

Sunsuper Pty Ltd

ABN: 88 010 720 840

AFSL No: 228975

RSE Licence No: L0000291

RSE Registration No: R000337

Sunsuper Pty Ltd
Sunsuper Superannuation Fund
Sunsuper Financial Services Pty Ltd
Sunsuper Pooled Superannuation Trust
Precision Administration Services Pty Ltd

Corporate Governance Statement

January 2012

1. Structure

Sunsuper Pty Ltd is the trustee of the Sunsuper Superannuation Fund and is licensed by the Australian Prudential Regulation Authority (APRA) under a Registrable Superannuation Entity (RSE) licence and holds an Australian Financial Services Licence (AFSL). The Sunsuper Superannuation Fund is a regulated superannuation fund registered by APRA as a registrable superannuation entity. The trustee is responsible for managing the fund, ensuring that it operates the fund in the best interests of all members and complies with all relevant legal requirements. The trustee is also responsible for managing the Sunsuper Pooled Superannuation Trust (PST) which is a separate superannuation trust of which the Sunsuper Superannuation Fund is a member.

Sunsuper Pty Ltd, on behalf of the Sunsuper Superannuation Fund, is the sole investor in Sunsuper Financial Services Pty Ltd, which provides for the delivery of relevant, accessible and affordable financial advice to members, and Precision Administration Services Pty Ltd, which provides administration services to the Fund.

The governance practices outlined in this *Corporate Governance Statement* apply to the entities mentioned above which are collectively referred to as 'Sunsuper'.

2. Background

Sunsuper is a strong advocate of good corporate governance, not only within its own operations, but within those of its external service providers and the entities in which it invests its members' funds. Where appropriate, we strive to adopt the corporate governance standards that have been recognised within the Australian superannuation and financial services industries. We have invested significant time and energy in the area of corporate governance and will continue to monitor and update our practices in accordance with industry standards and regulatory requirements.

We know that sound corporate governance practices are essential in order to protect our members' interests, achieve our business objectives, meet our legal and regulatory obligations, discharge the responsibilities of the Board of Directors and manage the growing size and complexity of our operations.

3. Principles

Sunsuper is committed to acting in members' best interests as a 'profit for members' superannuation fund. We believe good corporate governance is necessary to achieve this objective and is simply good business practice.

In formulating these corporate governance practices, Sunsuper has referred to the standards and guidance that have been established and promulgated by various regulators, standards setting bodies and industry associations, including the ASX Corporate Governance Council, Standards Australia, the Australian Council of Super Investors (ACSI) and the Investment and Financial Services Association (IFSA).

We know corporate governance is not a "one size fits all" concept and so we use and apply policies and practices for particular circumstances.

4. Board responsibilities

The Board of Sunsuper Pty Ltd is responsible for the overall governance and strategic direction of Sunsuper, with the aim of protecting and enhancing the interests of its members, taking into account the interests of other stakeholders including employees, suppliers and the wider community.

The *Board Charter* clearly establishes the relationship between the Board and management and describes their respective roles and responsibilities.

The Board is responsible for setting corporate strategy, providing entrepreneurial leadership, establishing organisational and management's performance objectives and monitoring their achievement, monitoring capital management, ratifying systems of risk management and internal control, reviewing and approving member benefit claims, and appointing the Chief Executive Officer.

The Board's role does not involve the day-to-day management of Sunsuper, which has been delegated to management. The Chief Executive Officer is responsible to the Board for the day-to-day management of Sunsuper.

5. Board structure

The Board is comprised of six non-executive directors, including the Chair. The names of the Directors and the year of their appointment are set out below.

Name	Appointed
Graham Heilbronn (Chair)	2006
John Battams (Deputy Chair)	2005
Peter Annand	2002
Robert Hutchinson	2010
Bill Ludwig	1988
Ron Monaghan	2007

6. Appointment of Directors

The Board has equal numbers of employer and employee representatives. Replacement representatives are appointed from the same employer or union body to ensure there is always equal representation of contributing/sponsoring employers and members.

In consultation with the sponsoring bodies, the Board seeks to achieve gender, geographical, age and other diversity in its membership.

Sunsuper is constituted so that no financial benefit accrues to the appointing union or employer sponsoring bodies, other than the recovery of a proportion of the salary costs they pay to an appointed director.

The Chair of the Board is rotated every three years, with the employer and member representatives rotating responsibility for appointing the Chair. The Deputy Chair is rotated at the same time as the Chair so that if the Chair is a member representative, the Deputy Chair is an employer representative, and if the Chair is an employer representative, the Deputy Chair is a member representative.

7. Director independence

The majority of the members of the Board must be independent and all members must be non-executives. The independence of each director is considered by the appointing union and employer sponsoring bodies and the Board.

