

Sunsuper Pty Ltd

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

Successor Fund Transfer Committee Charter

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1. Introduction

This charter outlines the purpose, authority, responsibilities, composition, and meetings, of the Successor Fund Transfer Committee ("the Committee") established by the Sunsuper Pty Ltd Board of Directors ("the Board").

This charter is designed to ensure that Sunsuper meets the requirements of APRA Superannuation Prudential Practice Guide *SPG 227 Successor Fund Transfers and Wind Ups*, as well as other legislative and regulatory requirements.

A successor fund transfer occurs where member's benefits are transferred (without member consent) from one superannuation fund ("the transferring fund") to another ("the receiving fund") in satisfaction of the following conditions:

- The successor fund confers on the member equivalent rights to the rights that the member had under the original fund in respect of the benefits; and
- Before the transfer, the successor fund trustee has agreed with the trustee of the original fund that the fund will confer on the member equivalent rights to the rights that the member had under the original fund in respect of the benefits.

To satisfy the requirement for equivalent rights, the member's position and rights in Sunsuper must be effectively the same as those in the other fund so as not to disadvantage the member. That is, the member's rights (in respect of benefits) in Sunsuper should be equivalent in value, measure, force and effect to their rights (in respect of benefits) in the other fund. Although special consideration should be given to significant rights, any judgement of whether rights are equivalent should not be assessed solely on an individual change to a specific right but on the equivalency of the bundle of rights (which includes rights to contingent benefits).

See Appendix 1 for a detailed list of the considerations to which members of the Committee should turn their minds in considering a successor fund transfer in or out of Sunsuper.

2. Purpose

The purpose of the Committee is to provide an objective non-executive approval mechanism for successor fund transfers (SFTs) to and from Sunsuper. It shall also provide oversight of the effectiveness of internal controls for monitoring compliance with established Sunsuper processes, the agreed terms of the transfer and all relevant laws and regulatory guidance relating to SFTs.

With the exception of the transfer types listed below, the Committee will formally make decisions on behalf of the Board in relation to the approval of SFTs to and from Sunsuper. In particular, the Committee will determine in undertaking an SFT whether:

- The relevant members have equivalent rights to the rights that the members had in their original fund in respect of benefits ['equivalent rights'];
- Sunsuper can agree with the trustee of the other fund that the successor fund will confer on the proposed member equivalent rights that the member had under the transferring fund in respect of benefits; and
- It is in the best interests of the members of Sunsuper as a whole that the proposed transfer occur.

The Committee will also formally make decisions on behalf of the Board in relation to any matters concerning the "transition in" of members and assets of approved successor fund transfers to Sunsuper.

The Committee may on behalf of the Board, approve non material changes to the Trust Deed of Sunsuper, necessary to "transition in" members and assets of approved successor fund transfers.

Approval of the full Board will be required where the superannuation plan being transferred:

- Has assets in excess of \$500m;
- In the case of a "transition in" requires the creation of new investment options;
- In the case of a "transition in" requires the application for a tailored MySuper licence; or

- Contains other material non-standard features, for example, material Deferred Tax Assets.

The Committee does not replace or replicate established management responsibilities, delegations or reporting lines.

3. Authority

In addition to approval authority, the Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- Make decisions regarding disputed terms of the transfer;
- Retain independent counsel, accountants, tax advisors or others to advise the Committee, or to assist in the conduct of an investigation;
- Seek all information necessary for the performance of its functions from employees, contractors or any other party, all of whom are directed to cooperate with the Committee's requests;
- Be provided with full access to all books, records, facilities and personnel; and
- Meet with company officers, external auditors, assurance and risk management providers, compliance officers and legal counsel, as necessary.

The members of the Committee must, at all times, have free and unfettered access to senior management, the internal tax manager, the head of the risk management function, the internal General Counsel, the external legal advisor, the actuary, and vice versa.

