

LGIAsuper AIST Governance Code Compliance Statement

LGIAsuper Trustee
ABN 94 085 088 484
RSE Licence No. L0000178

as trustee for

LGIAsuper
ABN 23 053 121 564
RSE Registration No. R1000160

Background

The Australian Institute of Superannuation Trustees (**AI ST**) is a national not-for-profit membership organisation that represents the interests of Australia's \$1.5 trillion profit-to-member superannuation industry.

Through advocacy, policy, research and professional development, AI ST is committed to promoting leading practice governance in Australia's profit-to-member superannuation sector.

LGIAsuper is one of the member funds of AI ST.

AI ST Code (**the Code**) is a principles-based framework, consisting of eight principles and 21 requirements.

The Code aims to:

- promote continuous improvement in governance practice;
- improve accountability and transparency; and
- protect and improve outcomes for members.

The Code goes beyond current regulatory requirements, cementing a high benchmark of practice in Australia.

LGIAsuper Trustee (ABN 94 085 088 484, AFSL no. 230511, RSE License L0000178) (**the Trustee**) has adopted the Code as part of its commitment to achieving and maintaining leading practice in Australia. LGIAsuper (ABN 23 053 121 564, RSE Registration R1000160) (**the Fund**) is managed by the Trustee.

LGIAsuper's governance

The Trustee is operated through the Board of Directors (**the Board**).

The Board is made up of nine directors with equal employer, member and independent representation (including an independent Chair). The Board is responsible for managing the Fund in the best interests of its members and is committed to the highest standards of corporate governance.

The Board works closely with the Executive team to look after the financial future of the members and ensure that the Trustee performs its responsibilities in a proper, effective and efficient way.

The following table summarises the Trustee's approach to complying with the Code requirements for the financial year ending 30 June 2020.

Requirements	Level of compliance	Explanation
Principle 1: Lay solid foundations for management and oversight		
<p>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.</p> <p>For the appointment of representative directors in particular, this includes engagement with sponsoring organisations.</p>	LGIAsuper fully meets this requirement	<p>The Board of the LGIAsuper Trustee includes six representative directors - three employer directors from the elected executive of the Local Government Association of Queensland (LGAQ); three member directors elected by democratic ballot; and three independent directors nominated and appointed based on skills and experience.</p> <p>The Board undertook a significant refresh of the <i>Fit and Proper Policy</i>, adding additional criteria and an extra step in the appointment process requiring a certain level of skill and experience from the LGAQ nominees. This additional criteria and process was discussed with and accepted by the LGAQ. The updated policy includes the adoption of a full skills matrix and ratings for directors and senior executives.</p> <p>Employer representative elections were run in mid-2020 with LGIAsuper seeking a minimum baseline of skill and experience levels for LGAQ candidates. Skills matrix reviews were undertaken of existing Board directors and where LGAQ employer representatives vacancies would exist, skills and experience gaps were assessed.</p> <p>A general independent review was also conducted of LGAQ nominees by a third-party consultant and provided to the People and Culture Committee in addition to the skills matrices for consideration for the appointment of the LGAQ employer representative directors.</p>
<p>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.</p>	LGIAsuper fully meets this requirement	<p>Each director and senior executive has a written contract setting out the terms of appointment. These agreements were updated and refreshed to reflect industry standards in 2020.</p>
<p>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.</p> <p>The Chief Executive Officer (CEO) must not be the company secretary.</p>	LGIAsuper fully meets this requirement	<p>LGIAsuper Trustee's Company Secretary and General Counsel functionally reports to the Chief Executive Officer, but all matters concerning effective Board operations, governance and performance matters are reported to the Chair.</p>