An independent director is a director who is independent of management and free of any business relationship or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. A relationship is "material" if, in the judgment of the Board, it would interfere with the director's independent judgment.

Directors are expected to bring independent views and judgement to the Board's deliberations, and must exercise their powers and discharge their duties in good faith, in the best interests of the members.

The Board annually reviews the position and associations of each of the Directors to determine their independence, and discloses such determinations in its annual report.

8. Meetings of the Board

The Board meets at least nine times a year, and at other times as required. Senior management attend and make presentations at Board meetings as appropriate and are available for questioning by the Directors.

Periodically, the Board holds strategic planning sessions with management at which time Sunsuper's strategic plans as a whole are presented and approved.

9. Training and advice

In view of the increasing complexity of the superannuation and investment management industries, it is imperative the Board maintain a good level of understanding of all relevant issues and practices.

To ensure the Directors have and maintain a level of knowledge to enable them to effectively discharge their responsibilities, an induction and on-going training program has been implemented.

In addition, each director may obtain independent advice to assist them in the proper exercise of their powers and discharge of duties as a director or as a member of a Board subcommittee. Sunsuper will reimburse the Director for any reasonable expense of obtaining such advice.

10. Board performance

The Board has implemented a process for the periodic review and evaluation of its performance and the performance of its committees, individual directors and key executives. The Board will obtain external evaluation as required.

11. Board remuneration

Director remuneration consists of Board and committee fees, superannuation guarantee contributions and the reimbursement of reasonable expenses. The fees reflect the demands on and responsibilities of those directors.

For Directors with service before 1 January 2005, a retiring allowance is payable on resignation or termination from the Board. The retiring allowance is calculated as a multiple of the average of the Director's annual fees in the three years up to 31 December 2004, adjusted for inflation after that date. The multiple was calculated based on the number of years of service as a director up to 31 December 2004 and was capped at 10 years of service.

12. Access to information

All directors have unrestricted access to all employees of Sunsuper and, subject to the law, access to all records and information held by Sunsuper employees and external advisers. The Board also receives regular financial and operational reports from senior management to enable it to carry out its duties.

13. Committees of the Board

There are four Board committees that assist the Board in the discharge of its responsibilities. These committees are the Investment Committee, the Audit, Compliance and Risk Management Committee, the Remuneration and Nominations Committee, and the Board Claims Committee. All are governed by their own charters or delegation of authority, as approved by the Board. These committees review matters on behalf of the Board and either make recommendations for consideration by the Board, or in the case of the Board Claims Committee make decisions as a delegate of the Board.

13.1. Investment Committee

Sunsuper has established an Investment Committee whose role is to review, monitor and make recommendations to the Board on the construction of the investment options and managers used to invest and manage the assets of the fund.

The Investment Committee consists of all directors. The Chief Investment Officer, Chief Executive Officer and external, independent asset consultants also attend the committee meetings to provide advice and assistance in investment management decisions for the fund.

The Committee meets at least four times a year.

The members of the Investment Committee are:

- Ron Monaghan (Chair);
- Peter Annand;
- John Battams;
- Graham Heilbronn;
- Robert Hutchinson;
- Bill Ludwig.

13.2. Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the audit process, the system of internal control, risk management and the process for monitoring compliance with laws, regulations and the Code of Conduct and Ethics.

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility.

The Committee consists of at least three, and no more than five, Board directors. The Board appoints the Committee members. The Committee appoints the Committee Chair, who cannot also be the Chair of the Board.

The independence of each member is considered by the Board in appointing and retaining members for the Committee.

At least one member must be designated as the "Audit Committee Financial Expert". An external independent member may be appointed to the Committee as the "Audit Committee Financial Expert" on the recommendation of the members of the Committee and the approval of the Board.

The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Assurance and Risk Manager report to, but are not members of, the Committee.

The Committee meets at least four times a year, with authority to convene additional meetings as circumstances require. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, Assurance and Risk Manager, financial auditor, and any other people considered appropriate by the Committee can attend meetings of the Committee by invitation.

The Committee, the Assurance and Risk Manager and the financial auditor have the option to request and hold a closed door meeting, without management present, where required and at least one such meeting must be held annually.

The members of the Audit, Compliance and Risk Management Committee are:

- Peter Annand (Chair);
- Robert Hutchinson;

- Ron Monaghan;
- Marian Micalizzi (Audit Committee Financial Expert).

13.3. Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for considering and making recommendations to the Board on matters related to management succession and development, the remuneration of management and directors, Board composition and performance, and the appointment of directors to investee companies.

The Committee consists of the respective Chairs of the Board of Directors, the Investments Committee and the Audit, Compliance and Risk Management Committee. The Committee appoints the Committee Chair, who cannot also be the Chair of the Board.