4. Responsibilities

Successor Fund Transfer Process

For each proposed successor fund transfer the Committee shall review, provide input on and ensure appropriate processes have been followed in relation to, but not limited to, any:

- Agreements entered into with the other Trustee;
- Agreements entered into with the Principal Employer of the plan;
- Supportive advice provided to the other Trustee and Employer;
- External supportive legal advice to the Sunsuper Trustee;
- Completion of an SFT Analysis by Sunsuper in conjunction with the other Trustee to satisfy both parties equivalent rights and benefits have been provided;
- Clearly documented reasons for deciding to undertake the SFT, including the basis for concluding that the decision is in the best interests of the beneficiaries of Sunsuper as a whole, with consideration specifically being given to:
 - (i) The period within which transition costs incurred by Sunsuper in relation to the transfer will be recovered from net revenue arising from the transfer; and
 - (ii) Risks (if any) inherent in the transfer; and
- Specific agreements for the transition of assets or insurance policies.

Additionally the Committee shall ensure tailored member communications for each plan have passed internal sign-off procedures including approval by the Due Diligence Committee where relevant.

Upon satisfaction that all appropriate processes have been followed, the Committee is responsible for approving SFTs in accordance with this Charter.

Other Responsibilities

- Annually review proposed successor fund transfer opportunities that have not proceeded as management have determined that it was not expected the transfer would be in the best interests of the members of Sunsuper;
- Annually review each successor fund transfer approved by the Committee or Board, after an appropriate period of time to consider whether the expected benefits of the transfer (in particular member numbers, funds under management) have been realised;
- Annually review and assess the adequacy of the Committee Charter, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- Annually confirm that all responsibilities in the Charter have been carried out;

- Evaluate the Committee's and individual members' performance on a regular basis, and report the results to the Board;
- Monitor management's implementation of agreed actions;
- Instigate and oversee special investigations as needed; and
- Perform other activities related to this Charter as requested by the Board.

Reporting Responsibilities

Provide to the Board no later than the next Board meeting after each meeting of the Committee a summary of any decisions made and any significant issues.

5. Composition

Size and Membership

The Committee shall consist of at least three members as appointed by the Sunsuper Pty Ltd Board from time to time. All members of the Committee shall be current Directors of the Sunsuper Pty Ltd Board.

The Chair of the Committee shall be appointed by the Board, after consultation with all Directors and on recommendation of all of the employer nominated directors and member nominated directors of the Board, and shall not be the Chair of Sunsuper Pty Ltd.

On the recommendation of the members of the Committee and the approval of the Board, an external independent member may be appointed to provide expert advice to the Committee.

It is the intention of the Board that each member serve for a term of three years, subject to the need to maintain an adequate level of experience on the Committee.

The Board will confirm the appointment of all Committee members at least annually.

The Transitions Manager shall report to, but not be a member of, the Committee.

As required, the Committee may invite representatives from growth, product, risk, legal, compliance, investments, administration, insurance, marketing or any other functional area to assist the Committee with a particular task.

Knowledge

The Committee shall collectively have skills and knowledge in the areas of superannuation, corporate governance, risk management, internal control, regulation and compliance.

Independence

All members of the Committee shall be 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 in relation to the approval of a SFT. The independence of each member shall be considered by the Board in appointing and retaining members for the Committee.

6. Meetings

Frequency

The Committee shall meet on an as needed basis. Committee members are expected to attend each meeting in person or via tele- or video-conference.

Attendees

The Chief Executive Officer, Executive General Manager, Enterprise Change, Chief Financial Officer, Chief Risk Officer, General Counsel and any other persons considered appropriate shall attend meetings of the Committee by invitation, and provide pertinent information, as necessary. Any Board member may attend a meeting as an observer.

Secretarial

The Company Secretariat team shall provide secretarial support to the Committee.

The Transitions Manager in conjunction with the Chair and the Company Secretary shall draw up an agenda which shall be circulated with supporting papers at least three days prior to each meeting to the members of the Committee and other meeting attendees.

Minutes shall be prepared for each meeting, circulated to the Chair within one week of each meeting for review, and then confirmed as accurate at the following meeting.

Quorum

The presence of two members at the time of any meeting shall constitute a quorum for the transaction of business.

