

**Helpful hints** 2019

# **AIST Governance Code compliance report preparation**

including examples of leading practice

*This document contains two tables which demonstrate leading practice in complying with AIST's Governance Code as well as other helpful hints.*

*The first table provides examples of the sorts of explanations that will meet the Panel's requirements for satisfactory reporting. This includes the three categories of compliance ie where requirements are not met, partially met and fully met.*

*The second table provides leading practice examples of how requirements have been met, including links to funds' and companies' websites.*

*In addition, guidance tools for reporting are available on AIST's website and include: [Governance Code Guidance](#), the [2019 Reporting Template](#) and [FAQs](#).*

*To comply with the Governance Code, a Code Compliance Report must be approved by the fund's Board. Finally, the report must be submitted by 30 September 2019 to [govcode@aist.asn.au](mailto:govcode@aist.asn.au).*

Part 1: Examples of explanations which satisfy the Governance Code Monitoring Panel's needs

The Panel requires reports to include an explanation demonstrating:

- how the fund implements a requirement; or
- if the fund cannot fully meet a requirement, the reasons for this and an alternative approach. This is particularly relevant for public sector funds or where a requirement does not meet members' best interests. Any plans to work towards compliance can be included in the last column.

Where relevant, please include any links to policies, practices and/or other sources (web site etc).

**Table 1: 2019 Reporting Template format with examples of explanations for the 3 levels of compliance**

Requirement	Compliance Level	Explanation	Example of what could be planned activities to address gaps
1.3 The fund's company secretary is accountable directly to the Board, through the Chair, on all matters concerning effective Board operations and must provide every assistance to the Board to fulfil their obligations in acting in the best interests of members. The Chief Executive Officer must not be the company secretary.	Full	The secretary's role is not undertaken by the CEO. The Secretary has dual responsibility to both the Board and Management. The secretary meets directly with the Chair as required and is available to consult directly with trustee directors to facilitate the Board to fulfil its obligations in acting in the best interests of members.	The Board Charter will be revised by November 2020 to include the position description of the company secretary. The Board Charter is available on the governance page of our website.
1.2 A profit-to-member superannuation fund must have a written agreement with each trustee director and senior executive setting out the terms of their appointment.	Partial	Trustee directors are appointed in accordance with the x Act. Trustee directors are bound by both the x Act and SIS Act, as well as other legislative requirements applicable to fiduciaries. Terms and procedures for appointment, remuneration, and removal are outlined in the x Act. Trustee directors are required to comply with the <a href="#">Governance Policy</a> which covers envisaged time commitment; the code of conduct and professional development. For this reason, trustee directors do not have individual, written agreements.	-
2.1 The Board of a profit-to-member superannuation fund must have a committee responsible for Board renewal that has at least three members. The committee must have a charter that is disclosed, and it should meet at least annually. For each reporting period the fund must disclose the members of the Board renewal committee and attendance records for any meetings during that period.	Does not comply	In accordance with the x Act, y's nominating stakeholders are responsible for appointing 9 of the maximum 10 trustee directors. As involvement is limited, the Board has not established a committee responsible for Board renewal. All matters associated with the appointment or re-appointment of trustee directors are considered by the Board as a whole. While employer and member representative appointees are nominated at the discretion of the Government and unions respectively, we may undertake actions deemed appropriate in relation to engaging with the nominating stakeholders including providing: <ul style="list-style-type: none"> <li>• perspective on knowledge/skills/experience that the Board is seeking;</li> <li>• feedback on the performance of a trustee being considered for re-appointment;</li> <li>• names of potential candidates; and</li> <li>• meeting with potential candidates to discuss the role and responsibilities of a trustee director, the time requirements, the governance arrangements, etc</li> </ul>	-

Part 2: Leading Practice Guidance (based in part on FY18 AIST Member Pilot Reports and FY18 ASX50 public reporting)

