

QSuper's Governance

Compliance with AIST's Governance Code
as at 30 June 2021

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Background

The Australian Institute of Superannuation Trustees (AIST) is a national, not-for-profit organisation and is one of the principal advocates and peak representative bodies for the \$1.5 trillion profit-to-member superannuation sector. AIST plays a key role in policy development and is a leading provider of research.

On 12 April 2017, AIST published its new Governance Code (Code) in order to:

- promote continuously improving governance in the profit-to-member super sector;
- ensure that the culture of the profits-to-members concept is fully supported by governance structures; and
- improve accountability and transparency.

As QSuper is a member of AIST, this report has been prepared to explain how QSuper complies with the Code.

QSuper Board

The QSuper Board is a statutory body corporate established under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), to administer the QSuper Fund. QSuper meets the *Superannuation Industry (Supervision) Act 1993* (SIS Act) definition of a standard employer sponsored fund and the QSuper Board is therefore required to comply with the equal representation requirements. The equal representation rules continue to be met in situations where the Board includes an additional independent trustee provided that the governing rules do not allow the additional independent trustee to exercise a casting vote in any Board matters.

The QSuper Board is comprised of at least eight (8) Trustees and, with the Board's written consent, the Minister (Treasurer of Queensland), may also appoint one other person as a Trustee if, when appointed, the person will be an independent member of the Board. The Minister must appoint four members nominated by the Queensland Government as the employer representatives. The Minister must also appoint four-member representatives, one of whom is to be nominated by each of the following organisations:

- the Queensland Police Union of Employees;
- the Queensland Nurses and Midwives' Union;
- the Queensland Teachers' Union; and
- Together Queensland.

QSuper's Governance

The QSuper Board is committed to high standards of corporate governance and this is driven by the desire of the Board to act in good faith, with foresight, and in the best interests of members and their beneficiaries. The Board is also committed to complying with its legal and regulatory obligations as well as fulfilling its fiduciary responsibilities.

The QSuper Board believes that there is an inextricable link between good governance and good fund performance and therefore it is an essential part of effective fund management. QSuper's governance incorporates a comprehensive suite of policies, frameworks and practices that are implemented by knowledgeable, professional personnel aimed at minimising risk and maximising opportunities for QSuper and ultimately, for the Fund's members.

QSuper's Regulatory Environment

In 2009, QSuper voluntarily elected to come under Commonwealth legislation when the Australian Prudential Regulation Authority (APRA) approved an application from the QSuper Board (AFSL 489650), for a Registrable

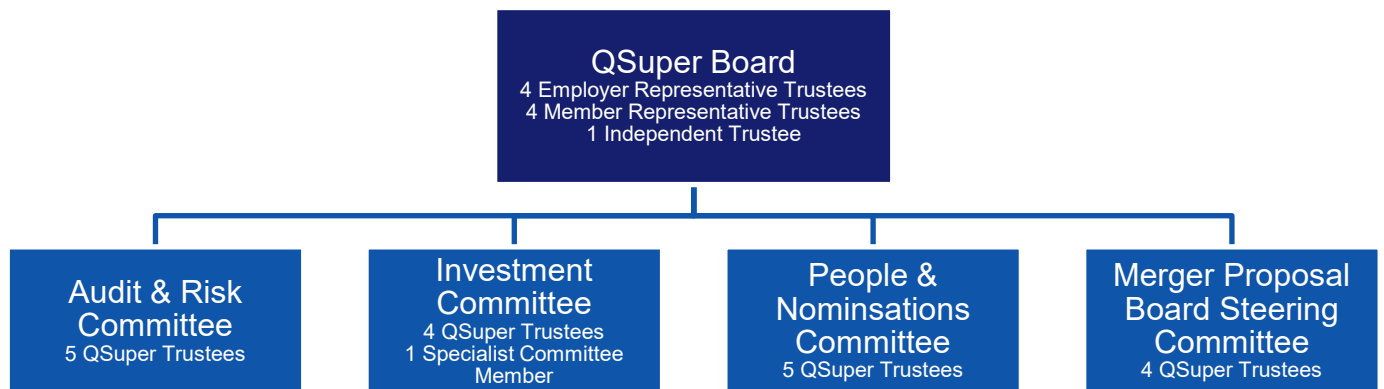
Superannuation Entity (RSE) Licence. The QSuper Board's RSE Licence number is L0003391 and the QSuper Fund's RSE Registration number is R1073034.

The QSuper Board has established several subsidiary, wholly owned entities in its capacity as trustee to provide administration, advice, insurance and investment management services to QSuper and QSuper members. These entities include QSuper Limited (ABN 50 125 248 286, AFSL 334546) and QInvest Limited (ABN 35 063 511 580, AFSL 238274) whose Boards of Directors have common membership with the QSuper Board, and QInsure Limited (ABN 79 607 345 853, AFSL 483057), which has an independent Board of Directors.

QSuper Structure

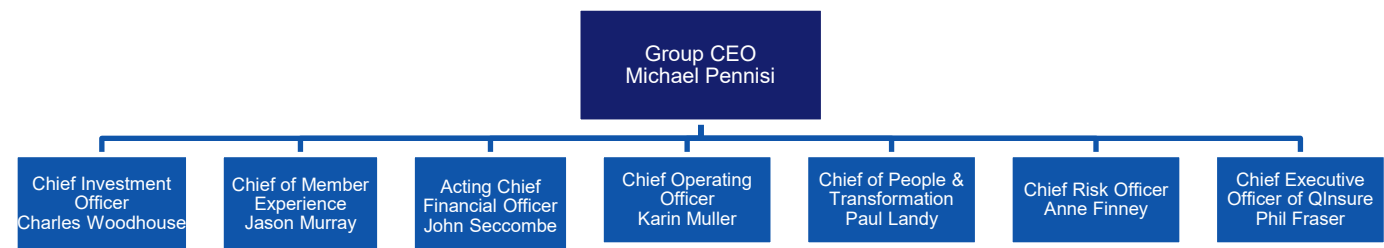
The QSuper Board has established four committees that help oversight the Fund and discharge its responsibilities. Each committee has a charter that sets out its composition, responsibilities, and administration. While committees have specific membership (as shown in the diagram), all Trustees may attend any committee meeting.

