

Australian Retirement Trust Board Charter

Introduction

The Board of Australian Retirement Trust Pty Limited, as corporate trustee for Australian Retirement Trust (the Fund), has fiduciary and statutory obligations to manage the assets of the Fund on behalf of its beneficiaries, and in the beneficiaries' best financial interests. The Company is also the parent company of the Australian Retirement Trust Group and also oversees its wholly owned subsidiaries (see Attachment 3). To ensure that the Board carries out its fiduciary and statutory obligations in an optimum manner, the Board has developed this Board Charter to guide its operation and performance.

Purpose

This Charter, along with the ART Board & Committee Procedures document, outlines the role, responsibilities, objectives, committees, meeting procedural matters and delegations of the Board. The Charter seeks to ensure that:

- The role, responsibilities and objectives of the Board are clear and understood by all relevant stakeholders;
- The operation of the Board and the relationship between the Board and management are clearly defined; and
- All Directors have a clear understanding of the manner in which the Board shall conduct itself, and of the Director's expectations of them as directors.

This Charter has been prepared having regard, in particular to the requirements of APRA SPS 510 – Governance.

Authority

The Board derives its authority to act from each of the following:

- The Australian Retirement Trust Pty Limited Constitution;
- The Australian Retirement Trust – Trust Deed;
- The *Corporations Act 2001*, and applicable laws governing corporations within Australia; and
- The *Superannuation Industry (Supervision) Act 1993*, and applicable laws governing superannuation trustees within Australia.

For operational efficiency and effectiveness, the Board has delegated some authority and decisions to Committees in order for the Board's focus to be appropriately strategic. The Board retains responsibility for all matters including those that are the subject of delegated authority. Matters requiring approval by the Board are listed in the Attachment to this Charter and Committee Delegations are outlined in their respective Charters.

Board members need to be conscious of the need for time to be managed efficiently at board meetings and, subject to sufficient time being allowed for proper discussion and debate on issues coming before the Board, to be supportive of steps taken by the Chair to ensure the smooth conduct of meetings.

The Board has delegated authority to the Chief Executive Officer (CEO) to exercise all of the powers and functions of the directors except:

- Any power or function that must be exercised by the Board and/or has been reserved for the Board or delegated to a Committee of the Board, or
- Where a person or entity has been authorised to act as its delegate for a specific purpose in writing.

The CEO may delegate any power or function that forms part of the CEO's delegated authority to any officer or employee of Australian Retirement Trust or a related body corporate excluding powers which the Board has designated as not being able to be delegated or which are by Policy or otherwise specifically required to be exercised by the CEO. Appropriate reporting to the Board and/or Board Committees will be provided by the CEO and other officers and employees to ensure monitoring of the exercise of delegated authority.

As required by Prudential Standard 510 – Governance, the Board approves the use of group policies and functions noting that these policies and functions must give appropriate regard to the RSE licensee’s business operations and its specific requirements.

Role of the Board

The Australian Retirement Trust Board has established the following pillars which guides its purpose:

1. We care deeply about our members, their work and ambitions, and serve them for their whole lives, every step of the way;
2. We aim to achieve the lifelong trust of our members and understand that trust is earned based on how we listen to and serve our members; and
3. We help deliver a better future for our members.

With the above in mind, the Board will ensure that at all times, it fulfils its fiduciary and statutory obligations to the highest standards and manages all aspects of the Fund in the beneficiaries’ best interests, including their best financial interests.