Requirement	Elements that are expected be in the response to meet the requirement	FY2018 Leading Practice Examples
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<p>1.1 A profit-to-member superannuation Board must:</p> <p>1.1.1 Conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director.</p> <p>1.1.2 For the appointment of representative directors in particular, this includes engagement with sponsoring organisations.</p>	<p>The fund must explain what actions were taken over the year to fulfil the two sub-requirements included in 1.1. Typically, in addition to annual conformance reporting on the AIST Governance Code, funds will disclose standard procedures in a board governance document or equivalent.</p> <p>1.1.1 Funds should disclose a clear description of the evaluation process for any trustee director appointments (including independents) undertaken for the reporting year. The description must describe how the skills, knowledge and experience profile of candidates was assessed against the skills matrix required under 2.2.1.</p> <p>Members may provide a link to a governance document on their website (that is reviewed on some regular basis) which outlines a process for evaluating skills and experience. This can be in the form of a description on the website or a link to a governance statement, a policy, a term of reference for the nomination committee (or equivalent) or a description in the annual report.</p> <p>1.1.2 There could be a statement that the nomination of the appointed representative directors has been undertaken in consultation with the sponsoring organisation or a reference to a document that says that the sponsoring organisation was responsible for nominating the representative directors during the year.</p>	<p><b>Requirement 1.1.1:</b></p> <p>See: page 1 and 2 of this <a href="#">Board Renewal Policy</a> and page 26 and 27 of this <a href="#">Fund Governance Policy</a>.</p> <p><b>Requirement 1.1.1:</b></p> <p>Example: Page 20 of <a href="#">this annual report</a>.</p> <p><b>Note for Public Sector Funds:</b> Where state legislation dictates how a proportion of directors are appointed (for example, a state treasurer may be responsible for appointing a proportion of directors), the fund should demonstrate that it has proactively communicated the required skills and experience profile to the appointing entity (such as the treasurer).</p>
<p>1.2 A profit-to-member superannuation fund must have a written agreement with each trustee director and senior executive setting out the terms of their appointment.</p>	<p><b>The fund must explain what actions they have taken over the year to put in place written agreements (or contracts) with trustee directors and senior executives. An attestation is satisfactory.</b></p> <p>There should be a statement that if any new directors or senior executives were appointed during the year that a letter (or equivalent contract) was signed by each appointee.</p>	<p>See: <a href="#">Example of a standardised letter</a>.</p> <p><b>Note for Public Sector Funds:</b> Written agreements may be drafted by the Treasurer or another appointing entity.</p>
<p>1.3 The fund's company secretary</p> <p>1.3.1 Is accountable directly to the Board, through the Chair, on all matters concerning effective Board operations and must provide every</p>	<p><b>The fund must ensure that the company secretary is accountable to the Board, reports to the chair and acts in the best interests of members. The company secretary is responsible for the operations of the Board and must be a different person from the CEO.</b></p> <p>The name of the company secretary and their responsibilities and accountabilities could be publicly disclosed on the website, in the annual report or in another publicly disclosed document. Some funds may also describe the responsibilities of the company secretary in a board governance document, another document or on the website.</p>	<p>Examples: Page 98 of this <a href="#">annual report</a> and page 4 of this <a href="#">board governance document</a>.</p> <p>If a fund states that it is unable to fulfil this requirement then it must provide details of what action it plans to undertake in the future to meet this</p>

<p>assistance to the Board to fulfil their obligations in acting in the best interests of members.</p> <p>1.3.2 The Chief Executive Officer must not be the company secretary.</p>	<p>Smaller funds may implement an outsourcing arrangement to provide company secretarial support. The accountability arrangements outlined in the Code should still be fulfilled.</p>	<p>requirement. This might include demonstrating that money is allocated in the fund’s budget and that there is a plan and timetable to fulfil the requirement by either engaging a service provider to perform the role or that a person will be hired to undertake the tasks (may be part time).</p>
<p>1.4 Profit-to-member superannuation funds must have a written diversity policy, appropriate to the circumstances of the fund, which sets out clear and measurable objectives and provides for annual reporting to the Board and members. This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate. Objectives must relate to processes, which may, but do not necessarily, include targets for participation at Board and management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members.</p>	<p><b>The fund must identify and disclose a written diversity policy which outlines processes to promote gender diversity. There must also be annual reporting to the Board and members including information on the fund’s performance in relation to the policy. Other forms of diversity may be included.</b></p> <p>The diversity policy could include objectives that are measurable over a time frame. Annual reporting on diversity must be provided to the Board and members. The objectives may be an explicit target or an aspirational target for a specific percentage of each gender on the Board and management or some other objectively measurable means to ensure that funds is taking advantage of a broad talent pool. Other measures of diversity (including age or other relevant measurable indicators) may be appropriate to identify in the diversity policy and this will depend on the fund’s demographics, size and complexity.</p> <p>The fund could demonstrate that the policy has been implemented during the reporting period.</p> <p>Examples of processes to enhance gender diversity may include the implementation of a requirement that a selection panel has gender diversity or that short lists must include some minimum proportion of candidates from each gender. Other actions may include implementing diversity programs or initiatives, such as undertaking a pay equity review or implementing programs in unconscious bias.</p>	<p>See: June 2019 <a href="#">Investment Magazine article</a></p> <p>Some funds may adopt diversity policies of another organisation. For example, a government fund can adopt the government diversity policy.</p>

