



# 2019 Governance Report

# The long-term success of our Fund depends on effective management and a strong governance framework underpinned by our VicSuper values and Corporate Responsibility Commitments.

This report sets out how our Fund is governed and how we operate in accordance with our governance and risk management frameworks.

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 like this Governance Report, to help our members, employers and other stakeholders easily find the information they need, when they need it.



Annual Report  
2019



Climate Change  
Report 2019



Materiality 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](https://vicsuper.com.au)

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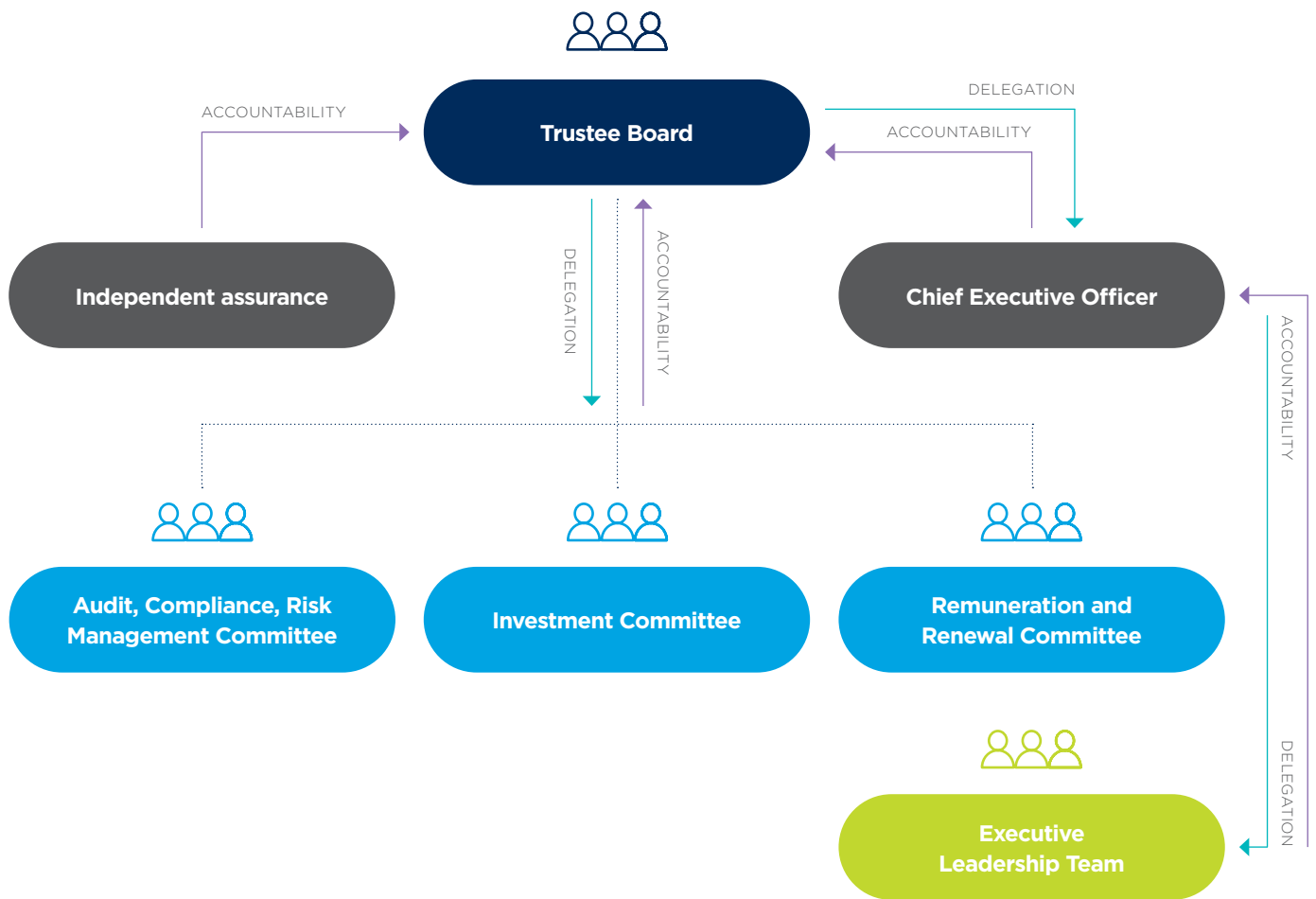
## Let us know what you think

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](mailto:corporateresponsibility@vicsuper.com.au) | 1300 366 216

# Our governance framework

Good governance is important because it lays the foundation for how we operate to ensure our behaviours and actions are in the best interest of our members, employers and other stakeholders. Our governance framework ensures the responsibilities and accountabilities of our Board and our Executive team are clearly defined and implemented.



