



2019 Materiality Report

Each year we perform a detailed materiality process to understand the issues that are most important to our stakeholders and our Fund.

This helps us to ensure our reporting is focused on the issues, risks and opportunities that matter to our members and have the most impact on how we deliver our strategy. This Materiality Report captures how this process unfolds.

You'll find our 2019 Annual Report is more concise than in previous years. That's because this year, we've produced a suite of supporting reports – including this Materiality Report – to help our members, employers and other stakeholders easily find the information they need, when they need it.



Annual Report
2019



Governance Report
2019



Climate Change
Report 2019

The full suite of reports can be found on our website at:

 [vicsuper.com.au/
annualreport2019](https://vicsuper.com.au/annualreport2019)

Important information and disclaimer

VicSuper Pty Ltd ABN 69 087 619 412, AFSL 237333, Trustee of Victorian Superannuation Fund ABN 85 977 964 496.

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VicSuper recommends you seek professional advice for your own circumstances. You should also consider the relevant Product Disclosure Statement, available on our website, in deciding whether VicSuper is right for you. Please contact us to make an appointment to see one of our VicSuper representatives.

 vicsuper.com.au

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Let us know what you think

If you'd like to comment on our Annual Report or any of the information we've covered across our reporting suite, please contact us on:

corporateresponsibility@vicsuper.com.au | 1300 366 216

Reporting framework

VicSuper's 2019 Annual Report and supporting reports reflect how we work to benefit our members, our employers and other important stakeholders over the long term.

Through our reporting, we demonstrate how our strategy and governance help us achieve our objectives, how the Fund has performed over the reporting period, and how we intend to manage and adapt to current and future risks and opportunities so that our Fund remains successful and sustainable well into the future.

Our reporting is informed by the International Integrated Reporting <IR> Framework. We believe integrated reporting helps us better understand our operating model and the issues we face, and gives us an effective way of showing our stakeholders how they benefit from VicSuper's 'integrated thinking' approach.

Exploring how we create value

The <IR> framework allows us to tell the story of how we create sustainable benefits (or 'value') for our members and other stakeholders by exploring:

- the capitals that we use, both from within VicSuper and from our external environment
- how we transform those capitals to create the products and services we offer
- how the end results ultimately contribute to long-term and sustainable benefits for our stakeholders.

You'll find more detail on these concepts and how we create value in our 2019 Annual Report.

Assurance

Each year, limited assurance is performed over selected financial and non-financial content of our annual reporting. Please refer to our website for the complete assurance report.

 vicsuper.com.au/assurance2019

VicSuper is committed to continuous improvement in our reporting techniques to produce reporting that is informed by the principles of the International Integrated Reporting <IR> Framework. It's important to us that our assurance partner works closely with us, providing best-practice insights and recommendations about the application of the framework with consideration to our operational structure, resources and industry.

The 'capitals'

The 'capitals' are the resources available to us. How we use and transform these capitals to create value is central to the principles of Integrated Reporting. We use several capitals to create long-term benefits for our members and other stakeholders. They include:



Financial – the funds available to VicSuper



Natural – renewable and non-renewable environmental resources



Human – VicSuper's values and the competencies and capabilities of our people



Manufactured – our digital technologies, offices, equipment and other built assets



Intellectual – our knowledge, systems and processes



Social and relationship – our brand, social licence to operate, stakeholders and community partnerships

Determining what's important

Engagement and feedback from our members, employers and other stakeholders form a key part of the overall materiality process and how we determine what's important.

We analyse a wide variety of sources that take into account global trends, our competitive environment and our strategic plan.

This year, 24 issues were identified and defined as a result of this engagement and feedback. These issues were then prioritised and rated against:

- the level of interest from members, employers and other stakeholders

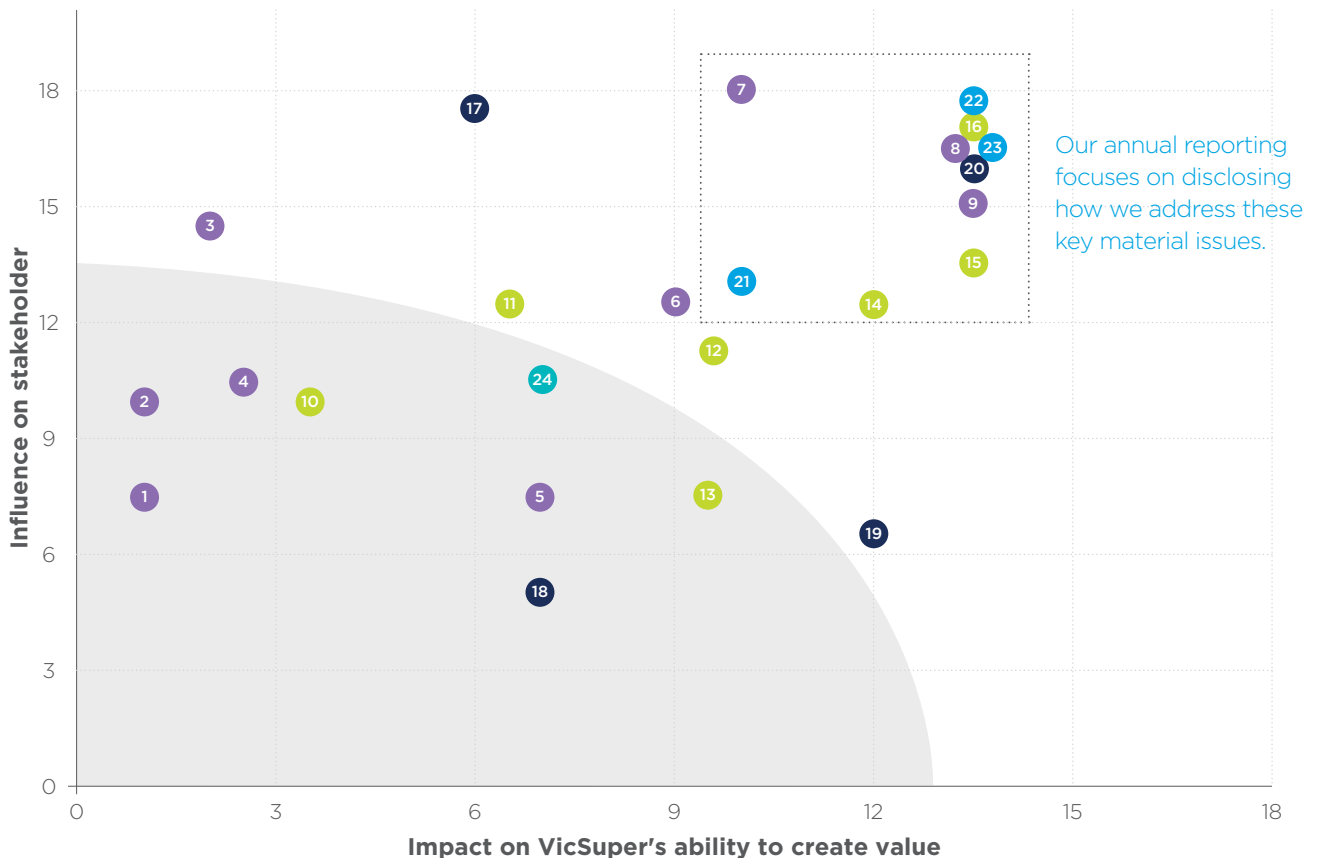
- VicSuper's ability to address or influence each issue and its impact on how we create value.

We've plotted these issues on the matrix below, and also mapped them to the capital that best aligns to the issue.

(A list showing the definitions for each issue, its related capital and the stakeholder most impacted can be found in the Appendix.)

Each year, the materiality process and the material issues we identify are validated and endorsed by VicSuper's Executive team. This year, further validation was provided by the Chair of our Audit, Compliance and Risk Management Committee and the Board of Directors.

Material issues matrix



IR capitals

- Human
- Intellectual
- Financial
- Natural
- Social and relationship

Material issues legend

Social and relationship

- 1 Mental health and wellbeing
- 2 Shareholder activism
- 3 The gender super gap and women's retirement outcomes
- 4 Gender equality including gender pay equity
- 5 Aboriginal and Torres Strait Islander engagement and access to superannuation
- 6 Employer servicing and relationships
- 7 Ethics, integrity and trust in financial services
- 8 Industry consolidation and competition
- 9 Member engagement, service and advice

Intellectual

- 10 Modern slavery, labour and human rights in supply chains
- 11 Insurance offering and management
- 12 Digital technology and innovation
- 13 Privacy and data security
- 14 Responsibly manage our investment portfolio
- 15 Changing regulatory landscape
- 16 Investment strategy, governance and performance

Human

- 17 The changing nature of work and the workforce of the future
- 18 Workplace culture and engagement
- 19 Leadership capability and performance
- 20 Corporate culture, governance and accountability

Financial

- 21 Geopolitical instability and the impact on markets
- 22 Investment strategy, governance and performance
- 23 Providing value for money service

Natural

- 24 Fossil fuels, climate change and financial risk

Material issues

In previous years we chose to consolidate the issues into broad groups that reflected their high-level material impacts. This year we've kept the individual issues as they were originally identified and defined through the materiality process. We believe this gives us greater visibility over specific issues, which then allows us to better respond to risks and opportunities.