<p>1.5 In accordance with SPS510, profit-to-member superannuation funds must have:</p> <p>1.5.1 Annual procedures to evaluate the performance of the Board; and</p> <p>1.5.2 Annual procedures to evaluate individual trustee directors.</p> <p>1.5.3 The fund must disclose a summary of those procedures and;</p> <p>1.5.4 Confirm annually that the performance evaluations were undertaken during the reporting period.</p>	<p><b>The fund must disclose what actions were taken over the year to fulfil the 4 sub-requirements. A fund will usually include the standard procedures set out in a board governance document or equivalent and then specific details of the process implemented during the year in the annual report or in the Code conformance report.</b></p> <p>There could be disclosure of an annual process to evaluate the performance of the Board (1.5.1) as well as individual performance of each director (1.5.2). <a href="#">SPS510</a> (page 4) does not specify if the assessments are to be undertaken internally or externally, however, the <a href="#">May 2018 APRA Thematic Review</a> (page 7) states that ‘in APRA’s experience, the effectiveness of assessments is enhanced when an external review is undertaken’. It is preferable that the fund undertakes an external evaluation of the Board every three years.</p> <p>Example: UniSuper internally evaluates the Board annually and undertakes an external assessment every third year as detailed by their <a href="#">Statement of Governance Practice</a>.</p> <p>1.5.3 A summary of the procedure must be described and publicly disclosed. At minimum, the evaluation must be done internally. Again, a regular frequency of external assessment is preferred.</p> <p>1.5.4 It must be confirmed in a public disclosure that a performance evaluation for the Board and for individual directors was undertaken during the 12-month reporting period. The explanation should provide sufficient detail to credibly demonstrate that the evaluations were done.</p>	<p>At a bare minimum, funds must have a formal written procedure for internal assessment of ‘whole of board’ and individual trustee director performance.</p>
<p>1.6 The Board of a profit-to-member superannuation fund must have a documented process for evaluating the performance of the senior management. The fund should disclose whether such a performance evaluation was undertaken during the reporting period.</p>	<p><b>The fund must have a process to evaluate the performance of senior management and demonstrate that this evaluation was undertaken in the reporting period. The actual measures of the performance evaluation do not need to be reported.</b></p> <p>Senior management is defined as the team of “senior executives” as defined under section 10 of the SIS Act.</p> <p>A fund will usually include the standard procedures in a board governance document or equivalent and then specific details of the process undertaken during the year will be included in the annual report or in the Code conformance report.</p>	<p>See: <a href="#">here</a></p> <p>Where a fund does not have a documented process for senior executive performance, it is acceptable to provide an explanation and details of the performance evaluation process.</p>