## The role of the Board

The VicSuper Board oversees the governance and accountability of the Fund and represents and serves the interests of all our members. The Board's roles and responsibilities are outlined in our Board Charter and Code of Conduct for Directors. The Board sets the long-term strategic direction of VicSuper, including overseeing the investment of Fund assets in order to maximise member outcomes and to ensure the highest standards of ethical conduct and service of its employees.

VicSuper is committed to continuous improvement of our governance model, and have introduced new measures as part of the implementation of the AIST (Australian Institute of Superannuation Trustees) Governance Code. The Code is a principles-based framework which goes beyond current regulatory requirements, promoting continuous improvement in governance practice and aims to protect and improve outcomes for members.

VicSuper will report to the AIST on the implementation of the Code by 30 September 2019.

You'll find information about how we approach governance on our website:

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



(From left to right) Patricia Faulkner AO, Travis Bates, Antoinette Masiero, Wayne Kayler-Thomson, Christine Stewart, Gabrielle Bell, Merran Kelsall. Not present - Colin Long.

## The Board of Directors

As the Corporate Trustee of the VicSuper Fund, our Board comprises eight directors who are appointed using an equal representation model:

- four directors represent our members
- four directors represent our employers.

Biographies of all VicSuper Directors are available on our website.

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

## Reviewing Board performance

The Board conducts an annual review to assess the performance of the Board, the performance of each committee and that of individual directors. To maintain objectivity of the assessment, every two years the review is undertaken by an independent consultant who is free from connection to VicSuper. An independent review was conducted during the 2017-18 reporting period..

During the 2018-19 reporting period, the review was conducted by the Chair of the Board. An annual

performance evaluation of each individual member of our Executive team was also conducted as a part of our internal performance management process.

The Board performance evaluation assesses the effectiveness of the Board as a whole across the accountabilities set out in the Board Charter to determine:

- whether strategic objectives have been achieved
- whether governance policies have been observed
- whether material decisions have been made on an informed basis and after adequate discussion
- whether risks have been effectively managed
- any identifiable training needs for the Board as a whole.

The performance evaluation for individual directors assesses a range of criteria including whether individual directors:

- have attended board meetings and participated in board deliberations
- have utilised relevant skills and

competencies in performing their duties

- have undertaken relevant educational and industry activities to develop skills and competencies
- have complied with the Code of Conduct and the Conflicts Management Framework and Policy
- continue to meet the requirements of the Fit and Proper Policy.

## Board remuneration

We have disclosed Board and Executive remuneration information to our stakeholders for a number of years. Our Board Remuneration and Renewal Committee works closely with management to adopt best-practice remuneration principles across VicSuper.

You'll find information about our Board remuneration on our website:

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

## Board skills and experience

The Board is committed to ensuring that directors have a broad range of skills, experience and diversity (including gender diversity) across a number of business areas. This diversity supports effective governance and decision-making of the Board.

During 2018-19, through extensive deliberation and discussion of the knowledge and experience collectively required by the Board to fulfil its role as Trustee for VicSuper, the Board updated its skills matrix. This process identified the key skills, expertise and competencies required for the effective management of our Fund both now and in future. The Board has determined that collectively, our directors have extensive experience across the key competencies listed below.

Skill/Experience	Description	
<b>Fund and industry knowledge</b>	Knowledge and experience of the roles, responsibilities and relevant laws relating to the financial services and superannuation industry as well as the operation of the superannuation industry in practice.	
<b>Governance and oversight</b>	Experience and dedication to good governance practices, identifying key risks, monitoring compliance and the effectiveness of the risk management framework and controls, along with effective oversight of management in their range of responsibilities.	
<b>Leadership, culture, business acumen</b>	Commitment and alignment with VicSuper's values, ability to oversee culture, finances and commercial negotiations as well as experience in exercising commercial judgement, change management and strategic and business planning, and driving execution of strategic objectives within complex environments.	
<b>Technical</b>	Knowledge and experience in a range of specialist skills, including investments, legal, finance, taxation, accounting, marketing, IT, fund administration, member communications, engagement, insurance and human resource management.	

