

# FIDUCIAN SUPERANNUATION SERVICE

## Governance Policy

August 2020



## Control Sheet

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<b>Entity</b>	Fiducian Portfolio Services Limited
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<b>Approved By</b>	Trustee
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# 1. Introduction

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## 1.1 Background

1.1.1 This document constitutes the Governance Policy of Fiducian Portfolio Services Limited (**the Trustee**), the trustee of the Fiducian Superannuation Service (**FSS**), which is a Responsible Superannuation Entity regulated by the Australian Prudential Regulatory Authority (**APRA**). This document sets out policies and procedures adopted by the Trustee to assist the Trustee in meeting its obligation to promote strong and effective governance.

1.1.2 This document also records the approach taken by the Trustee to meet the requirements relating to governance as set out in:

- a. The *Superannuation Industry (Supervision) Act 1993 (the SIS Act)* and Regulations (as amended).
- b. The *Corporations Act 2001* and Regulations (as amended).
- c. The conditions of the Trustee's Responsible Superannuation Entity (**RSE**) Licence and Australian Financial Services (**AFS**) Licence.
- d. *APRA Prudential Standard SPS 510 – Governance (July 2013)*.
- e. *APRA Prudential Practice Guide SPG 510 – Governance (July 2013)*.
- f. *APRA Prudential Standard SPS 520 – Fit and Proper (July 2013)*.
- g. *APRA Prudential Practice Guide SPG 520 – Fit and Proper (July 2013)*.

(Together known as the **Relevant Law**)

1.1.3 This document should be read in conjunction with the Trustee's Board and Committee Charters, **Conflicts Management Policy, Fit and Proper Policy, Board Renewal Policy, Delegations Policy, Risk Management Strategy, Risk Appetite Statement, Risk Register** and, **Outsourcing Policy**.

## 1.2 Scope

1.2.1 This Policy documents the Governance Principles that establish the framework by which the Board carries out its duties and obligations in relation to the Trustee and the management of FSS.

## 1.3 Fitness and Propriety

1.3.1 The Trustee recognises its responsibility to ensure that collectively, the Directors and Responsible Persons<sup>1</sup> have the full range of skills needed for the effective and prudent operation of the Trustee's business operations, and that individually each Director has the skills that allow him or her to make an effective contribution to Board deliberations and processes and meets the standards of propriety required by the Trustee and Relevant Law.

1.3.2 The Fit and Proper Procedures which have been put into place by the Trustee to address these obligations are documented in detail in the Trustee's **Fit and Proper Policy**.

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<sup>1</sup> At the date of this Policy the Responsible Persons are the Trustee Directors, members of the Trustee's Investment Committee, any person(s) appointed to the roles of RSE Auditor and RSE Actuary, and the following employees of Fiducian Services Pty Limited:

Head of Investments, Executive Chairman, Chief Information Officer, General Counsel, General Manager of Superannuation, Head of Platform Services, Chief Risk Officer and Manager Business Services .

## **1.4 Risk**

- 1.4.1 The Trustee recognises its responsibility to ensure that Directors collectively have the necessary skills, knowledge and experience to understand the risks associated with the Trustee's business operations, including its legal and prudential obligations, and to ensure that the Trustee's business operations are managed in an appropriate way taking account of these risks. This does not preclude the Trustee from supplementing its skills and knowledge by engaging external consultants and experts.
- 1.4.2 For more information on the Trustee's risk management framework, see the Trustee's **Risk Management Strategy, Risk Appetite Statement and Risk Register**.

## **1.5 Awareness and Understanding**

- 1.5.1 The Trustee appreciates the importance of ensuring that all Directors and Responsible Persons have a sound awareness and understanding of the provisions of this Governance Policy.
- 1.5.2 The Trustee will ensure that all new Responsible Persons receive a copy of this Policy at the time of their appointment. On an ongoing basis, the Trustee ensures that this Policy is available to all Responsible Persons.
- 1.5.3 If material changes are made to this Policy, the Trustee will ensure that these changes are communicated to all Directors and Responsible Persons, and that a copy of the revised Governance Policy is made available.

## 2. Relevant Principles and Covenants

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### 2.1 Governance Principles<sup>2</sup>

2.1.1 The Trustee abides by the following governance principles in order to underpin a sound and effective governance framework:

- a. **Responsibility** — the Board is ultimately responsible and accountable for the decisions and actions taken by the Trustee.
- b. **Independence** — the Board discharges its review and oversight role effectively and independent of the interests of dominant shareholders, management and competing or conflicting business interests.
- c. **Renewal** — the Board has a policy of renewal which provides for fresh insight and general reinvigoration of the Board while also ensuring ongoing understanding of the business of the Trustee.
- d. **Expertise** — the Board has the necessary expertise to fulfil its role and functions, and if required has access to independent expertise that can be called upon as and when required to provide advice to the Board on any particular matter.
- e. **Diligence** — the Board discharges its duties and responsibilities carefully and conscientiously.
- f. **Prudence** — the Board has a clear focus on the prudent management of the Trustee's business operations.
- g. **Transparency** — the Board is open and honest in its dealings on behalf of the Trustee.
- h. **Oversight** — the Board is able to satisfy itself that the management and operation of the Trustee conforms to its strategy, direction and policies.

