

AIST Governance Code

Frequently Asked Questions

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Reporting

1. What is expected under ‘if not, why not’ reporting?

Where the fund believes they have complied with a code requirement, they should clearly explain how compliance has been achieved.

If compliance is not possible, or it is not in the best interests of the beneficiaries, it is expected that the fund clearly explains why this is the case.

There may be several reasons why compliance against a requirement is not possible, such as:

- The fund cannot legally comply – there may be various regulatory impediments to compliance. For example, public sector superannuation schemes exempt from regulation under the SIS Act are regulated by state-based legislation that can present legislative barriers to compliance.
- The fund will not comply – the fund has chosen not to comply but has clearly and sufficiently explained the reasons for non-compliance and their alternative approach.
- The fund is working towards compliance – the fund is not presently able to comply with the requirement but is moving towards complying in the future and outlines its intention.

All explanations should be clear and concise. Answers should not be generic and should address all elements of the requirement. The steps taken towards achieving compliance, as well as the intention to be compliant as far as practicable, should be clearly detailed in the report.

The fund may wish to address the following circumstances in the explanation:

- The procedure followed by the fund if they consciously decided to depart from the requirement.
- The evidence or substance behind the decision or facts that meant the requirement could not be complied with.

2. What are the reporting dates?

| Who | Description | Date |
|--------------------|-------------------------|-------------------|
| Pilot participants | Reporting period begins | 1 July 2017 |
| | Reporting period ends | 30 June 2018 |
| | Compliance report due | 30 September 2018 |
| All participants | Reporting period begins | 1 July 2018 |
| | Reporting period ends | 30 June 2019 |
| | Compliance report due | 30 September 2019 |

3. When does the fund need to disclose material to members?

Several Code requirements introduce new disclosure obligations. Details of what must be disclosed, and when, is outlined in Governance Code [Disclosure Guidance](#) document.

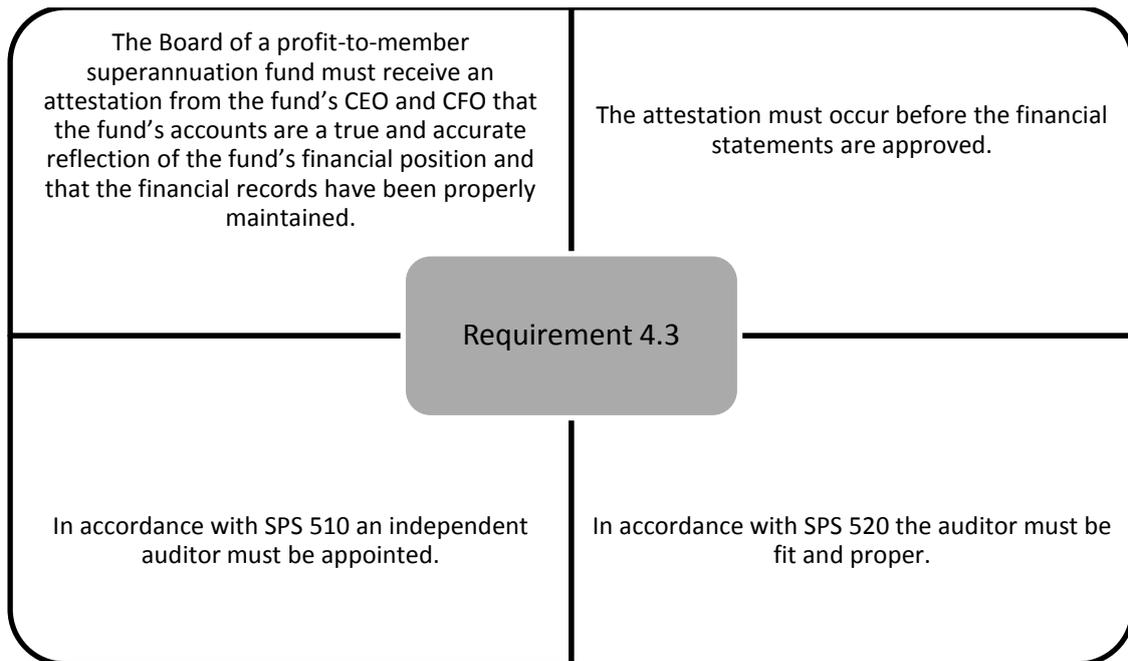
4. How should the reporting requirements be addressed?

A reporting template is available for download [here](#). Completed reports can be lodged with the Compliance Panel at govcode@aist.asn.au. The panel will confirm receipt of your report.

