

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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UniSuper

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FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation	Planned activities improvement Please include timeframe
<p>1.1 A profit-to-member superannuation Board must:</p> <ul style="list-style-type: none"> conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director; for the appointment of representative directors in particular, this includes engagement with sponsoring organisations. 	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>The assessment of fitness and propriety takes place before the appointment of a new Director in accordance with SPS520 Fit and Proper. Part of this assessment considers skills and experience. Should any training be required in order for the skills component of the assessment to be met, this training is provided within a period of 90 days after the appointment.</p> <p>Each new Director attends a full-day induction provided by each member of the Executive Leadership Team which covers a synopsis of each area of the business, as well as director responsibilities and fiduciary duties. In addition, new Directors attend a new trustee director course run by an industry body.</p> <p>The Board also has a Director Capability Statement which all nominating bodies receive prior to elections/nominations taking place which sets out minimum attributes and personal attributes regarded as essential for each Director to have personally, and corporate and industry specific attributes which are essential for the Board to have collectively.</p> <p>Prior to the commencement of the election cycle each year, a whole of Board assessment is undertaken to identify any skills gaps or any other criteria or attributes which the Board considers desirable in a nominated representative Director. Recommendations may be made by the Board to nominating bodies to address any identified gaps.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>Prior to completion of the formal appointment process at the Annual General Meeting of the Trustee company, the Chair of the Board writes to the Trustee Director setting out the terms of their appointment. Acceptance of the appointment is evidenced by the provision of a signed 'Consent to Act' document which meets the requirements of the Corporations Act and also confirms that the candidate director is not a disqualified person.</p> <p>A letter of offer detailing the position, remuneration and employment conditions is provided to senior executives who are required to sign a duplicate copy of the letter acknowledging their acceptance of the role and the terms of their appointment.</p> <p>For the financial year 2018/19, one senior executive appointment was made and one senior executive was made permanent and in both circumstances a letter/contract was signed by the appointee.</p>	
<p>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.</p>	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>The Company Secretary is accountable directly to the Board through the Chair. Responsibilities of the role are detailed in the Board Charter at section 4.(3) and the publicly available document, Statement of Corporate Governance, available on the UniSuper website.</p> <p>The Chief Executive Officer is not the Company Secretary.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>1.4 Profit-to-member superannuation funds must have a written diversity policy, appropriate to the circumstances of the fund, which sets out clear and measurable objectives and provides for annual reporting to the Board and members. This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate. Objectives must relate to processes, which may, but do not necessarily, include targets for participation at Board and management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members.</p>	<p> <input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply </p>	<p>The Diversity and Inclusion Policy, available on the UniSuper website, outlines the objectives of the Policy and the actions being taken to achieve these objectives. The Board has approved the following goals for the current strategy cycle:</p> <ol style="list-style-type: none"> 1. build a more gender diverse management pool 2. obtain the first stage of Reconciliation Action Plan (RAP) 3. ensure female successors to senior roles have a mentor and regular pay equity analysis. <p>The Board annually assesses both the objectives and progress made in achieving them.</p> <p>Supplementary information is also provided on the UniSuper website at Building a Diverse and Inclusive UniSuper.</p> <p>Information provided to the Workplace Gender Equality Agency is also publicly available on the UniSuper website under the title, Public report 2018-19.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>1.5 In accordance with SPS510, profit-to-member superannuation funds must have:</p> <ul style="list-style-type: none"> • annual procedures to evaluate the performance of the Board; • annual procedures to evaluate individual trustee directors. <p>The fund must:</p> <ul style="list-style-type: none"> • disclose a summary of those procedures and; • confirm annually that the performance evaluations were undertaken during the reporting period. 	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>To evaluate performance and ensure, on an ongoing basis, the necessary diversity of skills, experience and expertise to meet the Fund’s needs are available to the Board and its Committees, a Director Appointment, Renewal, Performance and Remuneration Policy and supporting procedures have been developed and implemented.