### 2.2 SIS Covenants

2.2.1 The Trustee abides by the following Covenants contained in sections 52 and 52A of the SIS Act:

#### General Covenants

- (a) To act honestly in all matters concerning the entity.
- (b) To exercise, in relation to all matters affecting the entity, the same degree of care, skill and diligence as a prudent superannuation trustee would exercise in relation to an entity of which it is trustee and on behalf of FSS members of which it makes investments.
- (c) To perform the trustee's duties and exercise the trustee's powers in the best interests of FSS members;
- (d) Where there is a conflict between the duties of the trustee to FSS members, or the interests of FSS members, and the duties of the trustee to any other person or the interests of the trustee or an associate of the trustee:
  - i. To give priority to the duties to and interests of FSS members over the duties to and interests of other persons; and
  - ii. To ensure that the duties to FSS members are met despite the conflict; and
  - iii. To ensure that the interests of FSS members are not adversely affected by the conflict; and
  - iv. To comply with the prudential standards in relation to conflicts.
- (e) To act fairly in dealing with classes of FSS members within the entity.

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<sup>2</sup> See **APRA Prudential Practice Guide SPG 510 – Governance (Paragraph 1)**.

- (f) To act fairly in dealing with FSS members within a class.
- (g) To keep the money and other assets of the entity separate from any money and assets, respectively:
  - i. That are held by the trustee personally; or
  - ii. That are money or assets, as the case may be, of a standard employer-sponsor, or an associate of a standard employer-sponsor, of the entity;
- (h) Not to enter into any contract, or do anything else, that would prevent the trustee from, or hinder the trustee in, properly performing or exercising the trustee's functions and powers.
- (i) If there are any reserves of the entity—to formulate, review regularly and give effect to a strategy for their prudential management, consistent with the entity's investment strategies and its capacity to discharge its liabilities (whether actual or contingent) as and when they fall due.
- (j) To allow a beneficiary of the entity access to any prescribed information or any prescribed documents.

### **Investment Covenants**

- (a) To formulate, review regularly and give effect to an investment strategy for the whole of the entity, and for each investment option offered by the trustee in the entity, having regard to:
  - i. The risk involved in making, holding and realising, and the likely return from, the investments covered by the strategy, having regard to the trustee's objectives in relation to the strategy and to the expected cash flow requirements in relation to the entity;
  - ii. The composition of the investments covered by the strategy, including the extent to which the investments are diverse or involve the entity in being exposed to risks from inadequate diversification;
  - iii. The liquidity of the investments covered by the strategy, having regard to the expected cash flow requirements in relation to the entity;
  - iv. Whether reliable valuation information is available in relation to the investments covered by the strategy;
  - v. The ability of the entity to discharge its existing and prospective liabilities;
  - vi. The expected tax consequences for the entity in relation to the investments covered by the strategy;
  - vii. The costs that might be incurred by the entity in relation to the investments covered by the strategy;
  - viii. Any other relevant matters;
- (b) To exercise due diligence in developing, offering and reviewing regularly each investment option.
- (c) To ensure the investment options offered to each beneficiary provide sufficient choice and an opportunity to obtain diversification of investment.

### **Insurance Covenants**

- (a) To formulate, review regularly and give effect to an insurance strategy for the benefit of FSS members of the entity that includes provisions addressing each of the following matters:
  - i. The kinds of insurance that are to be offered to, or acquired for the benefit of, FSS members;
  - ii. The level, or levels, of insurance cover to be offered to, or acquired for the benefit of, FSS members;
  - iii. The basis for the decision to offer or acquire insurance of those kinds, with cover at that level or levels, having regard to the demographic composition of FSS members of the entity; and
  - iv. The method by which the insurer is, or the insurers are, to be determined.
- (b) To consider the cost to all FSS members of offering or acquiring insurance of a particular kind, or at a particular level.



- (c) To only offer or acquire insurance of a particular kind, or at a particular level, if the cost of the insurance does not inappropriately erode the retirement income of FSS members, unless members are able to personally select their choice of insurance cover, then provide them suitable opportunity to choose.
- (d) To do everything that is reasonable to pursue an insurance claim for the benefit of a beneficiary, if the claim has a reasonable prospect of success.

#### **Covenants Relating to Risk**

- (a) To formulate, review regularly and give effect to a risk management strategy that relates to:
  - i. The activities, or proposed activities, of the trustee, to the extent that they are relevant to the exercise of the trustee's powers, or the performance of the trustee's duties and functions, as trustee of the entity.
  - ii. The risks that arise in operating the entity.
- (b) To maintain and manage in accordance with the prudential standards financial resources (whether capital of the Trustee, a reserve of the entity or both) to cover the operational risk that relates to the entity.