Requirements	Level of compliance	Explanation
<p>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.</p> <p>This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate.</p> <p>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.</p>	<p>LGIAsuper partially meets this requirement</p>	<p>LGIAsuper's 2019/20 Annual Report outlines Board diversity metrics including tenure, age and gender. This was published in November 2020 and is available here:</p> <p>https://www.lgiasuper.com.au/about-us/governance/annual-reports</p> <p>LGIAsuper's performance to gender diversity continues to be good, with 22% of the Board (2 of 9), 50% of the Executive Leadership team (4 of 8), and 35% of the Senior Leadership Team (11 of 27) being women.</p> <p>Broader diversity is also prevalent with 25% of the Executive Leadership Team (2 of 8) not being Caucasian Australian.</p> <p>As the Board of the LGIAsuper Trustee includes six representative directors - three employer directors from the elected executive of the Local Government Association of Queensland (LGAQ) and three member directors elected by democratic ballot - LGIAsuper is limited in its ability to elect Board members based on gender representation.</p> <p>The Board also includes three independent directors. As the Board of LGIAsuper has been focused on addressing skills gaps and improving the depth and breadth of knowledge of the Board, independent directors have been selected purely based on their skills and experience to address these requirements.</p> <p>LGIAsuper is currently undergoing a merger with Energy Super, upon which there will be a transitional board with 15 members. Energy Super's current Board includes six female directors and three male directors. LGIAsuper welcomes the additional representation and upon commencement of the transitional board female representation and diversity will increase to 40% female representation.</p>
<p>1.5 In accordance with SPS510, profit-to-member superannuation funds must have annual procedures to:</p> <ul style="list-style-type: none"> • evaluate the performance of the Board; and • evaluate individual trustee directors. <p>The fund must:</p> <ul style="list-style-type: none"> • disclose a summary of those procedures; and • confirm annually that the performance evaluations were undertaken during the reporting period. 	<p>LGIAsuper partially meets this requirement</p>	<p>An external performance review of the Board was undertaken in March 2020. Following the review, a <i>Board Performance Action Plan 2020-21</i> was created with a number of action items for the Board and Board Committees to work on over 2020/2021.</p> <p>The Chair of the People and Culture Committee and Board Chair met with directors individually in July 2020 to discuss current skills and competency gaps and training plans for 2020/21.</p>

Requirements	Level of compliance	Explanation
<p>1.6 The Board of a profit-to-member superannuation fund must have a documented process for evaluating the performance of the senior management.</p> <p>The fund should disclose whether such a performance evaluation was undertaken during the reporting period.</p>		<p>Performance reviews are undertaken of LGIAsuper overall every financial year, including progress against KPIs, strategies and business plan projects. All team members were also evaluated for annual performance.</p>
Principle 2: Structure the board to add value		
<p>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:</p> <ul style="list-style-type: none"> • the committee must have a charter that is publicly disclosed; and • it should meet at least annually. <p>For each reporting period the fund must disclose:</p> <ul style="list-style-type: none"> • the members of the Board renewal committee; and • attendance records for any meetings during that period. 	<p>LGIAsuper partially meets this requirement</p>	<p>The People and Culture Committee is responsible for all people matters including the composition of the Board and meets four times annually. It has a charter, but this is not publicly disclosed.</p> <p>Significant renewal was carried out to the Board in 2018 with five out of nine directors being replaced through the general election and appointment processes.</p> <p>In mid-2020, LGIAsuper also completed an employer representative election process which resulted in the re-appointment of one director and the appointment of a new director from the LGAQ.</p> <p>For each reporting period, the People and Culture Committee members are disclosed in the Fund’s annual report. In addition to this, attendance records are disclosed on LGIAsuper’s website here:</p> <p>https://www.lgiasuper.com.au/-/media/public/files/governance_recordofattendancebyboarddirectorsatboardmeetings.pdf</p> <p>The <i>People and Culture Committee Charter</i> was refreshed in 2020 and expanded to include the ongoing review of the performance, fitness and proprietary, skills and experience of directors and the Board as a whole.</p>