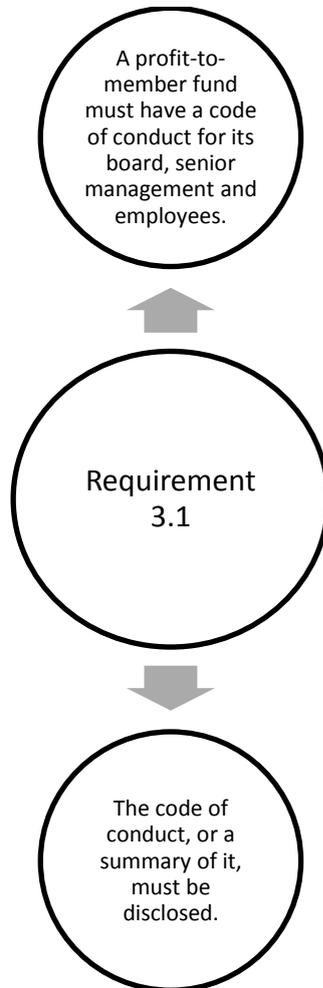
The AIST Governance Code [Guidance document](#) explains the requirements in detail and outlines matters that the fund may wish to consider for each requirement.

To ensure that the report is full and frank, it is beneficial to analyse each requirement in depth to understand what is required. Many of the requirements contain 'sub parts', outlining multiple items in a requirement that are expected to be addressed to provide a satisfactory answer. It is expected that the report addresses all elements of each requirement.

For example, a breakdown of requirement 4.3 reveals that it contains four separate items that must be addressed as detailed in the matrix below.



A similar breakdown of requirement 3.1 reveals that it contains two separate requirements:



5. Are there any examples of how to report against a requirement?

The table below contains two example responses. The responses clearly detail how the fund has complied with the requirement, and where it was not possible, or not in the best interests of members to comply. The response clearly explains why this is the case.

| Requirement | Indication of how the fund has satisfied the requirement, or explanation of why it was not possible, or not in the best interests of members, to do so. |
|---|---|
| <p>1.1 - A profit-to-member superannuation Board must 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.</p> | <p>The fund partly meets this requirement. No new board appointments were made in the reporting year. The board renewal committee met with each of the sponsoring organisations and there is agreement that sponsoring organisations will have regard to the board's requirements in terms of skills and experience for the next director(s) appointed by each organisation.</p> <p>However, under the terms of the fund's governing rules, the sponsoring organisations rather than the board have the power to appoint directors. The board has initiated discussions with the sponsoring organisations to seek a change in the governing rules so that a sponsoring organisation's proposal for a new director will be subject to a resolution confirming the appointment.</p> |
| <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.</p> | <p>The fund meets the requirement.</p> <p>The fund maintains a register of related parties with which it has any commercial arrangement (e.g. transaction banking through ME Bank). In every case, fund management is aware of market terms offered for similar services by unrelated parties, and is satisfied that the terms secured by the fund are at least as favorable to members as those generally available in the market. The board is provided with annual management reports on market comparability.</p> <p>The fund publishes in the member section of its website a list of each related party with which it has any commercial arrangement, and a broad description of the services provided.</p> |

6. What resources are available to help assist reporting against the code

The AIST website contains a [suite of resources](#) to assist Code compliance and reporting. This page will be updated periodically.

7. What is expected of the diversity requirement (1.4)?

This reporting requirement of the Code requires funds to have a diversity policy in place that sets out their objectives for enhancing diversity.

The fund's objectives will vary depending on their circumstances but may include a goal to attract, develop and retrain a broader talent pool from which candidates for senior executive and board roles could be drawn. These objectives may be achieved in various ways, such as modifying recruitment processes and policies or creating mentoring and development programs.

The requirement does not oblige funds to set a minimum diversity quota.

8. What is expected of the board renewal committee requirement (2.1)?

This requires the fund to:

- Have a committee of at least three individuals responsible for board renewal matters that meets at least annually; and
- For the committee charter to be disclosed; and
- For attendance records to be published.

The requirement does not mean that a standalone committee is necessary. It is open for funds to consider whether an existing committee's remit can be expanded to include a consideration of renewal matters.

Panel responsibilities

9. How will the panel assess the reports?

The Governance Code Monitoring Panel will annually assess how each fund meets the Code requirements, including an examination of the reasonableness of funds' explanations of why they have not met the code. The Panel will be supported in its work by an AIST secretariat.

10. What are the key roles of the Monitoring Panel?

In addition to assessing compliance reports the panel will:

- Provide the AIST Board with a written report on an annual basis detailing:
 - Funds that have met all Code requirements;
 - Funds that have met most Code requirements, and have provided a reasonable explanation for those that have not been met;
 - Funds that did not meet a requirement of the Code and did not provide a reasonable explanation of why the requirement was not met.
- Prepare a public report to the extent of AIST member fund compliance. The public report will not identify individual funds.
- Provide recommendations to AIST on the development of materials to assist fund compliance.
- Engage with individual AIST member funds regarding reporting and compliance.

To view all of the panel's responsibilities, please [click here](#).

Code review

11. Will the Code be reviewed and updated?

The AIST Governance Code will be reviewed on a three-yearly basis. The first review is scheduled to take place in 2021 and AIST will conduct a formal consultation process with its member funds and the Governance Code Monitoring Panel before any changes are made to the Code.