11.2.1 The Trustee confirms that no prospective, current, or former officer, employee or contractor (including professional service provider) of the Trustee will be constrained or impeded, whether by confidentiality clauses or other means, from:

- a. Disclosing information to APRA;
- b. Discussing issues with APRA of relevance to the management and prudential supervision of the Trustee; or
- c. Providing documents under their control to APRA that may be relevant in the context of the management and prudential supervision of the Trustee.

11.2.2 In addition, such persons will not be constrained or impeded from providing the aforementioned information to, as applicable, auditors, actuaries and others who have statutory responsibilities in relation to the Trustee.

11.2.3 The Trustee will ensure that neither its internal policies, nor its contractual arrangements, explicitly or implicitly restrict or discourage auditors or other parties from communicating with APRA.

12. Policy Review Process

12.1 Annual Review

- 12.1.1 This Policy will be reviewed on an annual basis.
- 12.1.2 Prior to the commencement of this review, the Trustee will determine whether the review will be undertaken internally by the Fund Secretary and the External Risk & Compliance Consultant, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.
- 12.1.3 The results of the review will be reported to the Audit & Compliance Committee as part of the next scheduled meeting following completion of the review.

12.2 Ad Hoc Review

- 12.2.1 The Trustee may determine to complete an ad hoc review of this Policy in response to:
- a. An identified, systemic breach occurring as a result of the Governance Procedures;
 - b. A change to the Relevant Law;
 - c. A change to the Trustee's constituent documents;
 - d. A material change to the operation of the Fund; and/or
 - e. A relevant amendment being made to the Trust Deed.
- 12.2.2 Prior to the commencement of this review, the Trustee will determine whether the review will be undertaken internally by the Fund Secretary and the External Risk & Compliance Consultant, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.
- 12.2.3 The results of the review will be reported to the Audit & Compliance Committee as part of the next scheduled meeting following completion of the review.

13. Appendix A: Auditor Independence²⁰

1. The Board must, to the extent practical, undertake steps to satisfy itself that the Auditor, who undertakes work for the Trustee in relation to RSE Licensee Law²¹, is independent of the Trustee²² and the Fund, and that there is no conflict of interest situation that could compromise, or be seen to compromise, the independence of the Auditor.
2. As part of the process of ascertaining the independence of the Auditor, the Trustee must obtain a declaration from the Auditor to the effect that:
 - a. The Auditor is independent, both in appearance and in fact;
 - b. The Auditor has no conflict of interest situation; and
 - c. There is nothing to the Auditor's knowledge (either in relation to the individual auditor or any audit firm or audit company of which the Auditor is a member or director) that could compromise that independence.
3. A person who was a member of an audit firm or a director of an audit company, and who served in a professional capacity in the audit of an RSE licensee in relation to RSE Licensee Law, cannot be appointed to the role of director or senior manager of that RSE licensee until at least two years have passed since they served in that professional capacity.
4. A person who was an employee of an audit company, other than a director of that company, and who acted as the lead auditor²³ or review auditor²⁴ in the audit of an RSE licensee in relation to RSE licensee law, cannot be appointed to the role of director or senior manager of that RSE licensee until at least two years have passed since they acted as the lead auditor or review auditor.
5. A person cannot be appointed as a Director or Senior Manager of the Trustee if:
 - a. The person was, or is, a director of the audit company or a member of the audit firm that was, or is, responsible for the audit of the Trustee in relation to RSE Licensee Law; and
 - b. There is already another person appointed or employed as a Director or Senior Manager of the Trustee who was a director of the audit company or a member of the audit firm, at a time when the audit company or audit firm undertook an audit of the Trustee at any time during the previous two years.

²⁰ The *Corporations Act 2001* contains a number of requirements in relation to auditor independence. The auditor independence requirements in **APRA Prudential Standard SPS 510 - Governance** are substantially consistent with these requirements, and are intended to help ensure the independence of an auditor engaged to perform work of a prudential nature in relation to RSE Licensee Law.

²¹ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 3)**, the term “RSE Licensee Law” has the meaning given in section 10(1) of the SIS Act, being “*the SIS Act, the SIS Regulations, the APRA Prudential Standards, the Financial Sector (Collection of Data) Act 2001, the Financial Institutions Supervisory Levies Collection Act 1998, specific provisions of the Corporations Act 2001 as listed under the definition of ‘regulatory provision’ in the SIS Act or specified in the regulations as applying in relation to superannuation interests, and any other provisions or any other law of the Commonwealth specified in regulations made for the purpose of this paragraph.*”.

²² For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 11)** ‘independent of the Trustee’ means that “*the Auditor has been assessed as meeting the Audit Independence tests set out in APES 110 Code of Ethics for Professional Accountants, as well as the additional auditor independence requirements set out in SPS 510.*”.

²³ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 13)** ‘Lead Auditor’ means “*the registered company auditor who is primarily responsible to the audit firm or the audit company for the conduct of audit work conducted in relation to RSE licensee law.*”.

²⁴ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 14)** ‘Review Auditor’ means “*the registered company auditor (if any) who is primarily responsible to the individual auditor, audit firm or audit company for reviewing audit work conducted in relation to RSE licensee law.*”.

6. An individual who plays a significant role²⁵ in the audit of the Fund in relation to RSE Licensee Law, for five successive years, or for more than five years out of seven successive years, cannot continue to play a significant role in the audit until at least a further two years have passed, except with an exemption in writing from APRA. APRA may grant an exemption from this requirement if the individual provides specialist services that are otherwise not readily available or there are no other registered company auditors available to provide satisfactory services for the Trustee.
7. For the purposes of maintaining their independence and objectivity, the Auditor and Actuary cannot both be employed by the same body corporate or related bodies corporate, or by the same firm or related firms.

²⁵ For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 15)** ‘an individual who plays a significant role’ means “*an individual auditor who acts as the auditor in respect of any of the requirements of RSE Licensee Law, or the lead or review auditor where such audit work is performed by an audit company or audit firm*”.

14. Appendix B: Board Performance Procedures²⁶

The Board uses the following procedures as part of its performance review processes.

For the Self-Assessment process:

1. Review findings/recommendations of the previous Board performance assessment.
2. Determine if there are any particular matters that the self-assessment process should cover taking into account the activities of the Board and the operation of the Trustee/Fund during the previous year.
3. Agree on a timetable for the review process.
4. With assistance from the Fund Secretary and/or External Risk & Compliance Consultant, administer the self-assessment questionnaire (this will typically take the form of an online survey) and undertake an interview process (in practice these will be conducted by the Chairman/Fund Secretary with oversight by the External Risk & Compliance Consultant).
5. With assistance from the Fund Secretary and/or External Risk & Compliance Consultant, collate the responses from the Directors/Chair and prepare a report to the full Trustee Board.

For the External Assessment process:

1. Review findings/recommendations of the Board performance assessment for the previous and the last external assessment.
2. Determine if there are any particular matters that the external assessment should cover taking into account the activities of the Board and the operation of the Trustee/Fund during the previous year/s.
3. Engage an appropriately qualified and suitably experienced external party to conduct the review.
4. Agree on a timetable for the review process.
5. Undertake the review as agreed with the external party.
6. Receive report from the external party and discuss findings/recommendations.
7. Agree on the process for responding to any findings/recommendations including appropriate timeframes.

²⁶ These procedures will be developed and enhanced as the Trustee gains experience in the performance review process, and in particular in relation to the self-assessment process.