</p> <p>It is the responsibility of the Chairman to facilitate an annual review of the performance of the Boards, Board Committees and individual directors and Committee members. The Boards and Committees are assessed both collectively and individually, relative to the objectives of the relevant Charters. The performance of the Chair and each Committee Chair is also assessed.</p> <p>Every three years an independent assessment is undertaken. Any issues or weaknesses identified through the performance assessment are managed having regard to the Fit and Proper Policy and immediate steps taken to remove a director if they are no longer fit and proper. Failure relating only to the fitness test may not necessitate removal if the issue can be rectified through training.</p> <p>This information is outlined in the Statement of Governance Practice and is publicly available on the UniSuper website.</p> <p>All required performance assessments for the reporting period have been undertaken.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>Documented procedures outline how senior executives are remunerated and detail the requirement for their performance to be assessed annually. Consideration is given to a set of guiding principles details of which are publicly available on the UniSuper website at Remuneration at UniSuper.</p> <p>All required performance assessment for the reporting period have been undertaken.</p>	
<p>2.1 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> • Have a committee responsible for Board renewal that has at least three members; • The committee must have a charter that is publicly disclosed and; • It should meet at least annually. <p>For each reporting period the fund must:</p> <ul style="list-style-type: none"> • disclose the members of the Board renewal committee and; • attendance records for any meetings during that period. 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>Matters concerning Board renewal are managed through a sub-committee comprising the Chair and at least two other directors which is formed and convened whenever there is a vacancy concerning one of the non-representative (independent) directors. UniSuper does not control the outcomes of the elections of representative directors.</p> <p>Further details analogue to what would be included in a Charter are contained in the Directors' Appointment, Renewal, Performance and Remuneration Policy and the Process for Re-appointment of Non-representative Director.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.2 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> Maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan. It must disclose annually a representation of the existing collective skills, experience and diversity of the Board. 	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>A matrix showing the skills, relevant experiences and diversity of the Board is maintained. Currently no gaps have been identified which may impact on the Fund's ability to effectively fulfil its strategic plan.</p> <p>A representation of the existing, collective knowledge, skills, experience and diversity of the Board is disclosed on the UniSuper website.</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><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>Information relating to each director and whether they are a member or employer representative or a non representative member of the Board is provided in the About Us section of the UniSuper website.</p> <p>This information is also included in the UniSuper in Review publication also available on the UniSuper website.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.4 The voting rights of all trustee directors on the Board must:</p> <ul style="list-style-type: none"> • Be equal, regardless of their status as a member or employer representative director, or non-representative director. • The voting majority for any Board decision should be no less than two-thirds of all trustee directors. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>All directors are entitled to vote and Board decisions require a two-thirds majority. As detailed at clause 6 of the Board Charter, the practice of the Board is to, generally, make decisions by consensus which ensures that each Director actively participates in the discussion and that agreement is reached between all Directors. The Chair has responsibility to ensure that matters are debated openly, that each Director has an opportunity to contribute constructively and that Directors will respect the contributions of other Directors. The Charter specifies that decisions of the Board will be made in accordance with the Constitution and the Superannuation (Industry) Supervision (SIS) Act 1993.</p> <p>The requirement for decisions to be made with a two thirds majority of the total number of directors is also reflected in Clause 51 of the USL Constitution which stipulates that questions arising at any meeting shall be decided in accordance with the requirements of the SIS Act.</p>	
<p>2.5 The Chair of a profit-to-member superannuation fund Board must:</p> <ul style="list-style-type: none"> • Be appointed by the Board, and • Must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Chair is appointed by the Board and satisfies the Fund's skills and experience requirements. UniSuper's Statement of Government Practice details that, in accordance with Clause 53 of the Constitution, the Chair is elected by the Board from among the appointed Directors.</p> <p>The Board, or a selection panel convened at the Board's discretion in accordance with clause 3.3 of the Directors' Appointment, Renewal, Performance and Remuneration Policy, determine the selection criteria which includes a preferred skills profile and details of relevant experience requirements.</p>	