Principle 2: Structure the Board to add value		
<p>2.1 The Board of a profit-to-member superannuation fund must:</p> <p>2.1.1 Have a committee responsible for Board renewal that has at least three members</p> <p>2.1.2 The committee must have a charter that is publicly disclosed and</p> <p>2.1.3 It should meet at least annually.</p> <p>2.1.4 For each reporting period the fund must disclose the members of the Board renewal committee and</p> <p>2.1.5 Attendance records for any meetings during that period.</p>	<p><b>The fund must explain what actions they took over the year to fulfil the five elements regarding board renewal.</b></p> <p>2.1.1 The committee must have a minimum of three members.</p> <p>2.1.2 There must be a term of reference or a charter for the Board subcommittee which identifies responsibility for board renewal. Typically, this is publicly disclosed on the website. There is no need to create a new committee to meet this requirement - one committee may have multiple responsibilities. For example, funds might have a ‘Governance and Nominations Committee’ with responsibilities for board renewal (among other things).</p> <p>2.1.3 The committee must meet annually.</p> <p>2.1.4 The members must be publicly disclosed annually.</p> <p>2.1.5 Attendance records for all meetings must be publicly disclosed.</p> <p>Examples:</p> <p>HESTA has a Governance and Nominations Committee whose charter is included in section 6 of their <a href="#">governance disclosures</a>.</p> <p>Cbus has a separate <a href="#">Nominations Committee Charter</a>.</p>	<p>See: page 6 <a href="#">here</a> and <a href="#">here</a>.</p> <p>For some funds, it may be that all trustee directors are appointed externally under a legislative Act (ie at least part of the renewal process is not directly controlled by the Board). For example, members of a government-run fund may be appointed by the State Treasurer. In this case, it is acceptable for funds to indicate that they cannot fully meet the requirements. However, these funds must demonstrate that they have actively communicated skill and experience requirements to the appointing entity.</p> <p>Funds may report that they are in the process of giving board renewal responsibility to a Board committee as well as meeting the other requirements in Principle 2.</p>
<p>2.2 A profit-to-member superannuation fund must:</p> <p>2.2.1 Maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan.</p> <p>2.2.2 It must disclose annually a representation of the</p>	<p><b>The fund must explain what actions taken over the year to fulfil the two sub-requirements:</b></p> <p>2.2.1 A skills/experience matrix (or table or equivalent) must be maintained which identifies the skills, experience and diversity of the Board; it must acknowledge any gaps to be filled to enable implementation of the fund’s strategic plan.</p> <p>2.2.2 The fund must report annually on the skills, experience and diversity profile of the Board for the reporting period.</p> <p>Example of a skills matrix and can be found on page 105 of the <a href="#">BHP Annual Report 2017</a>.</p>	<p>See: pages 104 and 105 <a href="#">here</a></p> <p>It may be that funds do not meet the requirement and that they require additional time to develop a board skills matrix. Note that in FY2015 (the last period for which a public assessment of ASX entity conformance to CGPs was done) this was the weakest conformance area.</p>

<p>existing collective skills, experience and diversity of the Board.</p>		<p>While trustee directors of some funds may not be appointed by the Board, these funds are still required to report on the skills, experience and diversity profile of the Board. A skills matrix needs to be developed and a plan and timeframe to do this should be identified.</p> <p>The Monitoring Panel encourages funds in such circumstances to make suggestions to the nominating bodies about preferred skills for vacancies on the board.</p>
<p>2.3 In disclosing the names of its directors, a profit-to-member superannuation fund must identify for each director whether they are a member representative, an employer representative or a non-representative member. In each instance, the name of the nominating body must also be publicly disclosed.</p>	<p><b>To comply with Recommendation 2.3 the fund must disclose the nominating body for each Board director for each reporting year.</b></p> <p>Typically, this will be reported in the annual report and/or on the website where the skills and experience profile of individual trustee directors are publicly disclosed.</p> <p>Nominating ‘sources’ or ‘bodies’ may be:</p> <ul style="list-style-type: none"> <li>i. The fund’s membership or the relevant union</li> <li>ii. The employer or the employer association</li> <li>iii. The Board (for independent members)</li> </ul>	<p>See: <a href="#">here</a>.</p> <p>It may be that the government has nominated some trustee directors and this information should be included.</p>
<p>2.4 The voting rights of all trustee directors on the Board must:</p> <p>2.4.1 Be equal, regardless of their status as a member or employer representative director, or non-representative director.</p> <p>2.4.2 The voting majority for any Board decision should be no less than two-thirds of all trustee directors.</p>	<p><b>The constitution of the fund (or an equivalent document) must explain that the following is true (or the annual conformance disclosure must explain why this is not feasible):</b></p> <p>2.4.1 All trustee directors have equal voting rights.</p> <p>2.4.2 A voting majority is defined as no less than two-thirds of all trustee directors.</p>	<p>See: <a href="#">here</a> and page 35 or section 58 of the <a href="#">Constitution</a>.</p> <p>Funds may report that they are unable to meet this requirement for constitutional reasons (in relation to the appointment/reappointment or removal of directors). For example, not all directors may be ‘equal’ because some constitutions say that independent directors cannot vote in the elections for other trustee directors.</p>