The current committees are:



QSuper's Executive team

The QSuper Board has delegated day-to-day operation of QSuper to the Chief Executive Officer and the Executive team. QSuper's Executive team is comprised of the Chief Executive Officer and seven supporting Executive roles (as shown below).



AIST's Governance Code

AIST's Governance Code is a principles-based framework which goes beyond current regulatory requirements cementing a high benchmark of practice in Australia.

The Code, which consists of eight principles and 21 requirements, aims to promote continuous improvement in governance practice, improve accountability and transparency and protect and improve outcomes for members. These are outlined below along with an explanation of how QSuper complies with the Code and, in instances where QSuper diverges from AIST's requirements, the report seeks to explain the rationale for this.

PRINCIPLE 1: Lay solid foundations for management and oversight

A profit-to-member superannuation fund must determine the respective roles and necessary skill profile of the Board and management and set these out in writing. They must also determine how the respective performance of the Board and management will be measured and evaluated.

AIST Requirement 1.1

A profit-to-member superannuation Board must conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director. For the appointment of representative directors in particular, this includes engagement with sponsoring organisations.

QSuper's position

QSuper partially meets this requirement.

The QSuper Act prescribes that appointments to the Board are made by the Minister on the recommendations of the Queensland Government and the Unions mentioned above. For this reason, QSuper is limited in its ability to influence the appointment process. However, the QSuper Board has developed role descriptions for the role of Chair and Board members and these documents provide pertinent background information to both the nominating entities and incumbent appointees on the following:

- the size and demographics of the QSuper Fund;
- the current governance framework;
- the purpose of the Board as well as the duties and responsibilities of a Board member;
- the expected knowledge, skills and experience as well as on-going professional development requirements;
- the expected time commitment to carry out the role; and
- the legal liability associated with these positions.

These role descriptions are provided to QSuper's nominating stakeholders (i.e. the Queensland Government and various union organisations) prior to their consideration of a nominee for a vacant position to assist both the stakeholder and the nominee gain a better understanding of what is required as a QSuper Trustee. Whilst the Queensland Government and union organisations have their own processes to identify, consider and nominate potential candidates, the QSuper Board actively seeks to engage with these stakeholders to assist with this process and ensure high quality candidates are put forward.

In addition to the equal employer and member representation, the membership of the QSuper Board may comprise one independent Board member. This provides the Board with the opportunity to consider the skills and experiences provided by the employer and member representative Trustees and supplement this knowledge with an independent Board member who may have complementary and diversifying skills and experience. This independent Board member may be sought from known networks, industry contacts or a specialised Executive recruitment firm and enables the Board to ensure that the potential candidate has the appropriate skills and experience required.

AIST Requirement 1.2

A profit-to-member superannuation fund must have a written agreement with each trustee director and senior executive setting out the terms of their appointment.

QSuper's position

QSuper partially meets this requirement.

QSuper Board members are appointed in accordance with the QSuper Act. Trustees are bound by both the QSuper Act and SIS Act, as well as other legislative and general law requirements applicable to fiduciaries. The term and procedure for appointment, remuneration arrangements, and removal process are outlined in the QSuper Act (and subordinate legislation). Upon appointment, QSuper Board members are required to comply with QSuper's Governance Policy which details such things as: the commitment of time envisaged; managing conflicts of interest; trustee obligations; the code of conduct; insurance; and the on-going professional development requirements. For this reason, QSuper Trustees do not have individual, written agreements.

All of QSuper's Executive team have formal, written, signed agreements setting out the terms of their appointment. QSuper's Executive team, as with all QSuper personnel, are also subject to a range of corporate policies aimed at establishing QSuper as both an employer of choice and a leading professional, financial services organisation, while complying with legislative requirements.

AIST Requirement 1.3

The fund's company secretary is accountable directly to the Board, through the Chair, on all matters concerning effective Board operations and must provide every assistance to the Board to fulfil their obligations in acting in the best interests of members. The Chief Executive Officer must not be the company secretary.

QSuper's position

QSuper meets this requirement.

QSuper has a designated Fund Secretary role and this is not undertaken by the Chief Executive Officer. The Fund Secretary has dual responsibility to both the QSuper Board and QSuper Management.

QSuper's Fund Secretary meets directly with the Board Chair as required and is available to consult directly with QSuper Board members in order to aid the Board to fulfil its obligations in acting in the best interests of members.

AIST Requirement 1.4

Profit-to-member superannuation funds must have a written diversity policy, appropriate to the circumstances of the fund, which sets out clear and measurable objectives and provides for annual reporting to the Board and members. This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate. Objectives must relate to processes, which may, but do not necessarily, include targets for participation at Board and management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members.

QSuper's position

QSuper partially meets this requirement.

QSuper is a strong advocate for diversity and inclusion and believes that harnessing a broad range of experiences, backgrounds, work styles and points of view makes the Fund more reflective of its members, ultimately delivering better decisions in members' interests. QSuper has established a formal Diversity Council with its purpose being to support the vision of QSuper's Diversity and Inclusion Strategy by overseeing progress of key objectives, approving new initiatives, monitoring relevant diversity reporting and having input into the development of future strategies.