The role of the Board includes, but is not limited to:

- Ensuring the Fund is administered in accordance with the legislative and statutory duties and obligations imposed, and promote an ethical business culture that recognises the importance ART places on the values of honesty, integrity, service and trust;
- Determining the strategic direction and plan for ART, regularly assess the implementation of the Fund’s strategy, monitor the internal and external environments to ensure the strategy remains appropriate, and modify the strategy (if necessary);
- Determining the investment strategy for ART including the investment beliefs, the investment objectives scorecard, investment delegations, and asset allocation ranges as well as monitor the assessment of investment risk, acceptable levels of investment return, investment fee structures, taxation implications and liquidity;
- Determining the appropriate suite of products and services for ART in order to meet the diversity of members’ needs, and to monitor the performance and delivery of these products and services to members;
- Devising and implementing an insurance strategy and managing ART’s insurance offering in the best interest of members;
- Determining ART’s risk management framework ensuring alignment between strategic risks identified by the Board and the operational risks within the Fund, oversee the appropriateness of risk mitigation strategies and business continuity plans, ensure an appropriate compliance framework is implemented and monitor rectification of material incidents;
- Determining the appropriate delegation of authority to enable the CEO and Management to administer ART on a day-to-day basis as well as monitor the execution of the prescribed delegations;
- Monitor the activities and performance of the Board Committees and monitor the execution of the prescribed delegations.
- Considering and approving ART’s operating budget (including the respective fees charged to members), as well as expenditure approvals which exceed prescribed delegations, regularly monitor the Fund’s financial position and performance, and certify the annual financial statements present a true and fair view of the Fund;
- Ensuring the appointment of suitable and competent material service providers (either by direct consideration or through establishing appropriate appointment processes), monitor the performance (either directly or indirectly) of material service providers including compliance with the service agreement, and ensuring material service providers have adequate internal controls, business continuity plans, and resources to deliver the required service(s);
- Ensuring a high standard of corporate governance by undertaking reviews of the performance of the Board and Committees, giving appropriate consideration to Board succession planning and continuity of

ART's collective knowledge and understanding, as well as ensuring compliance with the Board's policies, in particular, the fit and proper requirements;

- Selecting and appointing the Chief Executive Officer (including succession planning), and determining the CEO's remuneration and benefits and the process for determining any variable component of the CEO's remuneration, monitor and provide feedback on the CEO's performance, and oversee the development of the CEO;
- Overseeing and promoting a workplace culture that aligns with the Fund's strategy and unites staff behind the Fund's purpose;
- Overseeing the strategies utilised to attract, retain and develop staff at all levels within the organisation that will enhance the Fund's operations, effectiveness and success, and monitor this through regular reporting; and
- Working with Management to establish an appropriate reward framework (including the Remuneration Policy) and monitor its implementation and effectiveness as well as ensuring a regular review is undertaken of ART's Remuneration Policy as well as considering the remuneration of ART's internal Responsible Persons and other persons as required by the Prudential Standards.

As required by Prudential Standard 510 – Governance, the Board will ensure a regular review of the governance framework, which includes the Board and Board Committee Charters and associated policies and processes, to ensure it remains effective.

Board's Objectives

The Board's objectives are:

- Provide members with a secure Fund to accumulate their retirement benefits via:
 - Appropriate diversification of investment options that members can tailor to their personal financial circumstances and goals; or
 - For those members who do not make an active choice for their investment option, seek to optimise the adequacy of members' retirement benefits taking into consideration factors such as their account balance, time to retirement, potential investment returns, and the various risk factors;
- Endeavour to ensure that ART champions best practice corporate governance, operates within the legislative and regulatory guidelines, and that all decisions and activities of the Fund are in the best financial interests of members and their beneficiaries;
- Provide members with insurance options for death, total and permanent disablement and income protection that allow members to tailor coverage that helps financially protect Members and their beneficiaries;
- Prudently monitor the Risk Management Framework and ensure that the Fund has a positive risk culture, and suitable staffing and resources to competently administer a fund the size and complexity of ART;
- Endeavour to be the fund of choice for existing and new members by providing products, services and assistance to members so they can make informed decisions about their superannuation and their long-term financial well-being;
- Oversee the management of Fund costs in order to ensure that all initiatives and features of the Fund are provided in a cost-effective manner; and
- Prudently manage and utilise any Fund Reserves to benefit ART members and to advance the Fund as a leading fund in the industry.

