

QSuper's Governance

Compliance with AIST's Governance Code
as at 30 June 2020



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Background

The Australian Institute of Superannuation Trustees (AIST) is a national, not-for-profit organisation and is one of the principal advocates and peak representative bodies for the \$1.5 trillion profit-to-member superannuation sector. AIST plays a key role in policy development and is a leading provider of research.

On 12 April 2017, AIST published its new Governance Code (Code) in order to:

- promote continuously improving governance in the profit-to-member super sector;
- ensure that the culture of the profits-to-members concept is fully supported by governance structures; and
- improve accountability and transparency.

As QSuper is a member of AIST, this report has been prepared to explain how QSuper complies with the Code.

QSuper Board

The QSuper Board is a statutory body corporate established under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), to administer the QSuper Fund.

The QSuper Board is comprised of at least eight (8) Trustees and, with the Board's written consent, the Minister (Treasurer of Queensland), may also appoint one other person as a Trustee if, when appointed, the person will be an independent member of the Board. The Minister must appoint four members nominated by the Queensland Government as the employer representatives. The Minister must also appoint four-member representatives, one of whom is to be nominated by each of the following organisations:

- the Queensland Police Union of Employees;
- the Queensland Nurses and Midwives' Union;
- the Queensland Teachers' Union; and
- Together Queensland.

QSuper's Governance

QSuper can trace its history back to the establishment of the Public Service Superannuation Fund in 1913. As a result of the Fund's public service origins, QSuper's rules were established by the Queensland Government as the Fund's sponsor. This government and legislative heritage means that QSuper's arrangements are slightly different to other industry and corporate superannuation funds. As a result, QSuper cannot comply with some requirements of the Code in the same way other funds can. Recognising this, QSuper is committed to comply with the intent of the Code.

The QSuper Board is committed to high standards of corporate governance and this is driven by the desire of the Board to act in good faith, with foresight, and in the best interests of members and their beneficiaries. The Board is also committed to complying with its legal and regulatory obligations as well as fulfilling its fiduciary responsibilities.

The QSuper Board believes that there is an inextricable link between good governance and good fund performance and therefore it is an essential part of effective fund management. QSuper's governance incorporates a comprehensive suite of policies, frameworks and practices that are implemented by knowledgeable, professional personnel aimed at minimising risk and maximising opportunities for QSuper and ultimately, for the Fund's members.

AIST's Governance Code

AIST's Governance Code is a principles-based framework which goes beyond current regulatory requirements cementing a high benchmark of practice in Australia.

The Code, which consists of eight principles and 21 requirements, aims to promote continuous improvement in governance practice, improve accountability and transparency and protect and improve outcomes for members. These are outlined below along with an explanation of how QSuper complies with the Code and, in instances where QSuper diverges from AIST's requirements, the report seeks to explain the rationale for this.

PRINCIPLE 1: Lay solid foundations for management and oversight

A profit-to-member superannuation fund must determine the respective roles and necessary skill profile of the Board and management and set these out in writing. They must also determine how the respective performance of the Board and management will be measured and evaluated.

AIST Requirement 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.

QSuper's position

The QSuper Act prescribes that appointments to the Board are made by the Minister on the recommendations of the Queensland Government and representative industrial Unions. The QSuper Board has developed role descriptions for the role of Chair and Board members and these documents provide pertinent background information to both the nominating entities and incumbent appointees.

Where an appointee is determined, by the majority of Board members, to be unsuitable, based on factors such as (i) a significant lack of experience or knowledge, (ii) poor attitude, reputation or unfavourable associations, (iii) past performance as a director or fiduciary, the Board may liaise with the nominating entity to raise these concerns and seek to have the nomination reconsidered.

AIST Requirement 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.

QSuper's position

QSuper Board members are appointed in accordance with the QSuper Act. The term and procedure for appointment, remuneration arrangements, and removal process are outlined in the QSuper Act (and subordinate legislation). For this reason, QSuper Trustees do not have individual, written agreements.

All of QSuper's Executive team have formal, written, signed agreements setting out the terms of their appointment.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

AIST Requirement 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.

QSuper's position

QSuper is a strong advocate for diversity and inclusion and believes that harnessing a broad range of experiences, backgrounds, work styles and points of view makes the Fund more reflective of its members, ultimately delivering better decisions in members' interests. QSuper has established a formal Diversity Council with its purpose being to support the vision of QSuper's Diversity and Inclusion Strategy by overseeing progress of key objectives, approving new initiatives, monitoring relevant diversity reporting and having input into the development of future strategies.