QSuper has a formal Diversity & Inclusion Policy which states that QSuper appoints people to roles based on their qualifications, skills and experience relevant to the role and does not discriminate unfairly on the grounds of for example age, gender, race, national or ethnic origin, language, religion, political beliefs and affiliations, sexual orientation or disability. It also notes that QSuper's recruitment, remuneration, reward, leadership and development practices, and approach to flexible working arrangements are designed to attract and retain diverse talent and to accommodate individual needs on an equitable basis. The QSuper Board receives reporting on the activities undertaken to promote diversity however this information is not made publicly available.

As previously stated, the QSuper Board has limited influence in the Trustee appointment process given this is the responsibility of the Queensland Government and various union organisations. Therefore, the QSuper Board has not currently prescribed gender or diversity targets.

AIST Requirement 1.5

In accordance with SPS 510, profit-to-member superannuation funds must have procedures to evaluate the performance of the Board and individual trustee directors at least annually. The fund must disclose a summary of those procedures and confirm annually that the performance evaluations were undertaken during the reporting period.

QSuper's position

QSuper meets this requirement. In mid-2019, a Board performance review was facilitated by an external consultancy firm specialising in corporate governance.

The QSuper Board undertakes an annual review of its collective performance and the performance of individual Trustees. QSuper considers that a high quality Board assessment will help develop an appreciation of the diverse skills that are possessed by the individual Trustees and, subsequently, the Board. This process also provides valuable information when considering the appointment of new Board members and formulating Committee memberships.

The Board has stipulated that at least once every three years, this review should be conducted by an external facilitator who has industry experience and access to comparative data for benchmarking. The scope of the independent reviews will be determined with regard to current issues and involve both introspection as well as external scrutiny. It may include private discussions between individual Board members and the facilitator, feedback from the Chief Executive Officer, and a gap analysis between the Board's operations and best practice.

In the years where the performance review is conducted internally, the Board utilises a self-assessment style survey to assess its performance, facilitated by the Fund Secretary. This review enables open feedback through the completion of a confidential questionnaire covering topics such as:

- the vision and direction of QSuper;
- the discharge of the Board's regulatory and fiduciary responsibilities;
- relationships with external stakeholders;
- procedural matters at Board and Committee meetings;
- the operation and performance of Committees; and
- the quantity and quality of information presented to the Board.

The results of these reviews are collated into a report with a discussion of the results led by either the external facilitator or the Chair at a subsequent Board meeting. The QSuper Board also undertakes annual, internal reviews of the performance of its Committees.

AIST Requirement 1.6

The Board of a profit-to-member superannuation fund must have a documented process for evaluating the performance of the senior management. The fund should disclose whether such a performance evaluation was undertaken during the reporting period.

QSuper's position

QSuper meets this requirement.

In order to monitor the performance of the Executive team, the QSuper Board has established a Corporate Scorecard which contains seven metrics aimed at ensuring QSuper is focused on delivering products, services and advice that lead to better retirement outcomes for its members. These measures are:

- Member & Employer Advocacy
- Financial Wellbeing
- Investment Performance
- Risk
- Net Business
- Sustainable Business Ratio
- Employee Engagement

The QSuper Board receives quarterly reporting on the Corporate Scorecard in order to monitor the performance of the senior management team. In addition, every Executive is measured against a balanced scorecard applicable to their business area, to ensure outcomes in their direct scope align to corporate outcomes and lead to better retirement outcomes for members. The Board receives an annual briefing from the Chief Executive Officer on the individual performance of the Executive team as part of QSuper's Performance Planning & Review process, which includes an evaluation against the balanced scorecard, individual KPIs and behaviours. The QSuper Board is responsible for monitoring and assessing the Chief Executive Officer's performance.

PRINCIPLE 2: Structure the Board to add value

A profit-to-member superannuation fund must have a diverse Board composed of highly competent and committed directors. Representation of member and employer interests must be ensured, and the Board should be of an appropriate size, composition and have the skills to be able to discharge their duties effectively.

AIST Requirement 2.1

The Board of a profit-to-member superannuation fund must have a committee responsible for Board renewal that has at least three members. The committee must have a charter that is disclosed, and it should meet at least annually. For each reporting period the fund must disclose the members of the Board renewal committee and attendance records for any meetings during that period.

QSuper's position

QSuper meets this requirement.

In accordance with the QSuper Act, QSuper's nominating stakeholders (i.e. the Queensland Government and various union organisations) are responsible for appointing eight of the maximum nine Board members. Whilst QSuper's involvement is somewhat limited, the Board has established a People & Nominations Committee which is responsible for considering Board renewal and providing guidance to the appointing stakeholders in order to identify high quality candidates.

All matters associated with the appointment or re-appointment of Trustees are considered by this Committee on behalf of the QSuper Board (noting that if a particular Trustee had a potential conflict of interest with the matter, he/she would not partake in these discussions).

Whilst it is acknowledged that the employer and member representative appointees are nominated at the discretion of the Government and unions respectively, the QSuper Board may undertake any actions it deems appropriate in relation to engaging with the nominating stakeholders including, but not limited to:

- providing perspective on any particular knowledge, skills and experience that the Board may be seeking in a candidate in order to supplement its existing capabilities;
- providing feedback on the performance and suitability of a Trustee being considered for re-appointment;
- recommending potential candidates for consideration;
- meeting with any potential candidates to discuss the role and responsibilities of a Trustee, the time requirements, the governance arrangements, etc; and
- providing an induction or introductory training aimed at better preparing a potential candidate to undertake the role of a Trustee from appointment.