As required by Prudential Standard 510 – Governance, the Board has determined that it will undertake an annual review of its performance relative to these objectives.

Board Chair

The Chair is responsible for:

- Leadership of the Board to efficiently conduct the Board's function and achieve the Board's objectives;
- Representing ART to members, external stakeholders, the media and the general public – only the Board Chair should speak for the Board;
- Briefing of all Directors on key issues and eliciting the effective contribution of all Directors;
- Ensuring that regular reviews are undertaken of the performance of the Board, and each Director individually, and that any actions arising from, and opportunities for improvement identified in those reviews are implemented in an appropriate and timely manner; and
- Promoting constructive and respectful relations between Directors (and the Board) and Management.

The Chair will work closely with the Chief Executive Officer, acting as a sounding board and providing counsel without dominance. The ASX Principles say that the role of the Chair includes “leading the board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the board and management” and “approving board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues”.

Much of the language in the ASX Principles is based on the 2003 UK report entitled “Review of the role and effectiveness of non-executive directors” (Higgs Report)¹ which adds a few other aspects to the role, including ensuring the provision of accurate, timely and clear information to directors, ensuring effective communication with stakeholders, arranging the regular evaluation of the performance of the board, its committees and individual directors and being an informational bridge between the board and the executive.

The ACSI Guidelines mention another important aspect of the role, namely, ensuring that appropriate board procedures and structures are in place, so that all relevant issues are considered by the board.

Most of the principles, guidelines and standards note the importance of the Chair being independent of management. There is also established wisdom that the Chair should not be a former CEO of the company.

The Higgs report notes:

A strong relationship between the chairman and chief executive lies at the heart of an effective board. As set out in the research conducted for the Review, the relationship works best where there is a valuable mix of different skills and experiences which complement each other. The chairman should not seek executive responsibility and should let the chief executive take credit for their achievements. The chairman can be an informed, experienced and trusted partner, the source of counsel and challenge designed to support the chief executive's performance, without becoming an obstacle to questioning of the chief executive by the non-executive directors.

The AICD expresses a similar view on the relationship between the chair and CEO. It says²:

The relationship needs to primarily be a “business relationship” where professional and personal trust and respect is paramount and where the chair can act as a mentor/sounding board to the CEO. At the same time it should be a relationship of frankness and candour (behind the scenes) and unity and mutual support (in public).

Where the relationship between the Chair and CEO is a strong and trusting one, the board is more likely to be effective. However, there also needs to be an element of distance so that the Chair retains a degree of objectivity. Too close a relationship can lead to a loss of that objectivity. As was noted in the Higgs Report, keeping “a degree of detachment” from the CEO and the executive is important.

¹ D Higgs, Review of the role and effectiveness of non-executive directors (Report, 20 January 2003).

² 2016, “Relationship between the board and management”, Australian Institute of Company Directors, [webpage], p 3, https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/pdf/05446-3-10-mem-director-gr-rel-board-management_a4-web.ashx, (accessed 21 August 2020).

Directors

A Director role description is included as an attachment in ART's Fit & Proper Policy.

Deed of Access, Insurance and Indemnity

The Board will provide each Director with a Deed of Access, Insurance & Indemnity (Deed). Newly appointed Directors will be offered a Deed on appointment.

Access

The Deed provides individual Directors with access to Board documents and records on the terms set out in the deed should a claim ever be made against them relating to their term of office. The period for which each Director may access Board documents is from the date of the officeholder's appointment until the later of:

- Seven years after the officeholder ceases to be a Director of the Board; and
- The date on which all claims, if any, commenced against the officeholder during that seven-year period are concluded.

The Deed also addresses the terms associated with legal professional privilege for both the Board and the individual.

Insurance

Section 18 of the Company Constitution outlines the terms for the provision of Directors & Officers Insurance and Indemnity.

