



**VICSUPER PTY LTD
(VicSuper)
ABN 69 087 619 412**

CODE OF CONDUCT (DIRECTORS)

July 2017

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1. Purpose

- 1.1 The purpose of this Code of Conduct is to set out the expectations for the conduct of the Board of Directors of VicSuper Pty Ltd (VicSuper).
- 1.2 The role of the Board is to promote and protect the interests of the company and oversees that it acts in the best interests of the members and beneficiaries of the VicSuper Fund (Fund). It does so by strategically directing and soundly governing VicSuper's activities and by demanding the highest standards of ethical conduct and service.
- 1.3 The Code of Conduct demonstrates the clear commitment of the directors to model the behaviour it demands of others.

2. Personal qualities

- 2.1 The personal qualities to be exemplified by Directors are:
 - Honesty and integrity;
 - Strategic insight;
 - Capacity to relevantly question, probe and challenge;
 - Exercise independent judgment in the interests of Fund members and beneficiaries;
 - Commitment to VicSuper's corporate culture; and
 - Commitment to the highest standards of governance.

3. Conduct

3.1 Core values

- 3.1.1 Each Director will observe the core values in all dealings with and on behalf of VicSuper.
- 3.1.2 VicSuper's core values are:
 - Passion
 - Responsibility
 - Integrity
 - Innovation
 - Community

3.2 Conflicts of interest

- 3.2.1 Each Director will declare any specific conflicts of interest arising from the business of a particular meeting or in relation to any particular transaction and observe both the letter and spirit of VicSuper's conflicts management framework and policy and the procedures governing Directors' conflicts of interest.

3.3 Share trading and inside information

- 3.3.1 Inside information must not be used by Directors for their own gain or for the advantage or disadvantage of others. The use of inside information for these purposes is both

unethical and illegal, and the law imposes severe penalties. Directors must not trade or permit any agent of the director to trade in any securities where they hold inside information about the company concerned.

- 3.3.2 Inside information is defined as information not generally known to the persons who commonly deal in the securities of the company concerned, but which, if it were made public, would reasonably be expected to have a material effect on the price or value of those securities.

3.4 Board meetings

- 3.4.1 Directors will use reasonable endeavours to attend Board meetings in person. Arrangements may be made for participation by telephone or other electronic means in special circumstances. Directors who are unable to attend Board meetings should seek a leave of absence from the Board.
- 3.4.2 Directors are expected to have read the papers and be actively involved at meetings.

3.5 Promotion of company's Interests

- 3.5.1 Directors should always behave in a manner that will exemplify the integrity and preserve the good reputation of VicSuper.
- 3.5.2 Directors will use their range of skills, knowledge and experience in the promotion of the interests of the Company and the best interests of Fund members.

3.6 Collective decision-making

- 3.6.1 Directors commit to a collective decision-making process. Directors will debate issues openly and constructively and be free to express their individual judgments and perspectives. Directors will, however, respect the contributions of other Directors and strive to appreciate different points of view. Once a decision is made, all Directors are bound by the decision and should refrain from expressing any public dissent.

3.7 Confidentiality

- 3.7.1 Directors will maintain strict confidentiality in respect of all matters considered by the Board.

3.8 Relationship with management

- 3.8.1 Directors should initially raise any issues they may have about the management of VicSuper with the Chair, who will then liaise with the Chief Executive to resolve the issue or concerns. This may include requiring a special report from the Chief Executive on the matter.

4. Legal duties

4.1 Corporate duties

- 4.1.1 Directors will always observe their duties under the *Corporations Act* 2001, which include:

- the duty to act in good faith in the best interests of the company;
- the duty not to exercise their powers for any improper purpose;
- the duty to act with care and diligence;
- the duty not to improperly use their position or any information gained through their position;
- the duty to avoid conflicts of interest;
- the duty to disclose material personal interests; and
- the duty to oversee that the company does not incur debts when insolvent.

4.2 Trust law duties

4.2.1 Directors will always observe their trust law duties, which include:

- the duty to acquaint themselves with and observe the terms of the trust deed;
- the duty to protect the trust property;
- the duty to exercise their discretionary powers in good faith, after real and genuine consideration and for a proper purpose;
- the duty to invest the trust fund in authorised investments and to review those investments at regular intervals;
- the duty to act in the best interests of the beneficiaries; and
- the duty not to delegate except as permitted by the trust deed.

4.3 Superannuation law duties

4.3.1 Directors will always observe their duty to exercise a reasonable degree of care and diligence so that the statutory covenants under the *Superannuation Industry Supervision Act 1993* are observed by VicSuper. These are:

- to act honestly in all matters concerning the Fund;
- to exercise in relation to all matters affecting the Fund the same degree of skill, care and diligence as a prudent superannuation trustee would exercise in relation to an entity of which it is trustee and on behalf of the beneficiaries of which it makes investments;
- to perform the trustee's duties and exercise the trustee's powers in the best interests of the beneficiaries;
- where there is a conflict between the duties of the trustee to the beneficiaries, or the interests of the beneficiaries, and the duties of the trustee to any other person or the interests of the trustee or an associate of the trustee:
 - to give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons; and
 - to ensure that the duties to the beneficiaries are met despite the conflict; and