● Basic   
 ● Experience   
 ● Significant experience   
 ● Expert

## Board diversity



<span style="color: green;">●</span> Female	5
<span style="color: blue;">●</span> Male	3

## Board tenure



<span style="color: blue;">●</span> 0-3 years	2
<span style="color: darkblue;">●</span> 4-7 years	3
<span style="color: green;">●</span> 8+ years	3

## Board representation



<span style="color: blue;">●</span> Employer	4
<span style="color: green;">●</span> Member	4

## Board committees

Three Board committees assist the Board in exercising its responsibilities and provide recommendations and advice in decision-making:

- Audit, Compliance and Risk Management Committee
- Investment Committee
- Remuneration and Renewal Committee.

Each Board committee has a charter that defines its roles and responsibilities. Board committees report and make recommendations to the Board.

An overview of the responsibilities, members and focus areas of each committee is set out below.

<b>Audit, Compliance and Risk Management Committee</b>	<b>Investment Committee</b>	<b>Remuneration and Renewal Committee</b>
<b>Responsibilities</b>		
Assists the Board in reviewing the effectiveness of its financial reporting, risk management and compliance frameworks	Assists the Board in fulfilling its responsibilities in relation to investment risks, performance and compliance	Assists the Board in applying sound policies and practices in the remuneration of relevant persons and board renewal
<b>Members</b>		
Merran Kelsall (Chair) Colin Long Gabrielle Bell Antoinette Masiero	Wayne Kayler-Thomson (Chair) Christine Stewart Bill Lyons Patricia Faulkner	Wayne Kayler-Thomson (Chair) Bill Lyons Christine Stewart Patricia Faulkner
<b>Focus areas and actions</b>		
<ul style="list-style-type: none"> <li>• Oversight over the continued improvement of VicSuper's Risk Management Framework including monitoring of our strategic business risks, risk profiles and risk culture</li> <li>• Endorsement of the 2019 Risk and Compliance Strategy and oversight of VicSuper's internal and external audit, as well as compliance and risk frameworks</li> <li>• Oversight of annual budget and planning processes, including reviews of the Financial Statements and external audit reports</li> <li>• Focus on enhancing the protection of key data assets and the application of future Technology Roadmaps</li> <li>• Oversight over member queries and complaints and the dispute resolution processes</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight of the uplift of the Investment Governance Framework, Investment Management Committee and associated delegations</li> <li>• Strategic investment review including an assessment of the resilience of the investment portfolio under climate scenario modelling</li> <li>• Review and updating of the Fund's Engagement and Proxy Policy and outcomes</li> <li>• Further incorporation of ESG factors within the investment structure</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight of the People Strategy including the uplift of organisational capability and leadership</li> <li>• Oversight of the communications planning to keep our people informed throughout the merger phases and due diligence</li> <li>• Oversight of remuneration and performance-based pay outcomes</li> </ul>

## For more information

More information about our Board including the Committee Charters, Code of Conduct, meeting attendance records and remuneration can be found on our website.