The Committee meets at least once each year, with authority to convene additional meetings as circumstances require.

The members of the Remuneration and Nominations Committee are:

- Peter Annand;
- Graham Heilbronn;
- Ron Monaghan.

13.4. Board Claims Committee

The Board Claims Committee is responsible, under a delegation of authority from the Board, for making decisions on behalf of the Board on matters related to member death benefit claims, member disability claims and early release entitlement benefit claims. The Committee may refer certain difficult claims to the Board for a decision.

The Committee consists of one director, who receives advice from internal General Counsel and a claims specialist. Each director takes a turn sitting on the committee for one meeting.

The Committee meets on a monthly basis, with authority to convene additional meetings as circumstances require.

14. **Code of conduct and ethics**

Sunsuper has developed a *Code of Conduct and Ethics* that applies to all employees (including directors) and advisors. This Code seeks to ensure that Sunsuper maintains high ethical standards, corporate behaviour and accountability.

Employees and directors are expected to maintain high ethical standards and professionalism, treat others with respect and caring, be a careful steward of member and fund assets, act honestly in financial reporting and communications, avoid conflicts between personal and Sunsuper's interests, obey the law and regulations, and foster a safe, healthy and productive workplace.

To further foster an ethical environment and to demonstrate our commitment to maintaining high ethical standards, Sunsuper has implemented a *Fraud Control Plan* that seeks to deter, detect, prevent and correct fraudulent and unethical conduct.

15. **Conflicts of interest**

The identification and management of actual, potential or perceived conflicts of interest is an important responsibility that Sunsuper takes very seriously. The proper management of conflicts is important in protecting our members' interests our image and reputation. Generally, a conflict of interest occurs when the personal interests or activities (financial or otherwise) of a director, officer, employee, authorised representative or service provider conflicts with their official responsibilities, interferes with the interests of Sunsuper, and potentially influences the exercise of their independent judgment in the performance of one or more duties.

Sunsuper's *Code of Conduct and Ethics* (including its *Conflicts of Interests Policy*) requires all stakeholders, which includes directors, officers, employees, authorised representatives and service providers to identify, avoid where possible, manage and/or disclose any actual, potential or perceived conflicts of interest so that no stakeholder achieves an unfair advantage.

16. Investment manager oversight

Sunsuper contracts with external investment professionals with specialised skills to manage Sunsuper's investments. We are committed to ensuring our investment managers have appropriate internal control, risk management, compliance and corporate governance practices in place.

Consequently, Sunsuper has implemented a program that periodically seeks information and assurances from our investment managers regarding their internal control, risk management, compliance and corporate governance practices.

In addition, advice is provided to the Investment Committee by reputable, independent consultants to assist with the compliance and audit of the investment managers' processes.

17. Proxy voting policy

Sunsuper takes a strong interest in the corporate governance practices within the organisations in which it invests members' funds. In this regard, Sunsuper has developed a policy in connection with the voting of its proxies. This policy seeks to ensure all investment managers have a written policy on the exercising of proxy votes, that has been approved by their board, and formal internal procedures to ensure the policy is applied consistently.

The authority and responsibility for exercising Sunsuper's proxy votes has been delegated to its investment managers. Sunsuper requires its investment managers to actively participate in the proxy voting process, particularly where they believe that corporate actions are being proposed that are not in the best interests of members.

While the investment managers will retain autonomy for exercising proxy votes, from time to time they may be subject to Sunsuper's influence where Sunsuper holds a significant percentage of the voting shares, or on major voting issues. The exercise of proxy votes by investment managers is monitored by Sunsuper through an electronic proxy monitoring system to ensure the manager is fulfilling its duty to Sunsuper and that Sunsuper has satisfied its fiduciary duty.

18. Financial reporting

Sunsuper's financial reporting process involves both the Chief Executive Officer and the Chief Financial Officer providing a sign-off that to the best of their knowledge and belief Sunsuper's financial report presents a true and fair view, in all material respects, of Sunsuper's financial position and operating results, and that the accounts have been prepared in accordance with generally accepted accounting principles.

In addition, the Chief Executive Officer and the Chief Financial Officer provide an annual statement to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal control.

19. Auditor independence

To safeguard the integrity of the financial reporting process, Sunsuper has implemented policies and procedures to monitor the independence and competence of its financial auditors.

The performance and independence of the financial auditors is reviewed by the Chief Financial Officer and the Audit, Compliance and Risk Management Committee on an on-going basis. If it becomes necessary to replace the financial auditors for performance or independence reasons, the Audit, Compliance and Risk Management Committee will formalise the procedure for the selection and appointment of new financial auditors.