Overall, most of the material issues we identified related to having enough income in retirement and factors that are closely related to this, such as:

- our investment strategy, governance and performance
- value for money and member engagement
- service and advice.

Other material issues reflected broader themes that are important both within and external to the financial services and superannuation industry, including:

- industry consolidation and competition
- ethics integrity and trust
- corporate culture and governance
- the changing nature of work
- the regulatory landscape and geopolitical instability.

Emerging issues

Our materiality process also allows us to identify emerging issues that may become more significant over time. Emerging issues identified this year include:

- mental health and wellbeing
- shareholder activism
- gender equality
- Aboriginal and Torres Strait Islander engagement and access to superannuation.

Early identification of these topics allows us to properly monitor their impact on how we create value at VicSuper and be proactive in how we adapt and respond. For example, Aboriginal and Torres Strait Islander engagement with super has presented as an emerging issue for the last three years. In March 2019, VicSuper launched our first Reconciliation Action Plan as an important first step to improving the experience of our Aboriginal and Torres Strait Islander members. You can read more about our Reconciliation Action Plan in our 2019 Annual Report or download the plan from our website.

 vicsuper.com.au/rap



Stakeholder engagement

The relationship we have with our stakeholders is important to us because our Fund is built on trust.

We know that to deliver on our strategy, we need to maintain positive relationships with our key stakeholders. Key stakeholders are identified as everyone who influences or is impacted by our activities, or who is interested in how we address our strategic priorities.

Our stakeholder engagement framework helps to ensure we maintain a good understanding of the views and expectations that help to define our current and future strategies. It guides how we interact, communicate, and engage with our stakeholders, ensuring that we demonstrate understanding of and respect for their expectations, and communicate our progress in relation to their concerns.

Our stakeholders	How we listen	What they've told us	What we did
Members	<ul style="list-style-type: none"> Member feedback and complaints received via our Member Centre and online Member forums Surveys Comments, posts and messages received via social media Focus groups Ongoing local engagement through Advice teams and Relationship Managers 	<p>Investment returns, insurance and fees are a key concern for members.</p> <p>Feedback to our Corporate Responsibility team also reflects a growing demand for climate action and gender equality through shareholder activism.</p>	<ul style="list-style-type: none"> Delivered three <i>Insights & Conversations</i> sessions for members providing regular updates from our CEO and CIO on our investment strategy and performance. Provided timely member communications via email or direct mail on benefits, changes to fees, insurance or other significant events that impact retirement savings. Provided clear and transparent responses to all queries received about active ownership over our investment portfolio.
Employers	<ul style="list-style-type: none"> Feedback and issues management via our Employer Engagement team Feedback received online Employer forums Surveys Focus groups Ongoing local engagement through Relationship Managers 	<p>The changing nature of work and expectations of employees are key concerns for Employers. This includes mental health in the workplace, gender equality and the future of work.</p>	<ul style="list-style-type: none"> Delivered three employer forums on key topics including mental health and resilience. Hosted <i>Future of Work</i> panel welcoming over 100 IPAA Victoria members. Presented a workshop at the Victorian Department of Premier and Cabinet - <i>Empowering Women for the Future Summit 2018</i>.
Our people	<ul style="list-style-type: none"> Regular check-ins with People Managers Activate program Feedback received online Employee engagement survey People Committee feedback 	<p>Issues that affect our workplace, such as leadership capability, culture and employee engagement continue to be of interest to our people.</p>	<ul style="list-style-type: none"> Investigated ways to provide meaningful team-specific professional development. Provided additional leadership training for senior leadership team. Provided opportunities for volunteering, fundraising and team building through VicSuper events i.e. Sleep at the G, Eat Up volunteer session, Trivia night.