With respect to the appointment of an independent Trustee, the Board may undertake any of the above actions in consultation with the Minister in order to identify and appoint an appropriate candidate. In relation to this position, the Board will take into consideration the existing knowledge, skills and experience of Board members, any areas of possible weakness or key person risk, and the qualifications and attributes of potential candidates available for appointment. In assessing the candidate’s independence, the Board may consider the relevance of:

- any connection (including past or present employment) with QSuper;
- any connection (including past or present employment, membership, etc) with a nominating entity;
- any connection with another RSE Licenced superannuation fund; and
- any connection with a material service provider to QSuper.

The Board will accept the appointments made by the Minister unless the appointee is a disqualified person, fails the fitness and propriety assessment or has an untenable conflict of interest. In situations where an appointee is determined, by the majority of Board members, to be unsuitable, based on factors such as (i) a significant lack of experience or knowledge, (ii) poor attitude, reputation or unfavourable associations, (iii) past performance as a director or fiduciary, the Board may liaise with the nominating entity to raise these concerns and seek to have the nomination re-considered.

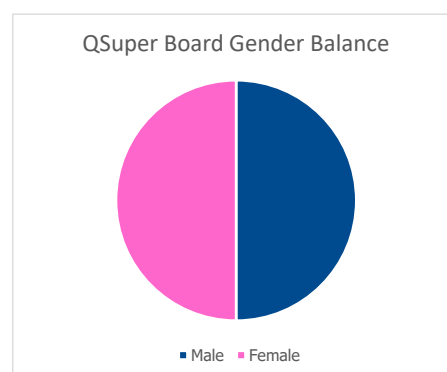
AIST Requirement 2.2

A profit-to-member superannuation fund must maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan. It must disclose annually a representation of the existing collective skills, experience and diversity of the Board.

QSuper’s position

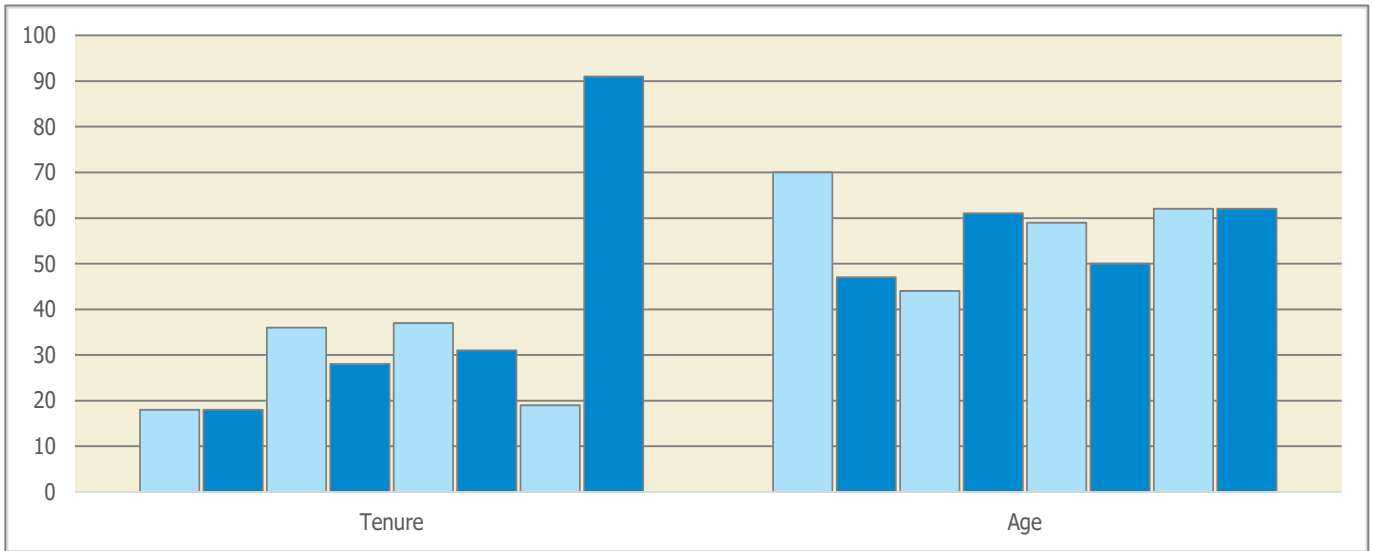
QSuper meets this requirement.

The QSuper Board undertakes an annual Fit & Proper Assessment in order to ensure that the persons responsible for the governance, oversight and management of QSuper, have the appropriate knowledge, skills and experience and act with honesty and integrity in the performance of their duties. The appointment of appropriate people underpins the Board’s commitment to high standards of corporate governance.