#### **Covenants relating to Annual Outcomes Assessments**

- (a) To determine, in writing, on an annual basis, whether the financial interests of the beneficiaries of the Fund are being promoted by the Trustee, having regard to:
  - (i) a comparison of the Fund with the comparable choice products in relation to the Fund, based on factors mentioned in subsection (10A Section 52 SIS), and a comparison of the Fund with any other benchmarks specified in regulations made for the purposes of this subparagraph; and
  - (ii) the factors mentioned in subsection (f) below
- (aa) To determine, in writing, on an annual basis, whether the Trustee of the Fund is promoting the financial interests of the beneficiaries of the Fund, as assessed against benchmarks specified in regulations made for the purposes of this paragraph;
- (b) To make the determination referred to in paragraph (a), and a summary of the assessments and comparisons on which the determination is based, publicly available on the website of the entity;
- (c) To do so within 28 days after the determination is made;
- (d) To keep the determination, and the summary of the assessments and comparisons on which the determination is based, on the website until a new determination is made as referred to in paragraph (a).
- (e) In comparing the Fund with the comparable choice products in relation to the Fund, the Trustee must compare each of the following:
  - (i) the fees and costs that affect the return to the Fund beneficiaries;
  - (ii) the return for the Fund;
  - (iii) the level of investment risk for the Fund;
  - (iv) any other matter specified in the prudential standards.
- (f) In determining whether the financial interests of the Fund beneficiaries are being promoted by the Trustee, the Trustee must assess each of the following:
  - (i) whether the options, benefits and facilities offered under the Fund are appropriate to those beneficiaries;
  - (ii) whether the investment strategy for the Fund, including the level of investment risk and the return target, is appropriate to those beneficiaries;
  - (iii) whether the insurance strategy for the Fund is appropriate to those beneficiaries;
  - (iv) whether any insurance fees charged in relation to the Fund inappropriately erode the retirement income of those beneficiaries;
  - (v) any other relevant matters, including any matters set out in the prudential standards.

#### **Covenants relating to Promoting Financial Interests of Beneficiaries**

- (a) To promote the financial interests of the beneficiaries of the Fund, in particular returns to those beneficiaries (after the deduction of fees, costs and taxes).

### **Covenants for Individual Directors**

- (a) To act honestly in all matters concerning the entity.
- (b) To exercise, in relation to all matters affecting the entity, the same degree of care, skill and diligence as a prudent superannuation entity director would exercise in relation to an entity where he or she is a director of the trustee of the entity and that trustee makes investments on behalf of the entity's FSS members.
- (c) To perform the director's duties and exercise the director's powers as director of the corporate trustee in the best interests of FSS members.
- (d) Where there is a conflict between the duties of the director to FSS members, or the interests of FSS members, and the duties of the director to any other person or the interests of the director, the corporate trustee or an associate of the director or corporate trustee:
  - i. To give priority to the duties to and interests of FSS members over the duties to and interests of other persons;
  - ii. To ensure that the duties to FSS members are met despite the conflict;
  - iii. To ensure that the interests of FSS members are not adversely affected by the conflict; and
  - iv. To comply with the prudential standards in relation to conflicts.
- (e) Not to enter into any contract, or do anything else, that would:
  - i. Prevent the director from, or hinder the director in, properly performing or exercising the director's functions and powers as director of the corporate trustee; or
  - ii. Prevent the corporate trustee from, or hinder the corporate trustee in, properly performing or exercising the corporate trustee's functions and powers as trustee of the entity.
- (f) To exercise a reasonable degree of care and diligence for the purposes of ensuring that the corporate trustee carries out the covenants referred to in section 52.

## **3. The Board**

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### **3.1 Primary Responsibility**

3.1.1 The Board is ultimately responsible for the development of, and sound and prudent management of, the Trustee's business operations<sup>3</sup> and must comply with the requirements of the trust deed, the relevant constitution and the law.

3.1.2 This includes:

- a. Reviewing and approving the business strategies and significant policies of the Trustee.
- b. Satisfying itself that an effective system of risk management and internal control is established and maintained, and that the appropriate Responsible Persons are monitoring the effectiveness of the risk management framework, and providing appropriate reporting to the Board in respect of risk management matters.

### **3.2 Composition**

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<sup>3</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 4)** 'business operations' is defined as including "all activities the Trustee undertakes as a Registrable Superannuation Entity (RSE) Licensee (including the activities of each RSE for which it is the Licensee), and all other activities it undertakes to the extent that they are relevant to, or may impact on, its activities as an RSE Licensee".