<p>2.5 The Chair of a profit-to-member superannuation fund Board must:</p> <p>2.5.1 Be appointed by the Board, and</p> <p>2.5.2 Must satisfy all the requirements of skill and experience identified in the fund’s skills matrix for the role of Chair.</p>	<p><b>The fund must disclose that:</b></p> <p>2.5.1 The chair of the fund is appointed by the Board</p> <p>2.5.2 The chair satisfies the skills and experience identified as required for the role of the Chair.</p> <p><a href="#">Click here for an example</a> of this type of disclosure.</p>	<p>See page 34 or section 51.2.(1) of the <a href="#">Constitution</a>.</p> <p>It may be that the chair of the Board is appointed by a government minister.</p> <p>It is also possible that this requirement cannot be met immediately. In this case, funds should identify why, how and when the requirement will be fulfilled.</p>
<p>2.6 The CEO must not be a director of the fund.</p>	<p><b>The CEO must not be a member of the Board.</b></p>	<p>This can be demonstrated on the website where the membership of the Board is listed. It may also be implicit in the constitution or another corporate governance related document.</p>
<p>2.7 A profit-to-member fund must:</p> <p>2.7.1 Have an induction program for new trustee directors and</p> <p>2.7.2 Provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.</p>	<p><b>The fund should ensure:</b></p> <p>2.7.1 Any new trustee directors during the year completed a trustee director induction program and</p> <p>2.7.2 During the year directors completed professional development and training relevant to their role as a member of the Board.</p> <p>Example: Section 3.2.4 on page 8 of this <a href="#">Statement of Governance Practice</a>.</p> <p>The amount of training will vary between funds, with some having higher expectations of the number of training days that directors will complete.</p>	<p>See: <i>Fit and Proper Policies</i> of various funds including page 8 or section 3.2.4 <a href="#">here</a> and <a href="#">here</a>.</p> <p>It is acceptable for directors to satisfy their on-going professional development and training by demonstrating that they have undertaken relevant equivalent training with other boards that they sit on.</p>
<p><b>Principle 3: Act ethically and responsibly</b></p>		
<p>3.1 A profit-to-member superannuation fund must:</p> <p>3.1.1 Have a code of conduct for its Board, senior management and employees.</p>	<p>A fund must have a code of conduct and a code should encourage fund employees and trustee directors to be explicit about the fund’s member first culture.</p> <p>3.1.1 The code must apply to the Board, senior management and employees.</p> <p>3.1.2 The code (or a summary) must be publicly disclosed.</p>	<p>See: <a href="#">Example of a Code of Conduct</a> and Code of Conduct Summary <a href="#">here</a>.</p> <p>A fund may not have a code of conduct and, if so, it can use the AIST Code of Conduct or another relevant code (such as for a relevant government entity if it is a government fund).</p>

3.1.2 This code, or a summary of it, must be publicly disclosed.		
<p><b>Principle 4: Safeguard financial integrity</b></p> <p>For members that are regulated by APRA and ASIC, there are:</p> <ul style="list-style-type: none"> <li>• Transparent and widely understood regulatory requirements covering the integrity of accounting records, transparency on transactions and the financial position of the trustee and the fund;</li> <li>• Requirements that a fund’s investments be made and maintained on an arm’s length basis;</li> <li>• Solvency requirements;</li> <li>• Statutory, financial and professional accounting reporting requirements; and</li> <li>• Requirements for an independent auditor who is ‘fit and proper’ and will issue opinions on financial statements.</li> </ul> <p>Funds that are regulated by state-based legislation must ensure that there is sufficient detail disclosed on how similar principles or standards are applied.</p>		
4.1 The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.	<p><b>The fund must ensure the financial integrity of the fund and the trustee entity during the reporting period.</b></p> <p>This requirement is typically demonstrated in the annual report where statements on the assets, income, and liabilities (including tax liabilities) will be included as well as the independent auditor’s report. The fund may also refer to policies or procedures regarding accounting, conflict of interest/related parties and the appointment or management of the independent auditor.</p>	The <a href="#">governance document</a> will typically set out this responsibility of the Board.
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><b>Typically, the annual report or annual financial report will provide details on how related party transactions are managed in general and, more specifically, details about what has happened during the reporting period.</b></p> <p>In May 2018 APRA released a <a href="#">Related Party Transactions Review</a> which stated (page 2) that ‘through its supervision activities, APRA will continue to engage with RSE licensees in relation to the robustness of their policies and practices for management and oversight of related party arrangements. APRA will also, in time, consider whether amendments to the prudential framework and reporting standards are warranted.’</p>	For example: Pages 36-39 of <a href="#">AustralianSuper’s 2018 Financial Statement</a> Funds must explain how they are seeking to improve processes and transparency on related party transactions and provide the expected completion date.
<p>4.3 The Board of a profit-to-member superannuation fund must:</p> <p>4.3.1 Receive an attestation from the fund’s CEO and CFO that the fund’s accounts are a true and accurate reflection of the fund’s financial position and that the financial</p>	<p><b>In the Code conformance report, the fund must:</b></p> <p>4.3.1 Confirm that the CEO and CFO have signed an attestation that the accounts are true, fair, and properly maintained. This document should be available for verification, but it does not need to be publicly disclosed.</p> <p>4.3.2 The annual report will identify the independent auditor and their opinion on the annual financial statements.</p>	<p>Example: Page 42 of <a href="#">AustralianSuper’s 2018 Financial Statement</a>.</p> <p>At the very least, Funds should be able to indicate an attestation of the integrity of the accounts by the CEO and CFO.</p> <p>If the auditor’s opinion is qualified, the fund must explain the basis for the</p>