QSuper has a formal Diversity & Inclusion Policy which states that QSuper appoints people to roles based on their qualifications, skills and experience relevant to the role and does not discriminate unfairly on the grounds of for example age, gender, race, national or ethnic origin, language, religion, political beliefs and affiliations, sexual orientation or disability. Given the legislated Board appointment process, the QSuper Board has not currently prescribed gender or diversity targets.

AIST Requirement 1.5

In accordance with SPS 510, profit-to-member superannuation funds must have procedures to evaluate the performance of the Board and individual trustee directors at least annually. The fund must disclose a summary of those procedures and confirm annually that the performance evaluations were undertaken during the reporting period.

QSuper's position

QSuper meets this requirement.

The QSuper Board undertakes an annual review of its collective performance and the performance of individual Trustees.

The Board has stipulated that at least once every three years, this review should be conducted by an external facilitator who has industry experience and access to comparative data for benchmarking. This review enables open feedback through the completion of a confidential questionnaire covering topics such as:

- the vision and direction of QSuper;
- the discharge of the Board's regulatory and fiduciary responsibilities;
- relationships with external stakeholders;
- procedural matters at Board and Committee meetings;
- the operation and performance of Committees; and
- the quantity and quality of information presented to the Board.

The results of these reviews are collated into a report with a discussion of the results led by either the external facilitator or the Chair at a subsequent Board meeting. The QSuper Board also undertakes annual, internal reviews of the performance of its Committees.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement by undertaking an annual performance review of all staff.

PRINCIPLE 2: Structure the Board to add value

A profit-to-member superannuation fund must have a diverse Board composed of highly competent and committed directors. Representation of member and employer interests must be ensured, and the Board should be of an appropriate size, composition and have the skills to be able to discharge their duties effectively.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

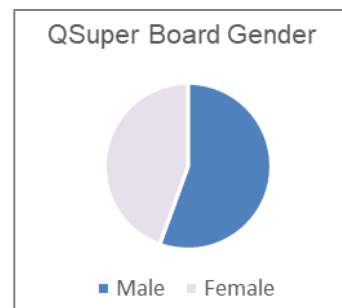
AIST Requirement 2.2

A profit-to-member superannuation fund must maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan. It must disclose annually a representation of the existing collective skills, experience and diversity of the Board.

QSuper's position

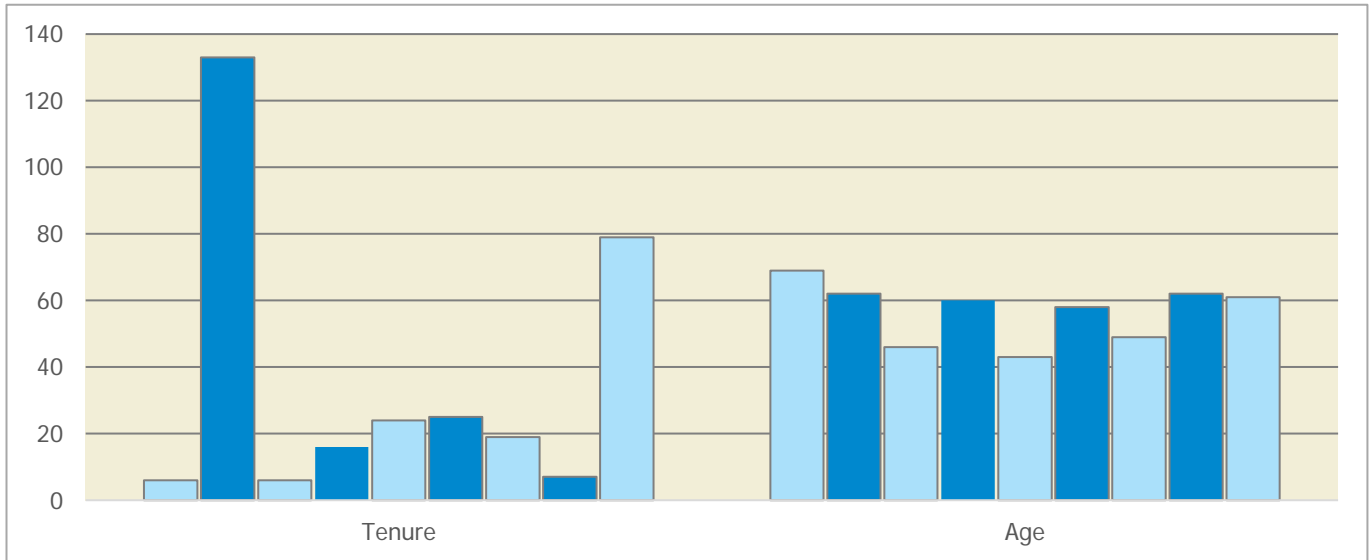
QSuper meets this requirement.