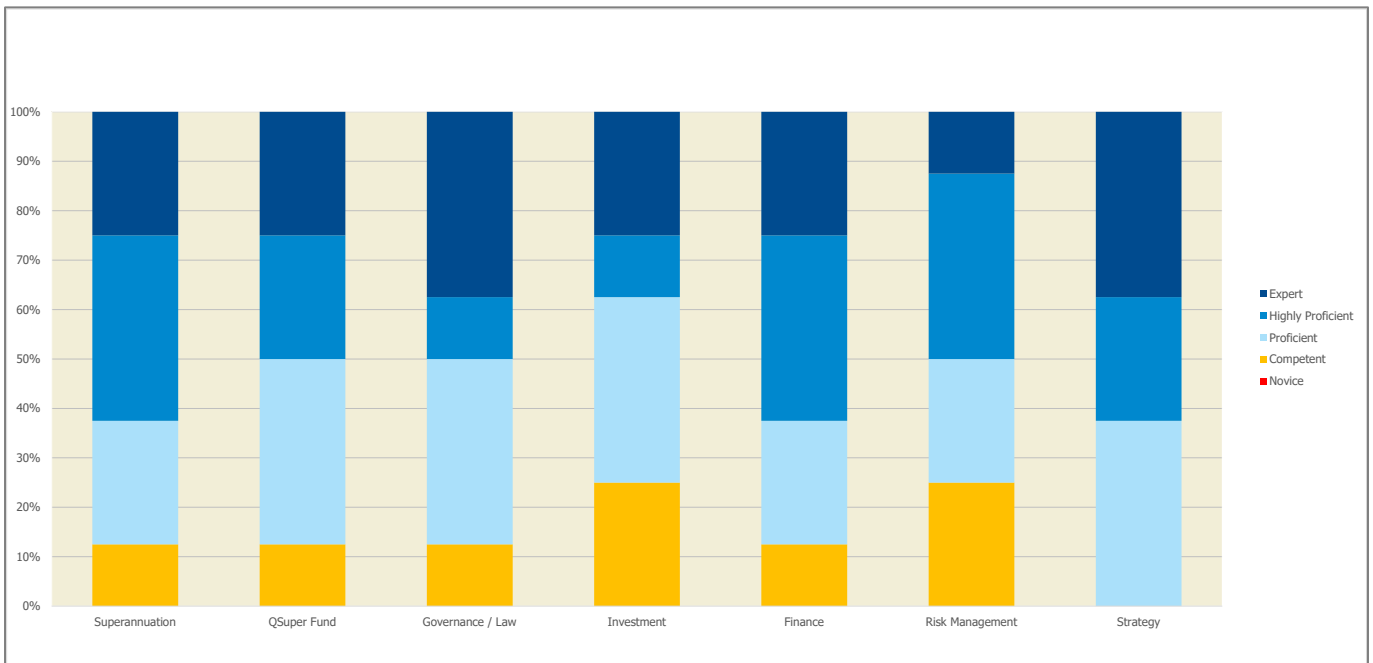


The graphical representations portray the diversity of the current eight Board members (gender, age, and tenure), as well as the Board members existing skills, knowledge and experience across several key aspects relevant to their roles as Trustees of a large superannuation fund.

QSuper Board Members - Tenure (in months) and Age (in years)



QSuper Board - Knowledge, Skills & Experience



AIST Requirement 2.3

In disclosing the names of its directors, a profit-to-member superannuation fund must identify for each director whether they are a member representative, an employer representative or a non-representative member. In each instance, the name of the nominating body must also be disclosed.

QSuper's position

QSuper meets this requirement. A biography for each QSuper Board member is publicly available on the QSuper website. This information includes their date of appointment, qualifications, other board appointments and whether they are a member representative, an employer representative or a non-representative member.

AIST Requirement 2.4

The voting rights of all trustee directors on the Board must be equal, regardless of their status as a member or employer representative director, or non-representative director. The voting majority for any Board decision should be no less than two-thirds of all trustee directors.

QSuper's position

QSuper meets this requirement. Voting rights and threshold/quorum for decision making are specified in the *Superannuation (State Public Sector) Regulation 2017*.

AIST Requirement 2.5

The Chair of a profit-to-member superannuation fund Board must be appointed by the Board and must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair.

QSuper's position

QSuper partially meets this requirement.

In accordance with the QSuper Act, the QSuper Board Chair is appointed by the Queensland Treasurer, as the Minister responsible for financial matters associated with the Queensland Government. The Minister may appoint a Trustee as Chair only if the trustee consents in writing to the appointment, and the Minister, before making the appointment, consults the QSuper Board. The QSuper Board has developed a role description for the Chair's position and any appointee must satisfy all of the requirements of skill and experience identified in the Fund's skills matrix for the role of Chair. Other QSuper Board members are able to provide constructive feedback on the Chair's performance through the annual Board performance review process.

AIST Requirement 2.6

The CEO must not be a director of the fund.

QSuper's position

QSuper meets this requirement as the Chief Executive Officer is not a QSuper Board member.

AIST Requirement 2.7

A profit-to-member fund must have an induction program for new trustee directors and provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.

QSuper's position

QSuper meets this requirement. As a leading superannuation fund, QSuper is committed to the continued development of both its Board members and other QSuper Responsible Persons.

QSuper provides in-coming Trustees with a comprehensive induction program including briefings by QSuper Management and introductory training courses provided by leading industry associations. This aims to elevate the existing knowledge and skills a new Trustee may have, and this then leads in to an on-going professional development requirement to ensure all Board members maintain or enhance their understanding of superannuation and continue to augment their industry experience.

The QSuper Board has established minimum personal and professional development requirements and recognises that this development may include formal and in-formal training, conferences, membership and participation in professional associations, networking and industry events, briefings (both verbal and written) from industry experts as well as through continued participation in the industry by attending QSuper Board and Committee meetings, Strategy and Risk Workshops, and day-to-day work where the person works in the industry.

The number of hours of personal and professional development Trustees undertake is reported to each QSuper Board meeting.

PRINCIPLE 3: Act ethically and responsibly

A profit-to-member superannuation fund must act ethically and responsibly.

AIST Requirement 3.1

A profit-to-member superannuation fund must have a code of conduct for its Board, senior management and employees. This code, or a summary of it, must be disclosed.