- 3.2.1 The Board must have at least five Directors at all times (not counting Alternate Directors). Notwithstanding the minimum number of Directors, at any time the Board must have a simple majority of the actual number of Directors as ordinarily resident in Australia.
- 3.2.2 The Board may be comprised of both independent Directors and Directors affiliated with the Fiducian Group.
- 3.2.3 The number of independent Directors must be equal to or greater than the number of Directors affiliated with the Fiducian Group.
- 3.2.4 The Trustee may by resolution determine the maximum number of directors.
- 3.2.5 The Chairperson of the Board must be an independent Director not affiliated with the Fiducian Group.<sup>4</sup>

### **3.3 Appointment**

- 3.3.1 In order to be considered for nomination or election to the Board, an individual must:
- a. Be Tertiary qualified, and/or;
  - b. Show expertise in a field relevant to superannuation such as governance, investment, administration, consulting, management, financial planning, legal, accounting or other professions.
- 3.3.2 All nominees are also required to meet the fit and proper requirements as set out in the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993*, *APRA Prudential Standard SPS 520 – Fit and Proper*, and articulated in the Trustee's **Fit and Proper Policy**, prior to appointment.
- 3.3.3 The requirements of paragraph 3.3.1 and 3.3.2 apply equally to the appointment of independent Directors and Directors affiliated with the Fiducian Group.

### **3.4 Removal**

- 3.4.1 A director shall be removed if the person is or becomes a disqualified person under section 120 of the *Superannuation Industry (Supervision) Act 1993* or Part 2D.6 of the *Corporations Act 2001*.
- 3.4.2 A director must retire from office on the completion of a 3 year term and may be reappointed for a term or terms not exceeding 3 years subject to a maximum of 5 terms in office.

### **3.5 Tenure**

- 3.5.1 An initial period of appointment is for a period not exceeding 3 years.

### **3.6 FSS Board Chairman**

- 3.6.1 The FSS Chairman is to be an independent Director not affiliated with the Fiducian Group.

### **3.7 Level of Independence**

- 3.7.1 All Directors are expected to bring independent views and deliberations to the Board's judgements and exercise their powers and discharge their duties in good faith and in the best interests of all FSS members.

### **3.8 Independent Professional Advice**

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<sup>4</sup> See **APRA Prudential Standard SPS 510 – Governance (Paragraph 17)**.

- 3.8.1 It is appropriate that the Board has access to the highest standards of professional advice in order to make decisions that are in the best interests of all members of FSS.
- 3.8.2 The Board as a whole, and each individual Director, is expected to have the necessary experience to make appropriate decisions, with the advice of various professionals being available where required. It is appropriate for the provision of advice that is specifically sought by the Board to be channelled through the Chair of the Board, who has an ongoing right to seek independent professional advice at the expense of FSS.
- 3.8.3 There may be circumstances that could arise where an individual Director may require advice from an independent professional adviser at the expense of FSS, in order to make a decision on an issue that relates to their specific responsibilities. An individual Director should only proceed to seek this independent professional advice following consultation with the Chair of the Board and upon making an application to the Chair of the Board, who will determine whether to approve or not approve the application. The application should clearly spell out the reasons for the Director seeking the separate professional advice and why the Director believes that they should have access to this advice.
- 3.8.4 The application should generally outline the estimated costs for the provision of this advice. In circumstances where the Chair of the Board has not approved the application and provided reasons for this rejection, the Director will be entitled to refer the matter to the Board as a whole for their consideration. The Board may then either reject or approve the application.

### **3.9 Meetings**

- 3.9.1 The Board is expected to meet at least quarterly. However, the Board may also, at the request of one or more Directors meet at other times to discuss relevant issues.
- 3.9.2 The Chairman must call a meeting of the Board if requested to do so by any Director.
- 3.9.3 The Directors are expected to use reasonable endeavours to attend all meetings of the Board.
- 3.9.4 The Directors are also expected to make themselves available, at short notice if required, in order to ratify important Board decisions or authorise member payments.

### **3.10 Board Committees**

- 3.10.1 The Board has established three (3) Committees to whom it has delegated authority to act on its behalf in respect of fulfilling certain obligations and strengthening its overall governance framework:
- a. Audit, Risk & Compliance Committee (**ARCC**)
  - b. Investment Committee
  - c. Remuneration and Nominations Committee
- 3.10.2 The Board has also delegated authority to the Fiducian Group's Claims Team to make determinations in relation to FSS members.
- 3.10.3 In establishing these Committees, the Board has had regard to the risk profile of the Trustee and the complexity of its business, as well as to the experience and expertise of the Directors appointed to act on those Committees.

3.10.4 On the basis that each of these Committees has responsibility for activities that have the potential to have a material impact on the interests, or reasonable expectations, of FSS members<sup>5</sup>, or to the long term financial soundness of the Trustee or FSS, the Trustee shall appoint the Chairperson of each Committee .

3.10.5 The roles, responsibilities and objectives of each Committee, including appointment, tenure and reporting obligations, are set out in detail in separate Charters, each of which are regularly reviewed by the Board.

3.10.6 Whilst some functions and responsibilities of the Board may be delegated to Board Committees, the Board retains ultimate responsibility for ensuring that these duties are performed. Details of Delegations are contained in the Trustee's **Delegations Policy** .