A resolution of the Committee is passed if at least two members of the Committee vote in favour of the resolution. Members may not vote or participate by proxy.

The Committee may act by unanimous written consent of all members.

Appendix 1: Trustee Considerations Consistent with APRA SUPERANNUATION PRUDENTIAL PRACTICE GUIDE SPG 227 SUCCESSOR FUND TRANSFERS AND WIND UPS As At November 2018

Planning Phase

Do the governing rules of the transferring fund provide it with the power to transfer members' benefits to a successor fund?

Does the decision to undertake the SFT align with the strategic direction and business plan of the receiving fund?

Has a due diligence and risk assessment process been undertaken in relation to the transferring members (for the transferring fund) or receiving members (for the receiving fund)?

Key considerations in the planning phase include:

- Whether the governing rules of the transferring fund or the receiving fund require amendment to enable the SFT to occur;
- Whether conflicts of interest will arise as a result of the decision and whether the conflicts are considered to be manageable or whether they must be avoided;
- How financial resources held to meet the operational risk financial requirement (ORFR) and any reserves in the funds will be treated in a manner that is consistent with the respective policies of both funds;
- What are the outsourcing agreements for the transferring fund and what termination rights do they allow;
- Are there adequate business continuity plans in place to facilitate and manage potential disruptions to critical business activities that may arise during SFT process;
- Whether existing insured benefits and insurance policies will be transferred to the receiving fund;
- The extent to which members' insured benefits may be altered by any changes to the level of cover, premiums or terms and conditions;
- How insurance claims incurred but not finalised will be managed;
- The process for ensuring that appropriate records of insurance data will be transferred to the receiving fund, particularly where there is a change of insurer;
- What are the fees and costs associated with the SFT;
- The timing of the SFT;
- Taxation, including capital gains tax, issues;
- Any issues that may need to be resolved with other regulators, for example, the Australian Taxation Office, the Australian Securities and Investments Commission (ASIC), and regulators of other countries, where applicable;
- Whether the SFT will give rise to any portability issues as a consequence of interim blackout periods or other liquidity concerns;
- Processes for capturing and transmitting member data and assets to the receiving fund;
- Processes for completion of the auditor's report; and
- Contingency plans for dealing with unforeseen delays or events that could impede the proposed SFT, including critical dependencies and associated monitoring and reporting processes.

Best Interest of Beneficiaries

APRA expects both a transferring fund and a receiving fund would decide to undertake an SFT where doing so is, in their assessment, in the best interests of its beneficiaries. This is an obligation imposed on the trustee by the governing rules (in light of section 52(2)(c) of SIS) as well as the general law.

There are numerous reasons for undertaking an SFT, including that it might offer members access to greater economies of scale which might facilitate a greater choice of product features, for example, more diversified investment choice, lower fees, or more favourable insurance arrangements.

Any perceived benefit/s should be considered relative to the costs of undertaking the SFT in the overall analysis of the best interests of members.

It is important to compare the features offered by each fund through an analysis of the respective governing rules. Features, which are distinguishable from rights, are those benefits which are determined, and can be

changed, at the discretion of the trustee and provide no ongoing entitlement to a member. Generally features include the amount of fees charged to a member, product features and investment options.

Features in the receiving fund and transferring fund can differ without impacting the equivalency of the members' rights in respect of their benefits; however, a comparison of features remains essential to the assessment of best interests.

'Equivalent Rights' Assessment

In undertaking the 'equivalent rights' assessment, relevant considerations include:

- What rights do members have in respect of their benefits? Are these rights legally enforceable?
- Are there groups of members with common rights in the transferring fund that can usefully be compared with equivalent groups in the receiving fund? Such groups might include default members, choice members, defined benefit members, retained members and members with pension benefits.
- Are the members transferring from and to a MySuper product? Do both the MySuper products comply with the provisions of Part 2C of the SIS Act?
- In relation to the MySuper product of the receiving fund, what are the features such as investment strategy, return target and recent investment performance? Do these features promote the financial interests of the beneficiaries of the transferring fund?