Our stakeholders	How we listen	What they've told us	What we did
Industry associations and unions	<ul style="list-style-type: none"> Quarterly meetings Feedback through representatives Industry conferences, events and forums Industry working groups 	Unions are interested in investment returns and fees as well as member engagement for their members. Industry associations share concerns about the changing regulatory landscape, competition and ethics, integrity and trust impacting our sector as well as superannuation engagement for Aboriginal and Torres Strait Islander members.	<ul style="list-style-type: none"> Published regular newsletters and reports to keep stakeholders informed on our activities. Held face-to-face meetings for union representatives to voice concerns and/or ask questions about VicSuper activities. Initiated joint working groups as a part of the current Enterprise Agreement. Participated as a member of AIST Indigenous Super Working Group.
Government and regulators	<ul style="list-style-type: none"> Government forums Ongoing engagement through Relationship Managers Networking through attendance at external events 	As a public sector fund, government and regulators are interested in issues concerning ethics, integrity and trust, corporate culture and governance, as well as industry competition and regulation.	<ul style="list-style-type: none"> Presented a workshop at the Victorian Department of Premier and Cabinet - <i>Empowering Women for the Future Summit 2018</i>.
Business partners and suppliers	<ul style="list-style-type: none"> Supplier due diligence process Terms of service Ongoing engagement through Relationship Managers 	Governance, digital technology and privacy and data security are shared concerns of our business partners and suppliers. Suppliers are also interested in our financial viability and growth model.	<ul style="list-style-type: none"> Met regularly with MetLife to discuss current claims, share information and expertise, and collaborate on process improvements. Conducted ongoing supplier reviews and evaluation as a part of overall supplier due diligence.
Investment managers, advisers and consultants	<ul style="list-style-type: none"> Ongoing engagement through Relationship Managers Evaluations and feedback sessions Terms of service 	Stakeholders related to investments share concerns about responsible investment, investment strategy and governance, and fossil fuels and climate change.	<ul style="list-style-type: none"> Conducted meetings with our managers to provide investment strategy updates. Shared member feedback and concerns relating to climate change and other social issues through face-to-face meetings.
Community groups and non-government organisations	<ul style="list-style-type: none"> Feedback provided online Comments, posts and messages received via social media Ongoing engagement through Relationship Managers Networking through attendance at external events 	Community and NGOs express interest in a number of emerging issues such as shareholder activism, Aboriginal and Torres Strait Islander engagement, gender equality and modern slavery. Other issues of interest are responsible investing more broadly and climate change.	<ul style="list-style-type: none"> Provided feedback about external reports on our voting and engagement records. Engaged with a number of NGOs such as Market Forces, ACCR and Animals Australia through our membership with ACSI. Supported shareholder resolutions when aligned to our priority objectives and member expectations. Engaged with Reconciliation Australia in development and launch of our Reconciliation Action Plan.
The companies we invest in	<ul style="list-style-type: none"> Engagement through an external business partner 	Companies we invest in are regularly asked to disclose ESG and other financial risks that will impact their business including fossil fuels and climate change, gender equality, modern slavery, and labour and human rights.	<ul style="list-style-type: none"> Engaged with targeted companies through external business partners ACSI and Hermes, requesting disclosures around strategy and actions. Voted our shares at company AGMs

Appendix

The issues we identified through our materiality process and the stakeholders most affected.

Issue	Definition	Relevant stakeholders
Financial – issues that impact the funds available to VicSuper to invest on members' behalf or provided to members in retirement.		
Investment strategy, governance and performance	Short, medium and longer-term strategy to maintain positive and consistent growth in members' superannuation savings.	<ul style="list-style-type: none"> • Members • Employers • Investment managers • Government and regulators • Industry associations and unions
Retirement adequacy and outcomes	Guiding our members to a better future to maximise their retirement outcomes.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations and unions
Geopolitical instability and the impact on markets	Maintaining solid investment returns while navigating the market impacts of global politics and geographical instability.	<ul style="list-style-type: none"> • Members • Employers • Investment managers • Government and regulators • Industry associations and Unions • Companies we invest in
Providing value-for-money-service	Ensuring we are competitive in pricing for the services we offer, by increasing efficiency and effectiveness and taking advantage of scale.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations and unions • Community groups and NGOs
Intellectual – issues that impact how we work such as VicSuper's systems, procedures, protocols and intellectual property		
Responsible management of our investment portfolio	Addressing and managing our environmental, social and governance risks in our portfolio as a part of our core long-term strategy and being an active asset owner.	<ul style="list-style-type: none"> • Members • Employers • Investment managers • Community groups and NGOs • Business partners • Industry associations • Companies we invest in
Insurance offering and management	Ensuring we offer a value-for-money insurance product that meets members' needs and a claims process that is simple, effective and helpful to members.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations and unions • Business partners • Community groups and NGOs
Modern slavery, labour and human rights in supply chains	Managing the obligation to prevent and report modern slavery and labour rights within supply chains both domestically and globally.	<ul style="list-style-type: none"> • Industry associations and unions • Community groups and NGOs • Government and regulators • Companies we invest in