### **3.11 Board Performance Assessment**

3.11.1 The Board understands that it is required to have procedures in place to assess, at least annually:

- a. Its performance relative to its objectives; and
- b. The performance of individual Directors.<sup>6</sup>

3.11.2 In assessing the Board's performance, issues to be considered may include:

- a. Whether the Board's division of time between its various responsibilities is appropriate.
- b. Whether the Board has the appropriate mix of skills and experience to undertake its responsibilities.
- c. How effectively the Board is functioning as a team.
- d. How effectively the Board is addressing key responsibilities with regard to:
  - i. Quality and continuity of management;
  - ii. Setting strategic direction;
  - iii. External relationships with members, employer sponsors, sponsoring organisations, regulators, government and the media;
  - iv. Risk and compliance;
  - v. Board skills and experience, including programs for inducting Directors' and developing their skills and involvement;
  - vi. Board Meetings and operations are efficient, including procedural matters such as scheduling of meetings, timing of meetings, receipt of minutes, Board papers and agenda; and
  - vii. Ensuring that resolutions of the Board are implemented and complied with.

3.11.3 In undertaking this assessment, the Board will consider the extent to which the objectives that it has set for the Board collectively and for individual Directors have been met:

- a. Objectives for the Board will be determined annually, following the Board performance assessment process, and will be reviewed as part of the next scheduled Board performance assessment. Relevant objectives may include:
  - i. Establishing the overall strategy for the Trustee and ensuring reporting against this strategy;

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<sup>5</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 5)**, a reference to "FSS members" is a reference to "*FSS members of an RSE within the RSE Licensee's business operations*". In addition, a reference to "business operations" includes "*all activities as an RSE Licensee (including the activities of each Fund of which it is the RSE Licensee) and all other activities of the RSE Licensee to the extent that they are relevant to, or may impact on, its activities as an RSE Licensee*".

<sup>6</sup> See **APRA Prudential Standard SPS 510 – Governance (Paragraph 19)**.

- ii. Assessing operating and financial conditions against forecasts;
  - iii. Assessing performance of senior management personnel engaged by FSS against agreed criteria; and
  - iv. Making key decisions in a timely manner.
- b. Objectives for individual Directors will be determined annually, following the Board performance assessment process, and will be reviewed as part of the next scheduled Board performance assessment. Relevant objectives may include:
- i. Demonstrating the required expertise for their role;
  - ii. Attendance and participation at Board meetings; and
  - iii. Contributing to Board deliberations and the overall direction of the Trustee.

3.11.4 The Trustee will schedule a Board performance assessment to be completed annually. Reporting on the outcomes of the performance assessment will be made directly to the full Trustee Board, and the full Trustee Board will be responsible for actioning the recommended courses of action. It is generally expected that recommended courses of action stemming from the assessment process will be implemented, as appropriate, prior to the commencement of the next scheduled Board performance assessment.

3.11.5 Prior to the commencement of each Board performance assessment process, the Chairman will determine whether the assessment will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider.

3.11.6 At a minimum, the Board is committed to ensuring that the Board performance assessment is undertaken by an external party at least once in every three years.

3.11.7 Minutes of Trustee meetings and records of Board Assessment are to be kept in a safe place and made available to APRA, other regulatory bodies and the parent company of FSPL as required.

### **3.12 Trustee Board Charter**

3.12.1 The roles and responsibilities of the Board, including the conduct of meetings, are set out in detail in the **Trustee Board Charter**.

## 4. Management and Service Providers

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### 4.1 Trustee Management

- 4.1.1 The Trustee does not employ any staff but rather uses the services of outsourced providers to fulfil its operational resource requirements. Fiducian Services Pty Limited (**FSL**) provides the administration services for both the Trustee and FSS, including general operational management, legal, compliance and risk management. Fiducian Investment Management Services Limited (**FIMS**) provides, through the agreement with FSL, the investment services for the Trustee and FSS.
- 4.1.2 The services that FSL and FIMS provide are documented in the outsourcing agreement which is made pursuant to the Trustee's Outsourcing Policy.

### 4.2 Overall Management

- 4.2.1 FSL is responsible for managing the provision of services to FSS on a day-to-day basis and the implementation of the Board's decisions and policies. This includes the implementation and monitoring of structures, processes, information and oversight arrangements used in managing by the Trustee.
- 4.2.2 The Executive Chair of FSL is directly accountable to the Board, and reports to the Board on any operational issues which require resolution.
- 4.2.3 The Board may delegate activities to the Executive Chair of FSL, and requires the Executive Chair of FSL to draw to its attention any changes that may impact on any aspect of the operation of FSS.
- 4.2.4 The Executive Chair of FSL is kept informed of, and provides input to strategies and issues faced by, each of the Sub-Committees and may attend or appoint a nominee subject matter expert to attend Trustee Board and Sub-Committee meetings as a visitor or to clarify any matters the subject of Board review.