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

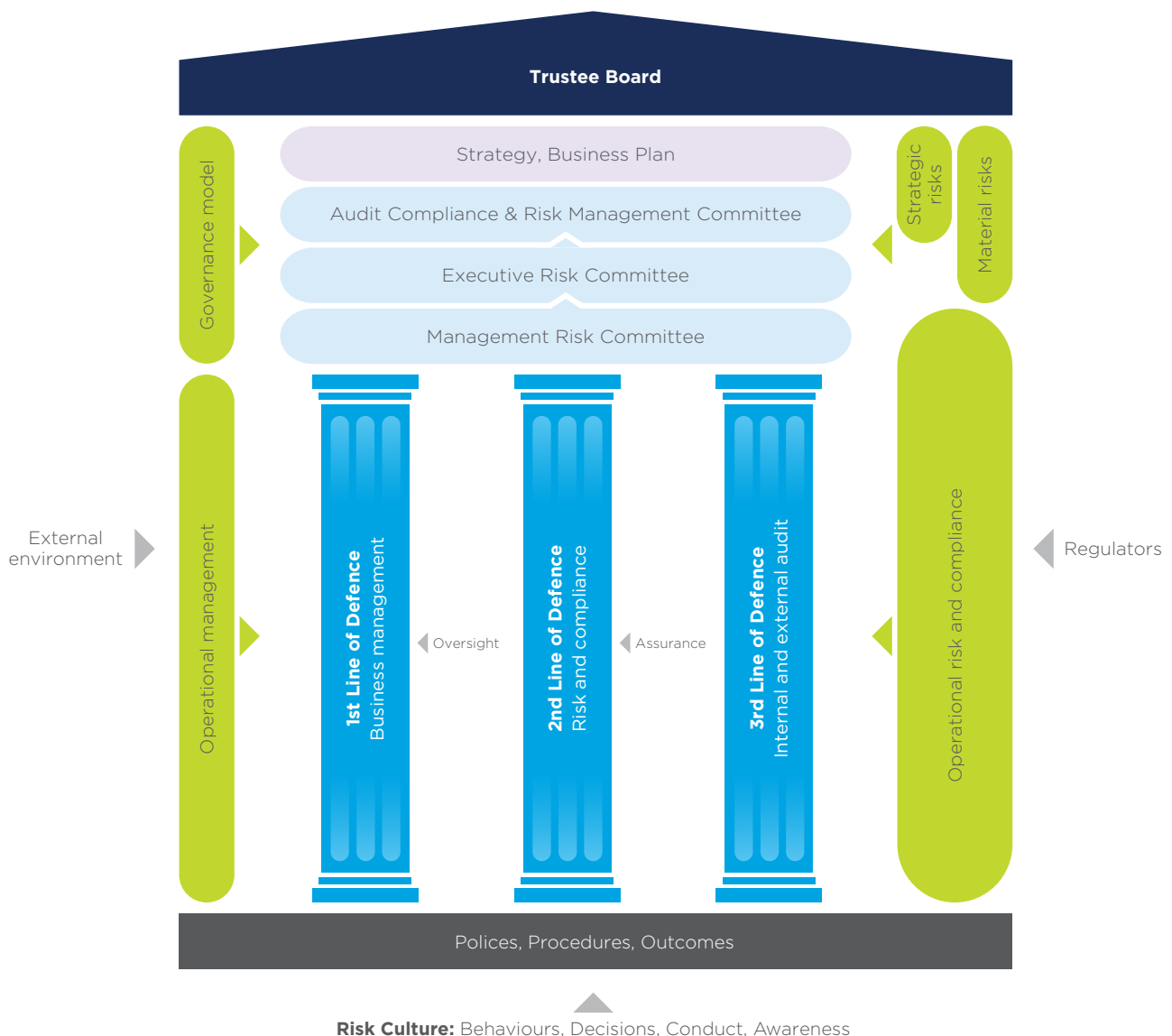
# Managing risk

We place a high priority on risk management and compliance throughout our Fund and in all the activities we undertake. This priority is shared by the Board, our Executives and our employees.

This year, we've continued to invest in our internal risk management and compliance capability with the appointment of a Chief Risk Officer in October 2018 and a renewal of our focus on risk management as our Fund continues to grow.

## Our risk management framework

Our risk management framework uses the Three Lines of Defence model to enable effective and efficient risk co-ordination by all our people across the Fund. We believe this model best ensures, there is sufficient coverage and no overlapping of tasks, open communication channels, that we are up to date with implementation, and adaptive to operational shifts should the situation call for it.



## Developing our risk culture

Risk culture is a fundamental component of VicSuper's overall risk management framework. For VicSuper, risk culture means that our teams understand the role they play in protecting our members' interests and actively participate in upholding and implementing our risk management framework. Having the right risk culture means that our risk and compliance programs are more effective, more accurate and deliver the important outcomes we seek in our responsibilities to our members and other stakeholders.

Culture and conduct in our industry has never been more important. Having all of our employees contribute to and participate in our risk and compliance programs ensures that, in all of the services and activities we provide, we put our members' interests first. Everyone – from our Board, Executive team, leaders and each employee – recognises the importance of the role risk culture plays in effectively managing our risks. By ensuring the right culture is embedded throughout our Fund we'll know that we are truly adopting a member-first approach.

We continue to strive for excellence in risk management and compliance with a strong focus on culture. We have introduced new ways to embed our risk culture objectives throughout our Fund, including encouraging and rewarding our teams for meeting the benchmarks we've set. A number of risk culture programs and initiatives have commenced that will guide our Board and Executive team during 2019-2020 in assessing the risk culture at VicSuper and designing ways to continuously measure and monitor our risk culture.