<p>records have been properly maintained, before approving the financial statements.</p> <p>4.3.2 In accordance with SPS510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS520 and must issue their opinion on the financial statements to the trustee and members of the fund.</p>		<p>qualification and the fund's rectification plan and timetable.</p> <p>For state government funds, it may be that legislation requires that the Auditor General acts as the independent auditor for the fund. This is would satisfy the requirements of 4.3.2.</p>
<p><b>Principle 5: Respect the rights of scheme participants</b></p>		
<p>5.1 A profit-to-member superannuation fund must develop and implement a stakeholder engagement program, for effective disclosure of relevant and material issues. The program must provide opportunities for directors and senior management to communicate directly with stakeholders and for stakeholders to ask questions of them.</p>	<p><b>This is an area where some funds (as of 2018) have not yet developed a two-way board/senior management to member engagement program.</b></p> <p>The spirit of this requirement is to provide clear and understandable information on relevant and material issues regarding the operation of the fund. In addition, there must be an opportunity for two-way dialogue between members, the Board and senior management. A traditional (in person) annual general meeting is not required as it can be a costly exercise (note that there a move towards holding AGMs electronically). Other alternatives can include:</p> <ul style="list-style-type: none"> <li>- An opportunity to have directors and senior managers answer questions that have been submitted online via the website, email or social media.</li> <li>- The answers might be posted on the fund's website in written form or in a video.</li> <li>- There might be a live webcast, webinar or equivalent where members can participate and ask questions.</li> </ul> <p>To fully meet this requirement, it is not enough to have a helpline for members to ask questions as this is not two-way member to Board or senior management dialogue.</p> <p>While members will always be the main stakeholders in profit-to-member funds, employers, sponsoring organisations and staff all have a legitimate interest in the fund's sound governance and performance.</p>	<p>Based on the pilot reports, it appears that funds are in a transition phase with this requirement. Some funds intend to hold a public forum where senior executives and trustee directors engage directly with members in an annual general meeting-style engagement. Other ways of achieving the same end could include on-line engagement with a video message and an accompanying electronic Q&amp;A forum.</p> <p>As noted in the middle column, fund to member communication is not considered to be two-way communication between the Board and senior management and members.</p>