### 4.3 General Counsel/Compliance Responsibilities

- 4.3.1 The General Counsel / Compliance responsibilities are outsourced to FSL and include (but are not limited to):
- a. Provide advice to the Board on FSS requirements and obligations.
  - b. Provide advice on regulatory change impacts and interpretation.
  - c. Provide advice on regulatory requirements for superannuation, managed investments and financial advice.
  - d. Provide advice on corporate governance, risk management, compliance policies and procedures along with management of the risk and compliance frameworks.
  - e. Liaise with regulators on regulatory matters.
  - f. Prepare, negotiate and advise on all commercial arrangements and contracts.
  - g. Manage member complaints and dealings with the external dispute resolution scheme – Australian Financial Complaints Authority (AFCA);
- 4.3.2 Day to day risk management is outsourced to the Chief Risk Officer<sup>7</sup>, a position within FSL and Fiducian Group Senior Management Team whose responsibilities include:
- (i) Performance of the Risk Management Function required by SPS220;
  - (ii) Developing and maintaining the risk management framework;

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<sup>7</sup> See Risk Management Strategy – Clause 4.

(iii) Monitoring and reporting in relation to risk activities associated with Trustee business operations; and

(iv) Attending and presenting at Board and relevant Committee meetings with direct access to the Trustee if required.

#### 4.4 Superannuation Management

4.4.1 Superannuation Management is outsourced to FSL and the management is provided by a General Manager Superannuation (GMS) whose responsibilities include (but are not limited to):

- a. Monitoring the performance of FSS and ensuring that it complies with all legal and operational requirements.
- b. Working closely with Fiducian Group Management to ensure that FSS remains compliant with all legal requirements and operates in the best interests of FSS members.
- c. Ensuring all policies and procedures are up to date and Trustee directives are actioned; and
- d. liaising with APRA as required.

#### 4.5 Financial Management

4.5.1 Responsibility for financial management of the Trustee and FSS has been outsourced to FSL. The financial management responsibilities include (but are not limited to):

- a. Support business in meeting financial goals.
- b. Provide objective measures and reporting of financial performances to Board, leadership team and other stakeholders.
- c. Deliver on Statutory and regulatory reporting obligations.
- d. Supervise finance operations including Accounts Payable /Accounts Receivable, Payroll, Cash Flow, Banking matters, and Distributions.
- e. The development and implementation of budgets and forecasts according to business plans.

#### 4.6 Investment Management

4.6.1 Investment management has been outsourced through FSL to FIMS and the responsibilities include (but are not limited to):

- a. Managing all investment functions of FSS.
- b. Selecting and terminating underlying fund managers as required, including preparing and negotiating contracts for management of moneys.<sup>8</sup>
- c. Selecting and terminating fund managers chosen for the Fiducian Collection.
- d. Providing data, reports and other information to the Trustee's Investment Committee to enable the Committee to review and monitor investment performance.

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<sup>8</sup> See **APRA Prudential Standard SPS 530 - Investment Governance** - paragraph 25 effectively provides that an RSE licensee must ensure that persons monitoring the performance of each investment in each investment option, and assessing the measures required in paragraph 24, are operationally independent from persons who are responsible for making the investments.

Paragraph 1.4.3 of the Fiducian Investment Committee Charter requires the Committee to review the investment strategy, investment activities and investment performance, of each of the Fiducian Funds monthly.



- e. Managing the Manage the Manager Scheme (MTMS) process, including tactical asset allocation.
- f. Managing the Managed Share and Property Portfolios.
- g. Researching stocks and funds as required.
- h. Overseeing the production of research related publications, as required.
- i. Preparing the Quarterly Investment Strategy Report and Investment Updates.
- j. Procuring research material and documentation from brokers, fund managers and international research institutions.
- k. Ensuring that the Trustee's investment strategy is complied with.
- l. Ensuring that there is sufficient choice of investment options and diversification opportunities within FSS.

#### **4.7 Information Technology**

4.7.1 Information Technology has been outsourced to FSL and the responsibilities include (but are not limited to):

- a. Managing information and technology systems to ensure the availability, integrity and confidentiality of the systems.
- b. Maintaining the Trustee's, FSS's and its own Business Continuity Plans and manage DRP testing.
- c. Managing development of IT systems to maximise their potential for use in multiple businesses and marketplaces.
- d. Managing IT supplier agreements and services.
- e. Managing distributor payment, processing and reporting arrangements.

#### **4.8 Service Providers**

4.8.1 The Trustee appoints service providers to assist in the operation of FSS.

4.8.2 For more information, see the Trustee's **Outsourcing Policy**.

#### **4.9 Internal Audit Function**

4.9.1 The Trustee is required to have an independent<sup>9</sup> and adequately resourced internal audit function.<sup>10</sup>The Trustee may appoint an external internal auditor, by a letter of engagement and in accordance with the Trustee's normal outsourcing procedures.

4.9.2 The objectives of the internal audit function include evaluation of the adequacy and effectiveness of the financial and risk management frameworks of the Trustee. To fulfil this objective, the Internal Auditor will be provided with unfettered access to all the Trustee's business lines and support functions.<sup>11</sup>

4.9.3 Where control weaknesses are identified, the Trustee will request that an appropriate Responsible Person from FSL will work with the Internal Auditor to ensure rectification procedures are in place, actively monitored and appropriately reported on.