## Compliance

Meeting our regulatory requirements and maintaining the trust of our members continues to be an ongoing priority. As a significant and active participant in the financial services industry, VicSuper has a range of regulatory obligations that are required to be met across all of the products and services we offer our members. Our industry has been the subject of intense scrutiny over the past 12 months. Through this period of scrutiny and change, we've continued to deliver on our commitments to members and maintain the trust that members place in our Fund.

We strive for excellence in the quality and deployment of our risk management programs and continue to enhance and embed our target risk culture throughout our organisation. For the coming year, VicSuper is well placed to meet and exceed the increasing standards and focus on delivering value to our members and protecting our members' interests which remains an ongoing priority.

All VicSuper employees undertake internal compliance and risk training on a regular basis to make sure that everyone in our Fund understands our compliance obligations. Areas of focus include ethics, privacy, fraud awareness and anti-money laundering.

Employees who provide financial advice also undertake training as a part of continuing professional development in line with the requirements of the Financial Adviser Standards and Ethics Authority (FASEA).

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## Our compliance training completion rate

99%

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## Average annual training hours for our Financial Planners

49 hours

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# Protecting Fund and member data

VicSuper uses information systems to help manage our services and provide information to members and employers.

As such, we recognise the value of data and information, and believe it must be used responsibly and in line with members' expectations.

In November 2018, APRA mandated that all financial institutions must comply with the Prudential Standard CPS 234 Information Security from 1 July 2019. This standard requires that an entity implement controls to prevent and detect information security incidents (including cyber-attacks), and ensure their ability to respond swiftly and effectively in the event of a breach. We continue to be focused on ensuring we protect member and Fund data and we're committed to investing in our security and technology capabilities to deliver safe and innovative services to our members and employers.

Our IT operations are governed by our Data, Security and Architecture Steering Committees with a structured IT risk management approach overseen by VicSuper's Risk and Compliance team. Key decisions and metrics are reported from the Steering Committees to the Audit, Compliance and Risk Management Committee of the Board.

Cyber-security threats both domestically and globally are an increasing risk to organisations everywhere, and VicSuper is no different. Over recent years, we've been enhancing and upgrading our digital security and capability.



We've made improvements to our processes and provided additional training and support for our people, and we've implemented additional controls to the security of our network to ensure we can monitor, detect and respond to any security threats or breaches. These include:

- updating our privacy and mandatory breach notification reporting and processes
- improving the capability of our Security Operation Centre to better manage the ever-changing security environment
- joining the Federal Government-sponsored Joint Cyber Security Centre in Melbourne to allow us to collaborate on cyber security threats facing Australian organisations
- conducting ongoing upgrades to our internal technology, IT infrastructure and processes, which supports the ongoing alignment of our security framework to new regulatory standards.

# Responding to member complaints

Complaints matter to us. We know we don't always get it right for our members and we are committed to listening and fixing any issues raised by our members.

We have a dedicated team of Complaints Resolution Officers to help us provide personal responses to members' issues. Our complaints resolution process is intended to provide a fair, open and speedy resolution of any issues raised, and to use member feedback in a positive way to improve future service levels.

We classify complaints received under three broad categories, as defined below.

Complaint category	Description	2019-2020 number received
General complaints	Complaints received in relation to products and services including insurance matters but excluding insurance claim decisions.	325
Claim decision complaints	Complaints received in relation to an initial insurance claim decision by the Trustee and death benefits objections.	35
External complaints	Complaints submitted with an external dispute resolution entity such as the Australian Financial Complaints Authority (AFCA) or courts.	51

Over the reporting period, we received 325 general complaints on a number of issues including administrative errors, insurance and product rules. We acknowledge that this represents a significant increase on the 85 general complaints received in 2017-18. We believe this has been driven in part by an increased number of member enquiries due to heightened awareness and dissatisfaction stemming from the outcomes of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. In addition, we believe increased sophistication of shareholder activism and campaigns related to our investment holdings, disclosures and voting, have also contributed to the increase.

As at 30 June 2019, we had 44 active cases at external dispute resolution. In addition, 11 cases were closed and/or resolved during the reporting period.



### **VicSuper**

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### **Call our Member Centre**

1300 366 216  
Monday to Friday  
8:30am-5pm

### **Visit us**

Ballarat | Bendigo | Blackburn  
Geelong | Melbourne CBD  
Traralgon

Monday to Friday  
8:30am-5pm

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