Principle 6: Recognise and manage risk		
<p>6.1 A profit-to-member superannuation fund must:</p> <p>6.1.1 Have a strong risk culture with a Board that provides robust oversight of the fund’s material risks.</p> <p>6.1.2 The risk management framework must explicitly address factors that may erode the fund’s members-first culture.</p>	<p><b>The fund must ensure that:</b></p> <p>6.1.1 The Board takes accountability for oversight of risk.</p> <p>6.1.2 There is a risk management framework or approach communicated; and one of the risks identified must be the erosion of member-first culture.</p> <p>This can be demonstrated on the fund’s website, in the governing rules, or in an annual report.</p> <p><a href="#">APRA Prudential Practice Guide SPG 220</a> sets out APRA’s requirements for an RSE licensee to have systems for identifying, assessing, managing, mitigating and monitoring material risks that may affect its ability to meet its obligations to beneficiaries. In May 2018 APRA released a <a href="#">Short paper on Risk Management</a> to assess whether the prudential framework in relation to risk management is operating effectively and efficiently, and to identify and seek to address any unintended consequences or areas for improvement in the framework.</p> <p>Typically, current practice is for a fund’s website (including links to the annual report or other governance documents) to outline Board accountability for oversight of risk and explain how risks are managed. Likewise, the annual report will provide information on how the fund managed risks and Board oversight of risks during the reporting period. This should include upholding the member-first approach as well as identifying other risks that are overseen by the Board.</p>	<p>Reporting must include an explanation of how a fund preserves the member first culture of the fund over time.</p> <p>Evidence of this requirement may be identified in the strategy section of the annual report (example: pages 10 and 30 <a href="#">here</a>).</p> <p>Other examples: <a href="#">Unisuper’s identification of risk management</a>.</p> <p>Examples: Cbus <a href="#">2017 Annual Report</a> (pages 18-19, 23, 29, 43-45 and 56); AustralianSuper’s <a href="#">2017 Annual Report</a> pg 22-33.</p> <p>Examples demonstrating how funds preserve the member first culture within the fund would be enough.</p>
Principle 7: Remunerate fairly and responsibly		
<p>7.1 A profit-to-member superannuation fund must have policies and practices in place to attract and retain highly competent people, assessed relative to the size, nature and complexity of the fund. These policies and practices must be consistent with its responsibilities for maximising members’ retirement outcomes and encouraging and rewarding ethical practices and behaviour.</p>	<p><b>Conformance to this requirement should be explained in the fund conformance submission to AIST. This should include reference to policies and practices for the attraction and retention of employees and the requirement for them to behave ethically and act to enhance member outcomes. The annual report or website will typically provide information on the oversight of the management of staff including the responsibilities of the Board to oversee human resource policies and practice.</b></p> <p>The policies and procedures may include steps to allow or enable:</p> <ul style="list-style-type: none"> <li>• Flexible working conditions,</li> <li>• Values-based culture,</li> <li>• Competitive salary/benefits offerings,</li> <li>• A diverse and inclusive working environment, and/or</li> <li>• Training/learning opportunities.</li> </ul>	<p>Examples: Cbus <a href="#">2017 Annual Report</a> (pages 46-49) and <a href="https://www.cbussuper.com.au/about-us/how-were-run/governance">https://www.cbussuper.com.au/about-us/how-were-run/governance</a>.</p> <p>Funds are not required to publicly disclose their remuneration policies and procedures.</p> <p>However, they should be able to describe how they attract and retain employees to ensure that members are obtaining the best retirement outcomes possible. This includes explaining how employees are encouraged and rewarded for ethical behaviour.</p>

		Some funds' remuneration may be determined by enterprise bargaining outcomes.
<b>Principle 8: Strong investment governance practices</b>		
<p>8.1 A profit-to-member superannuation fund must design and manage appropriate investment strategies having regard to member demographics and circumstances during both the accumulation and decumulation phases.</p>	<p>All funds must design and manage MySuper and alternative superannuation investment strategies/offering to suit the demographic profile, risk appetite and other membership characteristics. Funds must provide an explanation of different investment offerings and how these are designed to suit members with different characteristics/preferences.</p> <p>The explanation of how this is done should be on the website, in the annual report and/or some other easily accessible communication to members. The fund must be able to demonstrate that it is regularly assessing / profiling the membership and adjusting or ensuring that investment strategies are designed and managed to meet the needs of members. While some funds will offer a wider set of investment options than others, all funds should demonstrate that investment strategies are consistent with the profile of the members.</p> <p>The Monitoring Panel encourages funds to provide an overview or summary of the fund's investment governance framework or policies.</p>	<p>Examples: <a href="#">First State Super</a> and <a href="#">Unisuper</a>.</p> <p>This is a fundamental requirement for all funds.</p> <p>Note that by legislation, some government funds will be managed by as 'specialist investment manager'. This does not affect having investment strategies and the offering of different investment strategies to match the needs for specific demographics and other characteristics.</p>