Requirements	Level of compliance	Explanation
<p>2.2 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> 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. disclose annually a representation of the existing collective skills, experience and diversity of the Board. 	LGIAsuper partially meets this requirement	<p>LGIAsuper has skills matrices for both the Board and senior executive team. Each director and senior executive has a training plan to fill any skills or experience gaps. The Board skills matrix is currently not publicly disclosed.</p> <p>LGIAsuper's 2019/20 Annual Report outlines Board diversity metrics including tenure, age and gender. This was published in November 2020 and is available here:</p> <p>https://www.lgiasuper.com.au/about-us/governance/annual-reports</p>
<p>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.</p> <p>In each instance, the name of the nominating body must also be publicly disclosed.</p>	LGIAsuper fully meets this requirement	<p>Each LGIAsuper director is identified as a member, employer representative or an independent director on the website and in LGIAsuper's annual report.</p> <p>Affiliation with the LGAQ is publicly disclosed in the case of the employer representatives and similarly the directors nominated as member representatives on LGIAsuper's website and annual report.</p>
<p>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.</p> <p>The voting majority for any Board decision should be no less than two-thirds of all trustee directors.</p>	LGIAsuper fully meets this requirement	All voting rights are equal and the voting majority for the Board is two-thirds of all trustee directors.

Requirements	Level of compliance	Explanation
<p>2.5 The Chair of a profit-to-member superannuation fund Board must:</p> <ul style="list-style-type: none"> • be appointed by the Board; and • satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair. 	<p>LGIAsuper fully meets this requirement</p>	<p>The Chair of LGIAsuper was appointed by the Board in accordance with the Trust Deed. The Chair is an independent director who was appointed to the Board having regard to the skills and experience regarded by the Fund.</p> <p>LGIAsuper developed a minimum level of skills and experience for the role of Chair. The Chair should have a score of a 2.5 out of 5 as a minimum rating for all of the Chair skills competencies. The skills categories include leadership, decision making, conflict resolution, influencing, negotiation, collaboration, problem solving, and consultation.</p>
<p>2.6 The CEO must not be a director of the fund.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>The CEO is not a director of the Fund.</p>
<p>2.7 A profit-to-member fund must:</p> <ul style="list-style-type: none"> • have an induction program for new trustee directors; and • provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge. 	<p>LGIAsuper fully meets this requirement</p>	<p>LGIAsuper has an induction program for new directors. Following a Board skills audit, each director also has an individualised training plan which is deployed and oversighted by the People and Culture Committee.</p> <p>Director training progress is monitored and reported quarterly to the People and Culture Committee.</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>3.1 A profit-to-member superannuation fund must have a code of conduct for its Board, senior management and employees.</p> <p>This code, or a summary of it, must be publicly disclosed.</p>	<p>LGIAsuper partially meets this requirement</p>	<p>LGIAsuper has a Code of Conduct for its directors and employees but this code is not publicly disclosed.</p>

Requirements	Level of compliance	Explanation
Principle 4: Safeguard financial integrity		
<p>4.1 The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>The Board reviews the financial performance and status of both the Fund and the Trustee entity on a monthly basis.</p> <p>The financial integrity of LGIAsuper and the Trustee during the reporting period is identified in LGIAsuper’s Annual Report where statements on the assets, income, and liabilities (including tax) are included as well as the independent auditor’s report.</p> <p>LGIAsuper has the following frameworks, policies and procedures that ensure the financial integrity of the Fund and the Trustee on an on-going basis:</p> <ul style="list-style-type: none"> • Investment Governance Framework; • Risk Management Framework; • Conflicts of Management Framework and Policy; • Fit and Proper Policy; and • Financial Management Framework <p>The Financial Management Framework provides how LGIAsuper uses a ‘value-for-money’ approach to running operations and optimise member outcomes while appropriately managing costs. It describes how LGIAsuper soundly and prudently manages its business operations, as well as documenting its approach to mitigating the financial risks that arise through providing services to members, while giving consideration to Prudential Standard SPS 515 Strategic Planning and Member Outcomes.</p>
<p>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.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>The Board ensures due process in all transactions and oversees any related party transactions to ensure they are conducted under market conditions with full transparency and disclosure. Any related party transaction is disclosed in LGIAsuper’s financial statements within the Annual Report.</p> <p>LGIAsuper has a <i>Conflicts Management Framework</i> that deals with related party transactions. Any related party transactions are noted in LGIAsuper’s Conflicts of Duties and Interests Register on LGIAsuper’s website.</p>