Matters Retained by the Board

1. Must retain by law and/or Constitution

The Australian Retirement Trust Pty Ltd 'Board' must approve:

- Director Remuneration, Board Chair, Deputy Chair, Committee Chair, Company Secretary, External Auditor, and the minutes and the financial statements of Board (note Board also approves appointment of CEO as set out in section 2 below).
- Prudential Standard Requirements - Attachment 2 sets out each of the matters from Prudential Standards which must be undertaken personally by the Board of the Trustee (i.e. it cannot be delegated).

2. Board Has Chosen to Retain (Given Risk, Governance & Reputation Perspectives)

The Board will approve:

- Purpose, Strategic objectives, Business Plan, Budget, Financial Statements, financial year goal setting and assessment.
- Board & Committee Charters, appointment and removal of members of Committees and Committee Advisors.
- On advice of the State Actuary, decide on the contributions payable by the Treasurer to fund Queensland Government Defined Benefit (DB) payments.
- Approve appointment and re-appointment of the Government Division actuaries (direct to Board) & oversight of actuarial related matters for the Government Division.
- Endorse any changes to Qld Govt DB Investment Strategy as recommended by the advisor (QIC) to the State Investment Advisory Board (SIAB).
- The risk ratings of material risks going outside risk appetite, including any governance or material reputational issues going outside risk appetite.
- Other matters direct to Board:
 - Corporate Governance framework;
 - Appointment of CEO and oversee appointment of Executives reporting to CEO;
 - Material contracts (above thresholds specified by the Board in Contract Execution Policy);
 - Decision to bring or settle major legal proceedings;
 - Significant changes to fund structure;
 - Changes to regulatory licence conditions;
 - Member compensation (above thresholds specified in Financial Make Good Policy); and
 - QInsure insurance policy (also to be approved by QInsure Board).

3. Recommendations to the Board for Approval

The Charters for Board Committees, including Due Diligence Committee Charter, and other Group entities set out matters which must be recommended to the Board for approval.

4. ART Subsidiary Entities

The Board will approve the following for subsidiaries:

- Changes to Constitutions for Precision Administration Services Pty Ltd (Precision), Sunsuper Financial Services Pty Ltd (SFS), QSuper Limited, QSuper Asset Management Pty Ltd, QInvest Limited, One QSuper Pty Ltd and QInsure Limited (each a Group Entity);

- Changes to Charters and Governance Frameworks (where applicable) for Precision, SFS, QSuper Limited, QSuper Asset Management Pty Ltd, QInvest Limited, One QSuper Pty Ltd;
- Variations to any applicable Services' Agreements between Trustee and any of Precision, SFS, QSuper Limited, QSuper Asset Management Pty Ltd, QInvest Limited or One QSuper Pty Ltd (noting that such approval would be for the Trustee to execute the variation and that each subsidiary board would separately approve variations);
- Variations to the QInsure Strategic Mandate;
- Director and Chair appointments to Group Entities subject to requirements of their Constitutions;
- Competitive Services' benchmarking for any subsidiaries (as may be undertaken); and
- The ART Trustee or the Board Chair must be consulted prior to any decision by any Group Entity in relation to the payment of a dividend and/or retained earnings. In relation to QInsure, in addition to consultation obligations, the QInsure Strategic Mandate sets out key principles that QInsure must apply in making decisions in relation to payments of policyholder bonuses, dividends or capital returns.

Any powers not specified as being retained by the above, would be exercised by the relevant Group Entity Board (however comprised) unless otherwise delegated by that Group Entity Board.

Prudential Standard Requirements

List of what must be personally approved by the Board of the Trustee and cannot be delegated.

SPS 114 – Operational Risk Financial Requirement

- Must approve an Operational Risk Financial Requirement (ORFR) target amount;
- Must approve an ORFR tolerance limit;
- Must approve a strategy for meeting the ORFR target amount, and is ultimately responsible for ensuring implementation of the strategy;
- Must approve a replenishment plan if financial resources held for ORFR target amount fall below the tolerance limit;
- Must approve a transition plan for implementing ORFR strategy and building financial resources to meet ORFR target amount; and
- Must be ultimately responsible for ensuring the RSE licensee holds and has unfettered access to financial resources to meet the ORFR target amount.