The QSuper Board undertakes an annual Fit & Proper Assessment in order to ensure that the persons responsible for the governance, oversight and management of QSuper, have the appropriate knowledge, skills and experience and act with honesty and integrity in the performance of their duties. The appointment of appropriate people underpins the Board's commitment to high standards of corporate governance.

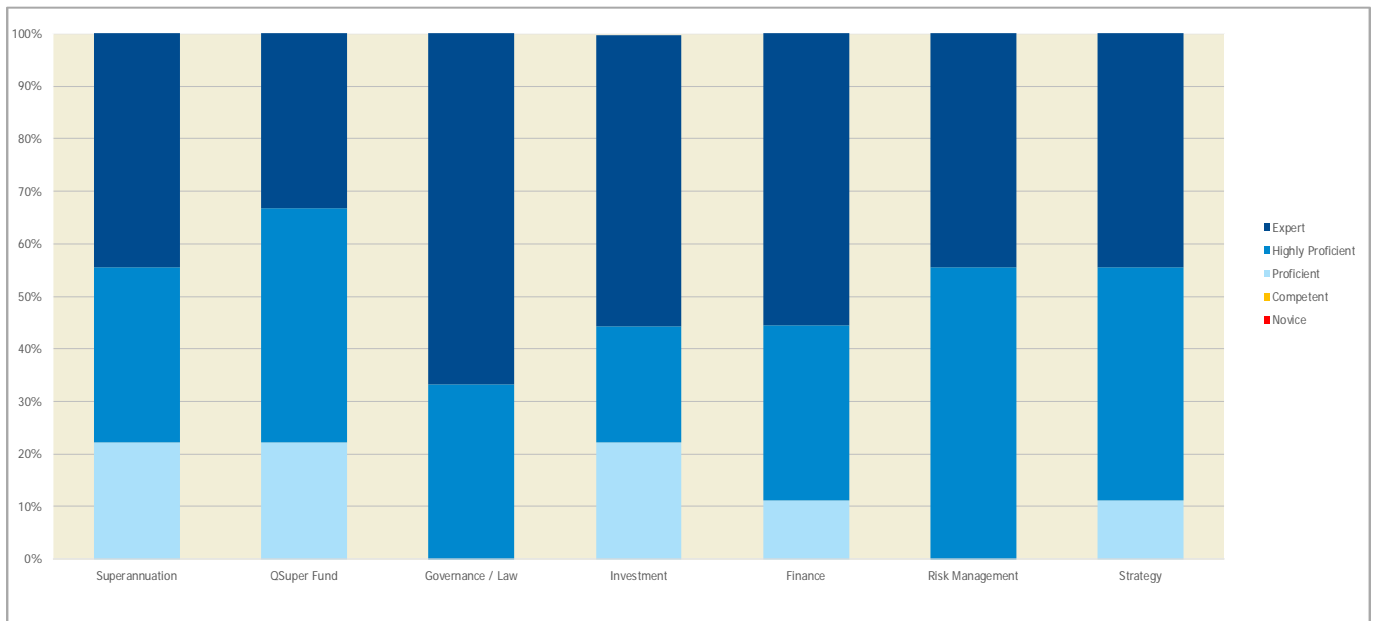


The graphical representations portray the diversity of the current eight Board members (gender, age, and tenure), as well as the Board members existing skills, knowledge and experience across several key aspects relevant to their roles as Trustees of a large superannuation fund.

QSuper Board Members - Tenure (in months) and Age (in years)



QSuper Board - Knowledge, Skills & Experience



AIST Requirement 2.3

In disclosing the names of its directors, a profit-to-member superannuation fund must identify for each director whether they are a member representative, an employer representative or a non-representative member. In each instance, the name of the nominating body must also be disclosed.

QSuper's position

QSuper meets this requirement. A biography for each QSuper Board member is publicly available on the QSuper website.

AIST Requirement 2.4

The voting rights of all trustee directors on the Board must be equal, regardless of their status as a member or employer representative director, or non-representative director. The voting majority for any Board decision should be no less than two-thirds of all trustee directors.

QSuper's position

QSuper meets this requirement.

AIST Requirement 2.5

The Chair of a profit-to-member superannuation fund Board must be appointed by the Board and must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair.

QSuper's position

QSuper partially meets this requirement.

In accordance with the QSuper Act, the QSuper Board Chair is appointed by the Queensland Treasurer. The Minister may appoint a Trustee as Chair only if the trustee consents in writing to the appointment, and the Minister, before making the appointment, consults the QSuper Board. The QSuper Board has developed a role description for the Chair's position and any appointee must satisfy all of the requirements of skill and experience identified in the Fund's skills matrix for the role of Chair.

AIST Requirement 2.6

The CEO must not be a director of the fund.