QSuper's position

QSuper meets this requirement. QSuper has established a Code of Conduct which applies to members of the Boards and Committees, the Chief Executive Officer, members of the Executive team and all other employees, contractors and consultants. This Code of Conduct requires QSuper personnel to:

- understand and comply with the Code of Conduct;
- demonstrate QSuper's values through their behaviours;
- immediately report breaches or suspected breaches of the Code of Conduct; and
- challenge conduct, behaviour and thinking that are inconsistent with the Code of Conduct.

In summary, the Code of Conduct requires staff to:

- work to the best of their abilities and apply the highest professional standards.
- work independently and collectively to meet individual, team, divisional and group goals.
- dress professionally and act consistently with the Code of Conduct in all interactions, at work and work-related activities (including those outside work hours).
- interact with others respectfully – treating each other with dignity, fairness, equity and without discrimination.
- be proud to champion respect and be part of a diverse and inclusive workplace.
- comply with laws, regulations, industrial instruments, contracts, policies, procedures, frameworks and training requirements.
- comply with all of QSuper's reasonable, lawful instructions related to its duties.
- always make decisions and take actions that promote the QSuper Group's and the Fund members' interests and reputation.
- immediately disclose the offer and / or receipt of gifts, benefits and hospitality, and additionally, immediately disclose actual, potential and perceived conflicts of interest and responsibly manage conflicts that arise.
- protect all private, confidential and commercially sensitive information, and do not share this information with third parties unless authorised or required by law.
- refrain from making public comment to the media, including social media, unless specifically and properly authorised to do so.

- make sure the use of all QSuper systems, equipment and property is appropriate, complies with QSuper's policies and standards, and does not damage the reputation of the QSuper Group.
- safeguard QSuper's systems, equipment and property from damage and misuse.
- immediately report breaches or suspected breaches of the Code of Conduct, QSuper policies, safety and other standards to QSuper Leaders for further action.
- understand breaches will be dealt with under the Code of Conduct and/or under a relevant QSuper Group policy.

PRINCIPLE 4: Safeguard financial integrity

A profit-to-member superannuation fund must have appropriate and rigorous processes for financial governance.

AIST Requirement 4.1

The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.

QSuper's position

QSuper meets this requirement.

The financial integrity of a superannuation fund is not only a legislative obligation but also paramount to a fiduciary's duty. As such, QSuper has an experienced, professional Finance team and comprehensive policies and practices in place to ensure that assets, income and liabilities (including tax liabilities), investment options and any reserves are clearly identifiable and appropriately recorded. The Fund has also developed procedures to ensure that transactions are properly authorised, are undertaken on an arm's length basis and to ensure that financial records are subject to independent validation.

The QSuper Board, the QSuper Audit & Risk Committee, Management and auditors undertake detailed analysis and enquiries into the fund's accounts to ensure that all Australian accounting standards and audit and assurance standards have been met, and the accuracy of the Fund's accounts is protected. The QSuper Board has direct access to the Fund's auditors, actuaries, and custodian and, through Management and its established frameworks, ensures that third-party experts have the appropriate skill, competence and diligence for their specific role.

QSuper's financial statements, including the auditor's opinion, are publicly available within the Annual Report on QSuper's website.

AIST Requirement 4.2

A profit-to-member superannuation fund must ensure due process in all transactions, and ensure that any related party transactions are conducted under market conditions with full transparency and disclosure.

QSuper's position

QSuper meets this requirement.

QSuper has a dedicated Procurement team and a formal Procurement Policy, the aim of which is to: support QSuper's mission and the achievement of the Fund's Strategic Plan; achieve value for money in all procurement activities throughout the procurement lifecycle; ensure probity and accountability of outcomes; and ensure that the due diligence for material outsourcing contracts reflects the significance of these agreements. The Procurement Policy addresses potential conflicts of interest that may arise during transactions and how these should be managed.

QSuper undertakes the majority of its functions in-house. As such, the QSuper Board considers regular benchmarking of operating costs, business performance, and member service standards to ensure that the Fund is functioning effectively and efficiently in the best interest of members.

AIST Requirement 4.3

The Board of a profit-to-member superannuation fund must receive an attestation from the fund's CEO and CFO that the fund's accounts are a true and accurate reflection of the fund's financial position and that the financial records have been properly maintained, before approving the financial statements. In accordance with SPS 510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS 520 and must issue their opinion on the financial statements to the trustee and members of the fund.

QSuper's position

QSuper meets this requirement.

Before approving the annual financial statements, the QSuper Board receives a Management Representation Letter from the Chief Executive Officer and Chief Financial Officer, attesting that the Fund's accounts are a true and accurate reflection of the fund's financial position and that the financial records have been properly maintained. This Management Representation Letter is underpinned by supporting attestations from the other members of the Executive team and business unit leaders across the organisation regarding the day-to-day operation of the business, the propriety of financial transactions as well as assurance on risk mitigation and pending legal issues (if any).

In accordance with SPS 510, QSuper has appointed an independent auditor and, given the size and complexity of QSuper, this is generally one of the Big 4 accounting firms (currently Deloitte). QSuper has established an Auditor Independence Policy aimed at:

- avoiding situations where auditors may have an actual or perceived conflict of interest (as in the provision of certain non-audit services);
- increasing the transparency of dealings between QSuper and its auditors;
- reducing the concentration of QSuper's accounting, taxation, valuation and professional advisory service work with a single service provider where this will not adversely impact the quality or cost-effectiveness of the service; and
- enhancing communication processes both internally and externally to address potential stakeholder concerns over independence.

Further, in accordance with SPS 520 and QSuper's Governance Policy, the QSuper Board must, and has, considered and determined that the auditor is fit and proper. The auditor has issued its opinion on the financial statements and this opinion is publicly available with the Annual Report on QSuper's website.