SPS 160 Defined Benefit Matters

- Must set shortfall limit for defined benefit funds and determine and implement process to detect breaches of the limit.
- Must approve restoration plan within 3 months of receiving actuary's 'unsatisfactory financial position' statement.

SPS 220 Risk Management

- Must approve risk appetite statement.
- Must approve risk management statement.
- Must annually provide APRA with a declaration on risk management (risk management declaration).

SPS 231 – Outsourcing

- Must ensure that RSE licensee's outsourcing risks and controls are taken into account as part of its overall risk management framework, and when completing risk management declaration.
- Must approve RSE licensee's outsourcing policy.

SPS 232 – Business Continuity Management

- Must ensure the RSE licensee's approach to business continuity management (BCM) is appropriate to the size, business mix and complexity of business operations.
- Must clearly express, in the relevant charter or performance objectives, any delegation of day- to-day BCM operational responsibility to a responsible committee and/or senior management.
- Must ensure that RSE licensee's business continuity risks and controls are taken into account as part of its overall risk management framework and when completing a risk management declaration.
- Must approve up-to-date and documented BCM Policy.

SPS 520 Fit and Proper

- Must approve a 'Fit and Proper Policy'.

SPS 510 Governance

- Must set out clearly and document, and have mechanisms to monitor, any delegation of authority (recommended to Board by Legal and Governance Committee).
- Must ensure directors and senior management have full range of skills for effective and prudent operation of RSE licensee's business operations (recommended to Board by People & Nominations Committee (PNC)).
- Must have procedures for annually assessing Board performance relative to its objectives (recommended to Board by PNC).
- Must establish & implement policies and processes for nominating, appointing & removing directors (recommended to Board by PNC).
- Must approve a Remuneration Policy (recommended to Board by PNC).
- Must receive recommendations on an annual basis from the Board Remuneration Committee about the remuneration outcomes for responsible persons and other people covered by the Remuneration Policy [it is implicit that the Board will approve or not the recommendations. It may do so on a category of responsible person or employee basis.] (recommended to Board by PNC).
- Must take steps to satisfy itself that auditor is independent of RSE licensee and RSE, and there is no conflict of interest that could compromise, or be seen to compromise, auditor independence. (recommended to Board by Audit and Risk Committee).

SPS 515 Strategic Planning and Member Outcomes

- Must approve strategic objectives for an RSE licensee's business operations.
- Must approve business plan setting out approach for implementing those strategic objectives.

SPS 521 – Conflicts of Interest

- Must approve a conflicts management framework and conflicts management policy.
- Must take all reasonable steps to ensure responsible persons and other employees clearly understand: the need to identify all potential conflicts; the circumstances potentially giving rise to conflicts; the content and purpose of the conflict management framework; the obligations of responsible persons (see Conflict Management Policy/Fit & Proper Policy).
- Must have in place appointment procedures requiring incoming responsible persons to disclose all relevant interests and duties prior to appointment (see Conflict Management Policy/Fit & Proper Policy).

SPS 530 – Investment Governance (Recommendations & Reporting from Investment Committee)

- Must approve investment objectives for each investment option offered in each RSE.
- Must approve an investment strategy for the whole of the RSE and an investment strategy in respect of each investment option of the RSE, that reflects the RSE licensee's duties to beneficiaries.
- Must monitor and assess regularly whether the investment objectives are being met.
- Must take appropriate and timely action regarding information contained in investment matter reports made to the Board.
- Must approve measures to monitor, on an ongoing basis, the performance of each investment in each investment option and each MySuper product.
- Must approve a policy requiring each investment strategy to be reviewed against its investment objectives at least annually.
- Must ensure that decisions to amend the investment strategy are supported by sufficient justification and analysis, after receiving a review of an investment strategy.
- Must approve a liquidity management plan.

ART Group Corporate Structure

Below are the companies and key trusts within the ART Group.