QSuper's position

QSuper meets this requirement.

AIST Requirement 2.7

A profit-to-member fund must have an induction program for new trustee directors and provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.

QSuper's position

QSuper meets this requirement.

PRINCIPLE 3: Act ethically and responsibly

A profit-to-member superannuation fund must act ethically and responsibly.

AIST Requirement 3.1

A profit-to-member superannuation fund must have a code of conduct for its Board, senior management and employees. This code, or a summary of it, must be disclosed.

QSuper's position

QSuper meets this requirement. QSuper has established a Code of Conduct which applies to members of the Boards and Committees, the Chief Executive Officer, members of the Executive team and all other employees, contractors and consultants. This Code of Conduct requires QSuper personnel to:

- understand and comply with the Code of Conduct;
- demonstrate QSuper's values through their behaviours;
- immediately report breaches or suspected breaches of the Code of Conduct; and

- challenge conduct, behaviour and thinking that are inconsistent with the Code of Conduct.

In summary, the Code of Conduct requires staff to:

- work to the best of their abilities and apply the highest professional standards.
- work independently and collectively to meet individual, team, divisional and group goals.
- dress professionally and act consistently with the Code of Conduct in all interactions, at work and work-related activities (including those outside work hours).
- interact with others respectfully – treating each other with dignity, fairness, equity and without discrimination.
- be proud to champion respect and be part of a diverse and inclusive workplace.
- comply with laws, regulations, industrial instruments, contracts, policies, procedures, frameworks and training requirements.
- comply with all of QSuper's reasonable, lawful instructions related to its duties.
- always make decisions and take actions that promote the QSuper Group's and the Fund members' interests and reputation.
- immediately disclose the offer and / or receipt of gifts, benefits and hospitality, and additionally, immediately disclose actual, potential and perceived conflicts of interest and responsibly manage conflicts that arise.
- protect all private, confidential and commercially sensitive information, and do not share this information with third parties unless authorised or required by law.
- refrain from making public comment to the media, including social media, unless specifically and properly authorised to do so.
- make sure the use of all QSuper systems, equipment and property is appropriate, complies with QSuper's policies and standards, and does not damage the reputation of the QSuper Group.
- safeguard QSuper's systems, equipment and property from damage and misuse.
- immediately report breaches or suspected breaches of the Code of Conduct, QSuper policies, safety and other standards to QSuper Leaders for further action.
- understand breaches will be dealt with under the Code of Conduct and/or under a relevant QSuper Group policy.

PRINCIPLE 4: Safeguard financial integrity

A profit-to-member superannuation fund must have appropriate and rigorous processes for financial governance.

AIST Requirement 4.1

The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.

QSuper's position

QSuper meets this requirement.

QSuper's financial statements, including the auditor's opinion, are publicly available within the Annual Report on QSuper's website.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

AIST Requirement 4.3

The Board of a profit-to-member superannuation fund must receive an attestation from the fund's CEO and CFO that the fund's accounts are a true and accurate reflection of the fund's financial position and that the financial records have been properly maintained, before approving the financial statements. In accordance with SPS 510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS 520 and must issue their opinion on the financial statements to the trustee and members of the fund.

QSuper's position

QSuper meets this requirement.

PRINCIPLE 5: Respect the rights of scheme participants

A profit-to-member superannuation fund must respect the rights of stakeholders. These scheme participants must be provided with open and transparent disclosure as well as opportunities to participate in dialogue with the fund's Board and management.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

PRINCIPLE 6: Recognise and manage risk

In accordance with SPS 220, a profit-to-member superannuation fund must establish a robust risk management framework, monitor and regularly review the effectiveness and continuing appropriateness of that framework. The risk management framework must consider the maintenance and prioritisation of a member-first culture.

AIST Requirement 6.1

A profit-to-member superannuation fund must 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.

QSuper's position

QSuper meets this requirement.

PRINCIPLE 7: Remunerate fairly and responsibly

A profit-to-member superannuation fund must establish a remuneration policy for its trustee directors and staff in alignment with the best interests of the members of the fund that complies with SPS 510 and SPG 511.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

PRINCIPLE 8: Strong investment governance practices

A profit-to-member superannuation fund must establish an investment framework to deliver appropriate retirement outcomes for its members and continually monitor and review the effectiveness and continuing appropriateness of that framework.

AIST Requirement 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.

QSuper's position

QSuper meets this requirement.

Authorisation

With the authority of the QSuper Board, I, Trevor Golden, being Fund & Company Secretary, advise that the Fund has largely satisfied the requirements of the AIST Governance Code during the financial year ended 30 June 2020, noting the qualifications and exceptions detailed above.



Trevor Golden

Fund & Company Secretary

Date: 30 June 2020