PRINCIPLE 5: Respect the rights of scheme participants

A profit-to-member superannuation fund must respect the rights of stakeholders. These scheme participants must be provided with open and transparent disclosure as well as opportunities to participate in dialogue with the fund's Board and management.

AIST Requirement 5.1

A profit-to-member superannuation fund must develop and implement a stakeholder engagement program, for effective disclosure of relevant and material issues. The program must provide opportunities for directors and senior management to communicate directly with stakeholders and for stakeholders to ask questions of them.

QSuper's position

QSuper meets this requirement.

QSuper is an advocate for transparency in reporting and provides comprehensive information published in an easy to understand way across multiple channels, including the QSuper website, physical material, QSuper's regular Member newsletter and via QSuper's substantial member seminar program.

In accordance with 2019 changes to the *Superannuation Industry (Supervision) Act 1993*, QSuper held its inaugural annual meeting of members in November 2020. The meeting was attended all of the QSuper Board members, QSuper's responsible persons, as well as the Fund's auditor and actuary. Due to COVID-19 restrictions, this meeting was steamed online with members able to ask questions of the Board and Management through the chat function. Notice of the meeting was provided to all QSuper members. The minutes of the meeting, a full list of all questions and subsequent answers, as well as a video recording of the meeting is available on the QSuper website at:

<https://qsuper.qld.gov.au/super/seminars/annual-member-meeting>

In addition, QSuper enables and encourages members to engage with the Fund via the above seminar program, as well as via several social media channels and the Fund's Contact Centre. The Fund also undertakes member engagement through workplace visits and employer engagement through relationship managers and union presentations. More recently QSuper has introduced External Financial Adviser Seminars to allow direct engagement with these stakeholders. In 2017 (up until COVID-19), the QSuper Board initiated an annual regional Board meeting to provide an opportunity for Trustees to engage directly with members and employers in regional areas.

Over a number of years QSuper has held an annual Investment Update Roadshow. For example, in 2017, QSuper held 17 Investment Update Roadshows across 16 Queensland locations where members can hear first-hand from the Investments team about the Fund's investment strategy, QSuper's performance over the last 12 months, as well as learn about global investment trends. Members also have the opportunity to ask superannuation or investment related questions.

QSuper members have access to their personal account information, quickly and easily through Member Online.

In the event of dissatisfaction, QSuper's complaint process is easily accessible on the Fund's website. The Board receives a regular complaints report detailing relevant information. QSuper members may also take complaints to the Australian Financial Complaints Authority (AFCA).

PRINCIPLE 6: Recognise and manage risk

In accordance with SPS 220, a profit-to-member superannuation fund must establish a robust risk management framework, monitor and regularly review the effectiveness and continuing appropriateness of that framework. The risk management framework must consider the maintenance and prioritisation of a member-first culture.

AIST Requirement 6.1

A profit-to-member superannuation fund must have a strong risk culture with a Board that provides robust oversight of the fund's material risks. The risk management framework must explicitly address factors that may erode the fund's members-first culture.

QSuper's position

QSuper meets this requirement. As a 'profit for members' fund, we work hard to keep our fees low, and, as we don't have shareholders, everything we do is for our members.

QSuper complies with all legal and regulatory risk management requirements and endeavours to take a best practice approach to the management and mitigation of risk. This is documented in QSuper's Risk Management Framework. The QSuper Board is responsible for setting QSuper's risk appetite, which is defined as the amount and type of risk the Board is willing to take on to achieve its strategic and business objectives, giving consideration to the interests of members.

At least annually, the QSuper Board holistically considers all risks that could:

- significantly adversely affect the interests of members
- impact QSuper's ability to retain and service current members and employers
- have a significant impact on business operations, reputation, returns, profitability or net assets due to financial cost, consequences and/or penalties that could be imposed.

The Board considers those risks that are material and determines the risk appetite for each Material Risk. A Risk Appetite Statement for each Material Risk provides direction to senior management on both the type and tolerance for business activities. Risk reporting is submitted to the Audit & Risk Committee and Board on a quarterly basis.

Each business unit is required to maintain a register of key risks that may affect that particular business unit, with specific focus on factors that have the potential to impact members. Business units are required to detail the controls in place to manage each risk identified. Risks and controls are assessed by the business unit at least 6-monthly. Business unit risks are linked to QSuper's set of Material Risks to enable aggregation of risk exposures across QSuper. Key business unit controls, which mitigate a Material Risk, are documented in the Risk Management Strategy (RMS), and linked to causes that may impact that Material Risk.

For each risk category, the key controls are in place to mitigate factors that may erode QSuper's member first culture. These include, but are not limited to:

Strategic risk	<ul style="list-style-type: none"> • Proactive monitoring of threats and opportunities including industry and member insights • Board approval of Scorecards • Robust business planning process • Maintenance of a Product development methodology to ensure products are suitable for members, and designed to meet regulatory requirements (including sole purpose test and members best interests) • Ongoing review of products to test suitability and effectiveness for the member • Review of complaints data as input into product review
Operational risk	<ul style="list-style-type: none"> • High-performance and member centric culture encouraged through performance management practices • Monitoring of compliance with the Code of Conduct • Incident and breach reporting process • Mandatory staff risk and compliance training • Monitoring and communication of legislative change • Document due diligence program • Conflict of Interest program • Review of member facing scorecards • Privacy policies • Advice Supervision and Monitoring policy
Investment Governance risk	<ul style="list-style-type: none"> • Investment Governance framework • Board directed review of Investment options • Investment strategy modelling • Liquidity risk management policy
Insurance risk	<ul style="list-style-type: none"> • Insurance Management Framework review process • Insurance product and pricing reviews

In addition, factors, both positively and negatively impacting each Material Risk, are explicitly articulated in the RMS, including those that have the potential to erode the fund's member's first culture.