Sunsuper also requires its financial auditors to make an annual independence declaration, addressed to the Board, declaring they have maintained their independence in accordance with the Corporations Act and the rules of the professional accounting bodies.

Sunsuper's financial auditors have a policy for the rotation of the lead audit partner. This policy and its application to Sunsuper will be reviewed and applied as deemed appropriate.

The Audit, Compliance and Risk Management Committee monitors the nature and extent of any non-audit services provided by its financial auditors to ensure it is reasonable and does not impact their independence.

The Committee has adopted guidelines to assist in identifying the types of non-audit services that may compromise the independence of the financial auditors. Examples of services that potentially compromise independence include valuation, accounting, taxation, consulting and internal audit services.

20. Risk management

Sunsuper recognises that a continuous process of effective risk management is critical to the safety and soundness of its operation as a superannuation fund. In this regard, we have developed, implemented and maintained a sound and prudent risk management programme, which is outlined in our *Risk Management Strategy and Plan*. This plan has been designed to recognise the nature, scale and complexity of our operations, and seeks to address our material risks, both financial and non-financial.

The governance structure of Sunsuper is a critical component of our risk management programme, and seeks to ensure the interests of members are protected. The Board, its committees, its management team and external advisors collectively have the probity, commitment and competence necessary to develop, monitor and review sound practices for managing risk. The Board recognises that it, together with its executive management team, is responsible for instilling a strong risk-aware and control-conscious culture throughout Sunsuper, so that material risks, conflicts of interest and potential problems that emerge can be identified, managed and promptly resolved in the normal course of business operations and in the best interests of Sunsuper's beneficiaries.

The Board views risk management as a crucial aspect of its operations which will help ensure Sunsuper can more effectively meet its prudential management requirements.

Sunsuper's risk management programme is based on risk management principles, philosophies and practices that have been in place at Sunsuper for many years, and which have been formulated with the assistance of an external risk and control advisor and in consultation with members of the Board and executive management.

Our objectives in developing the *Risk Management Strategy and Plan* were to:

- reduce the likelihood and impact of material risks to tolerable levels;
- demonstrate Sunsuper's commitment and approach to risk management;
- protect the interests of Sunsuper's stakeholders;
- support the achievement of Sunsuper's strategic and operational objectives;
- contribute towards instilling a strong risk-aware and control-conscious culture within Sunsuper; and
- meet Sunsuper's superannuation licence requirements.

The purpose of our risk management programme is not to eliminate risks, but to manage them within tolerable levels.

Responsibility for designing, implementing and maintaining Sunsuper's risk management programme has been assigned to an Assurance and Risk Manager, whose team reports directly to

the Audit, Compliance and Risk Management Committee. An independent external auditor is responsible for auditing the existence and effectiveness of the *Risk Management Strategy and Plan* on an annual basis.

21. Compliance

Sunsuper is committed to complying with all of its legal and regulatory requirements (including superannuation, corporation and trade practices laws) and applicable industry codes and standards.

We believe that compliance is vital to provide long term profit for members, underpins social trust and respect, and protects Sunsuper, its directors and staff.

We have developed a comprehensive *Compliance Management Program*, including the appointment of an internal General Counsel who oversees compliance officers in specialised areas such as financial services licensing and superannuation regulation, external service providers, the maintenance of compliance inventories, self assessment and external audit.

We maintain a strong compliance culture, through, amongst other things, appropriate education and training, incorporation of compliance performance in the position descriptions of relevant people and the linking of performance pay to achievement of compliance obligations. Sunsuper also seeks to continually improve our ability to comply and prevent non-compliance.

Compliance is the responsibility of all staff at Sunsuper. The Board's Audit, Compliance and Risk Management Committee monitors compliance. The key contact for compliance is the internal General Counsel. Staff are required to report any compliance-related issues to the compliance officers or to the internal General Counsel, and may also report concerns to senior management. The Board and management undertakes that 'whistleblowers' will not be prosecuted or disadvantaged and they will keep those reports confidential.

We actively encourage and assist our staff to comply with our legal obligations and will take appropriate action against anyone who is knowingly or recklessly concerned in a contravention of our legal obligations and generally will not indemnify them.

22. Member communications

We place considerable importance on effective communication with our members and their employers. Our communications philosophy promotes the communication of information to members through member guides, member statements, performance reports, newsletters and annual reports.

We also communicate through on-going member education sessions, which are held throughout the year, and through Sunsuper's website which provides 24 hour access to information on relevant superannuation topics and investment information.

23. Other policies

Sunsuper has implemented a range of other Board and management policies which have enterprise-wide application. These policies permit business units to establish policies and procedures governing their own operations while seeking to ensure a consistent approach and minimum acceptable standards are maintained.