<p>2.6 The CEO must not be a director of the fund.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>As detailed at clause 3.1.6 of the Statement of Governance Practice, all directors are non-executive and independent of management.</p> <p>The CEO is not a director of the Fund.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.7 A profit-to-member fund must:</p> <ul style="list-style-type: none"> • Have an induction program for new trustee directors and • Provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>To enable directors to properly meet their responsibilities, induction and ongoing training is provided. The induction program is structured to provide the new director with information on their responsibilities, corporate governance and Fund and Board policies. Briefing sessions with the Chair, and members of the Executive Leadership Team also form part of induction training, providing an insight into the Fund’s structure and philosophy. Each director is provided with access to information, current policies, licences and documents relevant to the Fund and their role on the Boards.</p> <p>The Board is also committed to continuous education thereby ensuring that directors’ skills and knowledge remain current and relevant. Ongoing training is provided, including briefings on legislative and regulatory change and its impact, investment updates and periodic Trustee/RSE Licensee training. Directors are encouraged to attend industry forums, briefings and external training sessions as relevant. (Section 3.2.4 Induction and training - Statement of Governance Practice).</p>	
<p>3.1 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> • Have a code of conduct for its Board, senior management and employees. • This code, or a summary of it, must be publicly disclosed. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>UniSuper's Statement of Governance Practice outlines that a Code of Conduct promoting a professional, fair and ethical standard of behaviour applies to all directors, employees and contractors. The Code details the ethics and minimum standard of behaviour appropriate in any dealing with members, suppliers, fellow employees, directors or committee members.</p> <p>The Code of Conduct is publicly disclosed on the UniSuper website.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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>	<p> <input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply </p>	<p>Based on the financial statements for the most recent completed financial year, the Board is satisfied with the financial integrity of the Fund and the Trustee.</p> <p>Responsibilities of the Board are outlined in UniSuper's Statement of Governance practice document which is publicly available on the UniSuper website. Reference may also be made to the Financial Statements which include the independent auditor's report as well as information on assets, income and liabilities and the report of the Fund Actuary.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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> <input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply </p>	<p>The Fund has entered into an administration agreement and an investment management agreement with UniSuper Management Pty Ltd (USM), which is wholly owned by the Fund.</p> <p>Apart from USM, UniSuper does not invest in, or deal with, any related bodies corporate and, because USM is an asset of the Fund, any profits which it generates benefit UniSuper members through dividends paid to the Fund or an increase in the value of the Fund's shareholding in USM.</p> <p>Written agreements are in place to govern the relationship between the Fund and USM. Steps are taken to ensure that those agreements reflect arms' length terms or that they are even better than arms' length terms from the Fund's point of view.</p> <p>With regard to the administration agreement, the services provided have been benchmarked against peer administrators and the overall fees paid by UniSuper members are objectively confirmed as being highly competitive. The Trustee is represented by legal advisers who prepare the terms on which USM are appointed to ensure that those terms are arms' length (or better) from the Fund's point of view.</p> <p>With regard to the investment management agreement, the legal terms reflect comparable terms to those on which external investment managers are appointed. Staff who are independent of the investment team review the terms of any new portfolio mandate to ensure that they are arms' length terms. A sub-committee of the Board personally reviews the investment performance of USM to avoid any conflict of interest which would otherwise exist if the management team were to be solely responsible for managing its own performance.</p>	

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<p>4.3 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> Receive an attestation from the fund's CEO and CFO that the fund's accounts are a true and accurate reflection of the fund's financial position and that the financial records have been properly maintained, before approving the financial statements. In accordance with 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><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>In accordance with statutory and regulatory requirements and to assist in the verification of the compliance of the financial statements, a Letter of Representation signed by the CEO and CFO is provided initially to the Audit, Risk and Compliance Committee and subsequently to the Board. The Letter of Representation confirms that appropriate inquiries in relation to the preparation of the financial statements have been made and that these inquiries have enabled Management to make representations resulting in a certification of the system of risk management and internal compliance and control underpinning the preparation of the financial statements.