The QSuper Board has taken proactive steps to ensure a strong risk culture is in place and regularly monitored. This is documented in the Risk Culture Framework, which supports the Risk Management Framework. This is aimed at

ensuring QSuper operates consistently within its risk appetite, identifies required changes to risk culture and then develops action plans to address required changes.

QSuper has implemented the following to ensure an effective risk culture is in place:

- setting organisation values that support taking calculated risks in the interests of QSuper members and embracing empowerment and the responsibilities it brings
- setting roles and responsibilities for risk
- utilising the 3 Lines of Defence model
- promoting education, awareness and training (annual risk training is compulsory for all staff on risk awareness and compliance, IT Security, AML/CTF & Fraud, and QSuper's Code of Conduct)
- business support through regular risk and compliance forums
- monitoring and reporting on Risk Culture through quarterly dashboards
- annual deep dive assessment on Risk Culture to the Audit & Risk Committee.

PRINCIPLE 7: Remunerate fairly and responsibly

A profit-to-member superannuation fund must establish a remuneration policy for its trustee directors and staff in alignment with the best interests of the members of the fund that complies with SPS 510 and SPG 511.

AIST Requirement 7.1

A profit-to-member superannuation fund must have policies and practices in place to attract and retain highly competent people, assessed relative to the size, nature and complexity of the fund. These policies and practices must be consistent with its responsibilities for maximising members' retirement outcomes and encouraging and rewarding ethical practices and behaviour.

QSuper's position

QSuper meets this requirement.

The QSuper Board understands that to attract and retain great people, the Fund needs to provide a compelling reward offering. The Fund's remuneration framework is designed to recognise the important contribution employees make in meeting and exceeding QSuper's goals. The framework seeks to reward this contribution fairly and equitably and takes a 'total rewards' perspective.

The QSuper Board has developed a remuneration framework that incorporates both fixed remuneration and performance-based incentive payments. Remuneration is aligned to the long-term interests of the Fund and the performance of the business, including such elements as investment performance, risk management, as well as employer and member engagement. Key principles of the Remuneration framework include Performance, Integrity, Affordability and Sustainability.

QSuper's remuneration arrangements are set at a market competitive level. Fixed remuneration is reviewed annually based on QSuper's performance, market remuneration data and a staff member's individual performance review rating. Incentives are closely linked to the employee's level of influence on member outcomes, achievement against measures in the balanced scorecards and individual performance.

The Remuneration policy complies with the Prudential Standards SPS 510 - Governance and SPG 511 - Remuneration and forms part of the Group's risk management framework.

The remuneration paid to QSuper Board members and the Executive team along with the key principles of the remuneration framework are disclosed in the Fund's financial statements within the Annual Report on QSuper's website.

PRINCIPLE 8: Strong investment governance practices

A profit-to-member superannuation fund must establish an investment framework to deliver appropriate retirement outcomes for its members and continually monitor and review the effectiveness and continuing appropriateness of that framework.

AIST Requirement 8.1

A profit-to-member superannuation fund must design and manage appropriate investment strategies having regard to member demographics and circumstances during both the accumulation and decumulation phases.

QSuper's position

QSuper meets this requirement.

QSuper's mission is to improve retirement outcomes for members, to and through retirement. To achieve this QSuper offers a suite of investment options including its Lifetime Default option, member choice Single Sector and Diversified options as well as Self Invest, an option for members to invest directly in shares, ETFs and term deposits. The QSuper Board sets the investment strategy and asset allocation ranges for the Fund's Lifetime, Single Sector and Diversified options. QSuper developed its Lifetime option, which segment the hundreds of thousands of QSuper's default members into cohorts based on age and account balance, in order to better match the investment strategy with members' circumstances.

The overall aim of QSuper's investment strategy is to meet or exceed the risk-adjusted after fee and tax objectives of each Investment Option over the specified time horizons. The investment strategy of each Investment Option is monitored and managed by the Board through the Investment Committee.

QSuper's investment strategy is based on a set of investment principles that are at the core of the portfolio construction process. These principles represent the fundamental beliefs and philosophies that have been formed over time through a combination of investment theory, empirical evidence, practice and experience and consideration by the Investment Committee. These principles are reviewed regularly and will evolve dynamically as QSuper's understanding and evaluation of economics, investment markets, theory and relevant research develops.

In particular, the fund takes member demographics and circumstances into account when developing investment strategies in many ways.

The Board has approved several Asset and Liability Management principles in developing its default strategies which directly link member characteristics of age and account balance to investment strategy. These principles have been applied to develop Lifetime (MySuper default). It is a unique and innovative philosophy in Australian superannuation. It's development was instrumental in the form in which the MySuper legislation is drafted to enable member characteristics to be accommodated in MySuper products.

The Fund has also developed a differentiated asset management philosophy (risk-balanced) which has been widely discussed across the industry. This differentiated approach to risk taking was specifically developed to reflect QSuper's distinctive demographic (older members with higher account balances warranting more stable investment outcomes).

Authorisation

With the authority of the QSuper Board, I, Trevor Golden, being Fund & Company Secretary, advise that the Fund has largely satisfied the requirements of the AIST Governance Code during the financial year ended 30 June 2021, noting the qualifications and exceptions detailed above.

A handwritten signature in black ink, appearing to read 'T. Golden', is written over a horizontal line.

Trevor Golden

Fund & Company Secretary

Date: 30 June 2021