Issue	Definition	Relevant stakeholders
Privacy and data security	Maintaining critical standards of IT security and processes to protect our members' data from cyber threats and fraud.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations
Changing regulatory landscape	Changes in market outlook and industry conditions as a result of current and proposed policy reform and regulatory regimes that may increase our compliance burden, impact our growth strategy and change the way we work.	<ul style="list-style-type: none"> • Government and regulators • Industry associations and unions • Business partners
Industry consolidation and competition	Navigating and managing structural changes in legislation impacting on our growth strategy and driving consolidation and continuing to scope potential opportunities for mergers or acquisitions.	<ul style="list-style-type: none"> • Our people • Government and regulators • Industry associations and unions • Business partners and suppliers
Digital technology and innovation	Harnessing digital technology to disrupt traditional business models and enhance the member experience	<ul style="list-style-type: none"> • Members • Employers • Our people
Social and relationship – issues that impact the relationships VicSuper has with our members, employers, other stakeholders and communities, including trust, brand and reputation		
Ethics, integrity and trust in financial services	Managing the impact of the Financial Services Royal Commission and general public distrust in financial institutions.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations and unions • Community groups and NGOs • Companies we invest in
Gender equality including gender pay equity	The equal ease of access to resources and opportunities for women including equal pay, economic participation and decision-making.	<ul style="list-style-type: none"> • Members • Employers • Our people • Government and regulators • Industry associations and unions • Community groups and NGOs • Companies we invest in
The gender super gap and women's retirement outcomes	Recognising and helping members manage the gender inequality in superannuation outcomes and advocating for change.	<ul style="list-style-type: none"> • Members • Employers • Our people • Government and regulators • Industry associations and unions • Community groups and NGOs
Aboriginal and Torres Strait Islander engagement and access to superannuation	Recognising and acting to change the inequality in super outcomes and access to super for Aboriginal and Torres Strait Islander members and people.	<ul style="list-style-type: none"> • Members • Employers • Our people • Government and regulators • Industry associations and unions • Community groups and NGOs
Member engagement, service and advice	Putting members' interests first by enhancing financial capability, demonstrating exceptional service leadership at every touchpoint and keeping in step with members' evolving expectations.	<ul style="list-style-type: none"> • Members • Employers • Our people • Government and regulators • Industry associations and unions • Community groups and NGOs
Mental health and wellbeing	Managing the impacts of mental health in the workplace for our members, employers, people and community and broadening awareness and acceptance of the issue.	<ul style="list-style-type: none"> • Members • Employers • Our people • Government and regulators • Industry associations and unions • Business partners • Community groups and NGOs

Issue	Definition	Relevant stakeholders
Shareholder activism	Managing the growing demand for action, influence and engagement by activist campaigns and member complaints on a range of social and environmental issues.	<ul style="list-style-type: none"> • Members • Industry associations • Community groups and NGOs • Companies we invest in
Employer servicing and relationships	Deepening employer relationships to a partnership model in response to a more competitive environment in superannuation.	<ul style="list-style-type: none"> • Employers • Government and unions

Human – issues that impact the capabilities, experience and motivations of the VicSuper team and our ability to deliver on our strategy

Corporate culture, governance and accountability	Increasing standards of conduct, accountability, risk management and supervision for Boards and the culture of the organisations they lead.	<ul style="list-style-type: none"> • Members • Employers • Government and regulators • Industry associations and unions • Community groups and NGOs • Companies we invest in
Leadership capability and performance	Developing the capability of our leaders to enhance fund performance and drive culture and engagement.	<ul style="list-style-type: none"> • Our people
Workplace culture and engagement	Creating a workplace culture of highly engaged people to successfully deliver on our strategy.	<ul style="list-style-type: none"> • Our people
The changing nature of work and the workforce of the future	Sustaining organic growth through changes to the traditional model of employment and people's working lives including the rise of the gig economy and the impacts of the fourth industrial revolution.	<ul style="list-style-type: none"> • Employers • Our people • Industry associations and unions • Community groups and NGOs • Companies we invest in

Natural – issues that impact all environmental resources that support the future value of VicSuper

Fossil fuels, climate change and financial risk	Understanding our fiduciary duty to manage the financial risks of climate change on our investments and engaging with companies to actively manage their transition.	<ul style="list-style-type: none"> • Members • Industry associations • Government • Community groups and NGOs • Companies we invest in
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