4.9.4 The Internal Auditor will have a right to direct access to the Chair of the Board and the Chair of the ARCC.

#### **4.10 External Audit Function**

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<sup>9</sup> For more information on the Auditor Independence Requirements, see **Appendix A**.

<sup>10</sup> See **APRA Prudential Standard SPS 510 – Governance (Paragraph 56)**.

<sup>11</sup> See **APRA Prudential Standard SPS 510 – Governance (Paragraph 57)**.

- 4.10.1 The Trustee will appoint an RSE Auditor<sup>12</sup>, by a letter of engagement and in accordance with the Trustee's normal outsourcing procedures, to conduct an external financial and compliance/risk management audit and provide a report to the Board.
- 4.10.2 The appointment of the RSE Auditor is arranged on the basis of a recommendation made by the ARCC, which is also responsible for reviewing and approving the terms of engagement, reviewing any management letter points or recommendations made by the RSE Auditor, and reporting to the Board. The RSE Auditor will be made aware of any significant control issues and any other issues that may impact on the assessment undertaken during the audit.
- 4.10.3 An RSE Auditor may also be appointed to perform any additional audits at other times as may be deemed necessary by the Board (subject to the cost of such engagements being within budgeted limits and approved by the Trustee Chairman).
- 4.10.4 The RSE Auditor has a right to direct access to the Chair of the Board and the Chair of the ARCC as required.
- 4.10.5 For more information, see the Trustee's Audit Procedures.

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<sup>12</sup> See **APRA Prudential Standard SPS 310 – Audit and Related Matters (Paragraph 5)**.



## 5. Communication

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### 5.1 Duty to FSS Members

- 5.1.1 The Trustee has a duty to adequately inform members about FSS's features and benefits, financial condition, investment performance and other issues relevant to its management.
- 5.1.2 Communications to members should be easy to understand, accurate and readily available, having regard to the Trustee's obligations under the conditions of its AFS Licence in relation to the provision of financial product advice.
- 5.1.3 The current communications program includes:
- a. A Product Disclosure Statement for FSS, which summarises benefits and terms and conditions for each of the superannuation and pension divisions of FSS;
  - b. An Annual Report;
  - c. A Member Statement which is provided to each member semi-annually and explains their current benefit entitlements;
  - d. A list of available investments which forms part of the Additional Information of the FSS Offer Document (PDS) and which states that individual offer documents are available for each investment option made available to FSS members, and.
  - e. Website disclosures as required under the law.
- 5.1.4 Any material changes to FSS benefit design or fees charged to members will be communicated to members in accordance with legislative requirements.

### 5.2 Enquiries and Complaints

- 5.2.1 The Trustee has procedures in place to ensure that member enquiries and complaints about the operation and management of FSS are properly considered and dealt with. See FSLs **Complaints Handling Procedures**.

### 5.3 Privacy

- 5.3.1 The Trustee has procedures in place to ensure that members' personal information is properly collected, used and stored. See the Trustee's **Privacy Policy**.

## 6. Provision of Information to Third Parties

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### 6.1 Whistleblower Protection Provisions

6.1.1 The Trustee will abide by the Whistleblower Protection Provisions as contained in sections 336A-336E of the SIS Act and reproduced in the Trustee's **Fit and Proper Policy**.

### 6.2 Provision of Information to APRA<sup>13</sup>

6.2.1 The Trustee confirms that no prospective, current, or former officer, employee or contractor (including professional service provider) of the Trustee will be constrained or impeded, whether by confidentiality clauses or other means, from:

- a. Disclosing information to APRA.
- b. Discussing issues with APRA of relevance to the management and prudential supervision of the Trustee.
- c. Providing documents under their control to APRA that may be relevant in the context of the management and prudential supervision of the Trustee.

6.2.2 In addition, such persons will not be constrained or impeded from providing the aforementioned information to, as applicable, auditors, actuaries and others who have statutory responsibilities in relation to the Trustee.

6.2.3 The Trustee will ensure that neither its internal policies, nor its contractual arrangements, explicitly or implicitly restrict or discourage auditors or other parties from communicating with APRA.

### 6.3 Provision of Information to Other Regulatory Bodies or Persons

6.3.1 The Trustee will ensure that it provides relevant information to Government authorities or bodies as required by law.

6.3.2 The Trustee will ensure that persons reporting information to Government authorities or bodies will not be impeded or penalised.

6.3.3 The provision of all member information to other persons is subject to the requirements of the Trustee's Privacy Policy.

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<sup>13</sup> See **APRA Prudential Standard SPS 510 – Governance (Paragraphs 66-67)**.

## 7. Policy Review Process

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### 7.1 Biennial Review

- 7.1.1 This Policy will be reviewed on a biennial basis or as otherwise required by law.
- 7.1.2 Prior to the commencement of this review, the Trustee will determine whether the review will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.
- 7.1.3 The results of the review will be reported to the ARCC as part of the next scheduled meeting following completion of the review.