- to ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
- to comply with the prudential standards in relation to conflicts;
- to act fairly in dealing with classes of beneficiaries within the entity;
- to act fairly in dealing with beneficiaries within a class;
- to keep the Fund assets and money separate from the money and assets of the trustee personally or of any employer or associate of an employer;
- 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 its functions and powers;
- to formulate an investment strategy for the whole of the Fund, and for each investment option offered in the Fund, having regard to:
 - the risk involved in making, holding and realising any 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 Fund;
 - the composition of the investments covered by the strategy, including the extent to which the investments are diverse or involve the Fund being exposed to risks from inadequate diversification;
 - the liquidity of the investments covered by the strategy, having regard to the Fund's expected cash flow requirements;
 - whether reliable valuation information is available in relation to the investments covered by the strategy;
 - the ability of the Fund to discharge its existing and prospective liabilities;
 - the expected tax consequences for the Fund in relation to the investments covered by the strategy;
 - the costs that might be incurred by the Fund in relation to the investments covered by the strategy; and
 - any other relevant matters;
- to exercise due diligence in developing, offering and reviewing regularly each investment option;
- to ensure the investment options offered to each beneficiary allow adequate diversification;
- to formulate and give effect to a strategy for the prudential management of any reserves (consistent with the Fund's investment strategy and its capacity to discharge its actual and contingent liabilities when they fall due);
- to formulate, review regularly and give effect to an insurance strategy for the benefit of Fund beneficiaries that includes provisions addressing each of the following matters:
 - the kinds of insurance that are to be offered to, or acquired for the benefit of, the Fund beneficiaries;
 - the level, or levels, of insurance cover to be offered to, or acquired for the benefit of, the Fund beneficiaries;

- 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 the Fund beneficiaries;
- the method by which the insurer is, or insurers are, to be determined;
- to consider the cost to all Fund beneficiaries of offering or acquiring insurance of a particular kind or at a particular level;
- 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 the Fund beneficiaries
- 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;
- to formulate review regularly and give effect to a risk management strategy that relates to:
 - 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 Fund; and
 - the risks that arise in operating the Fund;
- to maintain and manage in accordance with the prudential standards financial resources (whether as capital of the trustee, a reserve of the Fund or both) to cover the operational risk that relates to the Fund; and
- to allow beneficiaries access to prescribed information and documents.

4.3.2 These duties will prevail over any other legal duties to the extent of any inconsistency.

4.3.3 In addition, because the Fund has a MySuper product, the Trustee must:

- promote the financial interests of the MySuper members, in particular returns for those members (after deduction of fees, costs and taxes);
- determine on an annual basis whether the Fund's MySuper members are disadvantaged in comparison to beneficiaries of other funds who hold a MySuper product because their financial interests are affected by the number of MySuper members or the size of the My Super assets;
- include in the MySuper investment strategy details of the Trustee's determination; and
- include in the MySuper investment strategy and update each year the 10 year investment return target for the strategy and the level of risk.

4.4 Superannuation director duties

4.4.1 In addition to ensuring that the trustee carries out its covenants and MySuper obligations, each director covenants as follows:

- to act honestly in all matters concerning the Fund;
- to exercise in relation to all matters affecting the Fund the same degree of skill, care 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 and the trustee makes investments on behalf of the beneficiaries;

- to perform the director's duties and exercise the director's powers as director of the trustee in the best interests of the beneficiaries;
- where there is a conflict between the duties of the director to the beneficiaries, or the interests of the beneficiaries, and the duties of the director to any other person or the interests of the director, the trustee or an associate of the director or the trustee:
 - to give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons; and
 - to ensure that the duties to the beneficiaries are met despite the conflict; and
 - to ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
 - to comply with the prudential standards in relation to conflicts; and
- not to enter into any contract or do anything else that would prevent the director from or hinder the director in properly performing or exercising the director's functions and powers or prevent the trustee from or hinder the trustee in properly performing the trustee's functions and powers.

4.4.2 These covenants override any conflicting obligation under Part 2D.1 of the Corporations Act 2001.

5. Other codes of conduct

5.1 Directors will comply with VicSuper's Fit and Proper Policy and other Codes of Conduct which are designed to:

- respect the rights of VicSuper Fund members;
- respect the people who deal with VicSuper through courteous and consistent treatment;
- respect colleagues through fair, open and honest treatment;
- select vendors/suppliers primarily on quality, service, strategic importance to the future of the fund, sustainability and cost;
- incorporate sustainability in all aspects of VicSuper's operation and in decision making;
- prevent the offering and acceptance of inducements and the misuse of VicSuper's assets and resources;
- promote active compliance with the letter and spirit of legal requirements;
- properly manage and avoid, where possible, conflicts of interest or duty; and
- generally promote ethical behaviour.

6. Role of the Chair

6.1 The Chair will be available to discuss with any Director the application of this Code of Conduct to particular circumstances and to offer guidance.

6.2 The Chair will also remind Directors periodically of the expectations under this Code of Conduct.

7. Implementation and review

- 7.1 The Code of Conduct will be reviewed at least every three years. All material changes must be approved by the Board.