</p> <p>Ernst & Young (EY) is the current external auditor and the relevant partner assigned to the Fund has been assessed as being fit and proper under the requirements of the Fit and Proper Policy. As part of the process undertaken to produce the annual financial statements, EY's lead auditor provides a declaration - Auditor's Independence Declaration - to the Directors of UniSuper Limited confirming that there has been no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit and no contraventions of any applicable code of professional conduct in relation to the audit. Each year, the Auditor's Independence Declaration forms part of the Fund's Annual Financial Report.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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> <input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply </p>	<p>The Consultative Committee, established under the UniSuper Trust Deed, provides a forum for members and employers to discuss important issues and to make key decisions associated with the governance and operation of the UniSuper Fund. It reviews and approves changes to the Trust Deed and is responsible for nominating four directors to the Board.</p> <p>The Consultative Committee consists of 148 members nominated, appointed or elected to represent employers and employees from 37 universities across Australia.</p> <p>During the year Consultative Committee members engage with UniSuper through its main communication channel the Consultative Committee website or through a dedicated email address and each November, an annual meeting is held allowing Directors and Senior Management to meet with Consultative Committee members and present Trust Deed changes for approval.</p> <p>In July/August every year, some directors, the CEO, together with some members of the Executive Leadership team and senior staff embark on national roadshows. The roadshows, convened in capital cities and broadcast to regional areas, provide Consultative Committee members with an opportunity to receive an update on the Fund's performance, key operational matters, regulatory and legislative matters as well as a forum for members to ask questions of Management on a range of issues. The proposed changes to the Trust Deed which are to be formally proposed at the next annual meeting in November are also discussed.</p> <p>Other components of the stakeholder engagement program include a physical on-campus presence at many universities enabling UniSuper to actively seek to meet its stakeholders and provide timely assistance. The Employer Relationship Team provides this service on-campus to stakeholders including Vice-Chancellors, Employers, Consultative Committee members and Fund members.</p> <p>An Annual Member Satisfaction Survey and a half-yearly Employer Satisfaction Survey are also undertaken. Both are conducted by independent providers and are a means to collecting further information from key stakeholders.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>6.1 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> • Have a strong risk culture with a Board that provides robust oversight of the fund's material risks. • The risk management framework must explicitly address factors that may erode the fund's members-first culture. 	<p><input checked="" type="checkbox"/> Full</p> <p><input type="checkbox"/> Partial</p> <p><input type="checkbox"/> Does not/cannot comply</p>	<p>UniSuper fosters a culture of balanced risk taking, considering strategic benefits and potential impacts, in order to provide greater retirement outcomes to members. In setting the UniSuper Strategy and business plans, decisions are guided by the Board's risk appetite, both from the perspective of risks that need to be reduced to protect the interests of members, and those that should be pursued for reward. UniSuper is committed to ensuring that risk management is part of everyday practice at all levels of management and is underpinned by a culture of transparency and accountability.</p> <p>The Trustee has in place a Board approved Risk Management Framework that describes the process undertaken for the management of risks and is designed to ensure material risks and key controls are identified and managed in accordance with the defined Risk Appetite of the Board. To that end, UniSuper has a well-resourced and dedicated risk function, led by the Chief Risk Officer who is a member of the Executive Leadership Team. As per the risk management framework, material risks are those considered to have a potential impact on the successful achievement of the UniSuper Strategy, Business Plan and/or the Fund's ability to deliver the desired outcomes to members.</p> <p>The Fund's material risks are identified and assessed by Management and are reported to the Board at each meeting. The reporting highlights the current control frameworks that are in place to mitigate the material risks, and also describes any risk remediation activities that are currently underway to enhance controls.</p> <p>This information is included in the annual publication 'UniSuper in Review' and is publicly available on the UniSuper website.</p>	

FY2019 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>Information is provided on the UniSuper website at Remuneration at UniSuper.</p>	
<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><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>Appropriate investment strategies have been developed suitable for members in both the accumulation and decumulation phases of their superannuation savings. Details of the investment strategies are available on the UniSuper website at Investment Options, Investments and Holdings.</p> <p>This information is also included in the publicly available, annual publication, "UniSuper in Review".</p>	