### 7.2 Ad Hoc Review

- 7.2.1 The Trustee may determine to complete an ad hoc review of this Policy in response to:
- a. An identified, systemic breach occurring as a result of the Governance Procedures.
  - b. A change to the Relevant Law.
  - c. A change to the Trustee's constituent documents.
  - d. A material change to the operation of FSS.
  - e. A relevant amendment being made to the Trust Deed.
- 7.2.2 Prior to the commencement of this review, the Trustee will determine whether the review will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.
- 7.2.3 The results of the review will be reported to the ARCC as part of the next scheduled meeting following completion of the review.

## Appendix A: RSE Auditor Independence<sup>14</sup>

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1. The Board must, to the extent practical, undertake steps to satisfy itself that the RSE Auditor, who undertakes work for the Trustee in relation to RSE Licensee Law<sup>15</sup>, is independent of the Trustee<sup>16</sup> and FSS, and that there is no conflict of interest situation that could compromise, or be seen to compromise, the independence of the RSE Auditor.
2. As part of the process of ascertaining the independence of the RSE Auditor, the Trustee must obtain a declaration from the RSE Auditor to the effect that:
  - a. The RSE Auditor is independent, both in appearance and in fact.
  - b. The RSE Auditor has no conflict of interest situation.
  - c. There is nothing to the RSE Auditor's knowledge (either in relation to the individual auditor or any audit firm or audit company of which the RSE Auditor is a member or director) that could compromise that independence.
3. A person who was a member of an audit firm or a director of an audit company, and who served in a professional capacity in the audit of an RSE Licensee in relation to RSE Licensee Law, cannot be appointed to the role of director or senior manager of that RSE Licensee until at least two years have passed since they served in that professional capacity.
4. A person who was an employee of an audit company, other than a director of that company, and who acted as the lead auditor<sup>17</sup> or review auditor<sup>18</sup> in the audit of an RSE Licensee in relation to RSE Licensee law, cannot be appointed to the role of director or senior manager of that RSE Licensee until at least two years have passed since they acted as the lead auditor or review auditor.
5. A person cannot be appointed as a Director of the Trustee if:
  - a. The person was, or is, a director of the audit company or a member of the audit firm that was, or is, responsible for the audit of the Trustee in relation to RSE Licensee Law; and
  - b. There is already another person appointed or employed as a Director or Senior Manager of the Trustee who was a director of the audit company or a member of the audit firm, at a time when the audit company or audit firm undertook an audit of the Trustee at any time during the previous two years.

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<sup>14</sup>The *Corporations Act 2001* contains a number of requirements in relation to auditor independence. The auditor independence requirements in **APRA Prudential Standard SPS 510 - Governance** are substantially consistent with these requirements, and are intended to help ensure the independence of an auditor engaged to perform work of a prudential nature in relation to RSE Licensee Law.

<sup>15</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 3)**, the term “RSE Licensee Law” has the meaning given in section 10(1) of the SIS Act, being “*the SIS Act, the SIS Regulations, the APRA Prudential Standards, the Financial Sector (Collection of Data) Act 2001, the Financial Institutions Supervisory Levies Collection Act 1998, specific provisions of the Corporations Act 2001 as listed under the definition of ‘regulatory provision’ in the SIS Act or specified in the regulations as applying in relation to superannuation interests, and any other provisions or any other law of the Commonwealth specified in regulations made for the purpose of this paragraph.*”.

<sup>16</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 11)** ‘independent of the Trustee’ means that “*the Auditor has been assessed as meeting the Audit Independence tests set out in APES 110 Code of Ethics for Professional Accountants, as well as the additional auditor independence requirements set out in SPS 510.*”.

<sup>17</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 13)** ‘Lead Auditor’ means “*the registered company auditor who is primarily responsible to the audit firm or the audit company for the conduct of audit work conducted in relation to RSE licensee law.*”.

<sup>18</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 14)** ‘Review Auditor’ means “*the registered company auditor (if any) who is primarily responsible to the individual auditor, audit firm or audit company for reviewing audit work conducted in relation to RSE licensee law.*”.

6. An individual who plays a significant role<sup>19</sup> in the audit of FSS in relation to RSE Licensee Law, for five successive years, or for more than five years out of seven successive years, cannot continue to play a significant role in the audit until at least a further two years have passed, except with an exemption in writing from APRA. APRA may grant an exemption from this requirement if the individual provides specialist services that are otherwise not readily available or there are no other registered company auditors available to provide satisfactory services for the Trustee.
7. For the purposes of maintaining their independence and objectivity, the RSE Auditor and RSE Actuary cannot both be employed by the same body corporate or related bodies corporate, or by the same firm or related firms.

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<sup>19</sup> For the purposes of **APRA Prudential Standard SPS 510 – Governance (Footnote 15)** ‘an individual who plays a significant role’ means *“an individual auditor who acts as the auditor in respect of any of the requirements of RSE Licensee Law, or the lead or review auditor where such audit work is performed by an audit company or audit firm”*.