Requirements	Level of compliance	Explanation
<p>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.</p> <p>In accordance with SPS510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS520 and must issue their opinion on the financial statements to the Trustee and members of the Fund.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>The Board receives the CEO's and CFO's attestations annually. Attestations are available for verification if required. LGIAsuper has an independent auditor appointed annually who provides an opinion on the financial statements of the Fund. The independent auditor is appointed in accordance with LGIAsuper's <i>Fit and Proper Policy</i>.</p> <p>LGIAsuper's Annual Report identifies LGIAsuper's independent auditor and their opinion on the financial statements.</p>

Principle 5: Respect the rights of scheme participants

<p>5.1 A profit-to-member superannuation fund must develop and implement a stakeholder engagement program, for effective disclosure of relevant and material issues.</p> <p>The program must provide opportunities for directors and senior management to communicate directly with stakeholders and for stakeholders to ask questions of them.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>LGIAsuper has a stakeholder engagement program for effective disclosure of relevant and material issues, including holding interaction sessions between the Board and staff, Board and members, Board and LGAQ and a scheduled annual members meeting. LGIAsuper held its first Annual Member Meeting (AMM) on 21 November 2019, which offered members an opportunity to have directors and senior executives answer any questions submitted prior to and during the meeting via email, social media or online via LGIAsuper's website. Members could also speak directly with directors, senior executives and staff. Minutes of the meeting (including any answers to additional questions or topics discussed by members) are available on LGIAsuper's website here:</p> <p>https://www.lgiasuper.com.au/-/media/public/files/seminarpresentations/annual-members-meeting-2019-minutes.pdf</p> <p>LGIAsuper's 2020 AMM was held on 29 October 2020, which included a limited (due to COVID-19) in-person attendance and via a live webcast. Members had the opportunity to submit questions prior to the AMM via email, social media or online via LGIAsuper's website. Minutes of the meeting (including any answers to additional questions or topics discussed by members) is available on LGIAsuper's website here:</p> <p>https://www.lgiasuper.com.au/-/media/public/files/seminarpresentations/annual-members-meeting-2020-minutes.pdf</p> <p>In November 2019, a number of LGIAsuper directors and senior executives attended a Member Seminar held in Toowoomba with approximately 60 members which allowed members to directly engage with directors and senior executives on any topic. During 2020, LGIAsuper held a number of member webinars (up to 400 members) and employer seminars (up to 20 attendees). These events allowed members and employers to directly engage with directors and senior executives on any topic.</p>
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Principle 6: Recognise and manage risk		
<p>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.</p> <p>The risk management framework must explicitly address factors that may erode the fund's members-first culture.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>LGIAsuper has a <i>Risk Management Framework</i> that ensures that the Board takes accountability for the oversight of risk and has a strong risk culture with a focus on members. The Material Risk Register is reviewed monthly by the Board. The Risk Appetite is reviewed annually by the Board and senior executive.</p> <p>LGIAsuper's <i>Risk Management Framework</i> is updated annually.</p> <p>LGIAsuper's Annual Report provides a high-level overview of LGIAsuper's approach to risk.</p>
Principle 7: Remunerate fairly and responsibly		
<p>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.</p> <p>These policies and practices must be consistent with its responsibilities for maximising members' retirement outcomes and encouraging and rewarding ethical practices and behaviour.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>LGIAsuper has undertaken a significant renewal of staff over the past year through the exercise of its people strategy and policies. Values form a core component of the recruitment and performance assessment program, and ensure that ethical practices and behaviour are rewarded.</p> <p>LGIAsuper's Annual Report provides a high-level overview of the Fund's approach to remuneration. LGIAsuper implemented a formal working from home policy in 2020 in response to COVID-19 and to facilitate more generally flexible working conditions for staff.</p>
Principle 8: Strong investment governance practices		
<p>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.</p>	<p>LGIAsuper fully meets this requirement</p>	<p>LGIAsuper's investment strategy has been designed over 54 years to be growth-oriented with an emphasis on diversification. Whilst the structure of the Fund's investments will evolve, this underpinning strategy and risk appetite will remain core to Fund operations.</p> <p>LGIAsuper's Annual Report provides an explanation of the Fund's different investment offerings and how these are designed to suit members with different characteristics /preferences.</p>