



2021-22

# Governance Code

How did we comply?



# Welcome

Each year, ElectricSuper reports to the Australian Institute of Superannuation Trustees (AIST) on how we have performed in the previous financial year against the 21 requirements in AIST's Governance Code.

The Governance Code includes 8 principles covered by 21 requirements, all aiming to promote continuous improvement in governance practice, improved accountability and transparency and to protect and improve outcomes for members.

The following pages show ElectricSuper's Report for 2021-22.

## Principle 1: Lay solid foundations for management and oversight

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>Requirement 1.1: A profit-to-member superannuation Board must:</b> <ul style="list-style-type: none"><li>• conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director;</li><li>• for the appointment of representative directors in particular, this includes engagement with sponsoring organisations</li></ul>	Full	<p>Checks of Board Members' fitness for the role are made prior to appointment.</p> <p>Letters issued to stakeholders (employers, unions) in relation to appointment of Board members.</p> <p>Board Chair and CEO meet annually with employer CEOs.</p>	<p>Updates were made to the Fit and Proper policy and checklist to make it more straightforward to ensure all evidentiary evidence from Board Members is provided. Unnecessary documentation requests were removed from policy and checklist.</p> <p>Welcome documents and letters to sponsoring organisations updated to include reference to required time commitment.</p>



Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>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.</b>	Full	<p>Statutory declaration completed by each Board Member on appointment and the beginning of each new term of appointment.</p> <p>Declaration made at each Board meeting.</p> <p>Details of terms of appointment provided to all Board Members on appointment or re-appointment as part of Welcome Letter/ appointment document.</p>	



## Principle 1: Lay solid foundations for management and oversight

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
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 the acting in the best interests of members. The CEO must not be the company secretary.	Full	CEO distributes the agenda for Board meetings.  Company Secretary prepares minutes and liaises with and supports Board Members.	Australian Institute of Company Directors course completed by company secretary.



Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
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 Management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members..	Does not/cannot comply	The Board was established by the Electricity Corporations Act (SA) 1999. The gender composition of the Board is included within the Act, including requirements for a minimum number of female and male Board Members. One of the elected Board Members must be female and the other, male. At least one of the employer-appointed Board members must be female. There is no gender requirement for the 2 Board Members who must be appointed by the SA Unions.	





## Principle 1: Lay solid foundations for management and oversight

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<p><b>Requirement 1.5:</b> In accordance with SPS510, profit-to-member superannuation funds must have:</p> <ul style="list-style-type: none"><li>• annual procedures to evaluate the performance of the Board</li><li>• annual procedures to evaluate individual trustee directors</li></ul> <p>The fund must:</p> <ul style="list-style-type: none"><li>• disclose a summary of those procedures,</li><li>• confirm annually that the performance evaluations were undertaken during the reporting period</li></ul>	Full	<p>All Board Members complete an annual assessment of the Board's performance, the Chair's performance and skills matrix. The Chair meets with each Board Member to discuss the Board performance. The summary of the Chair's meeting with Board members is tabled at the Board meeting.</p> <p>The procedures are not publicly disclosed.</p>	In-house training and a schedule of training opportunities were introduced to increase knowledge and remove key person risk, following an external consultant's review of the Board and performance. The in-house training is based on where the largest knowledge gaps occur.



Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<p><b>Requirement 1.6:</b> 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.</p>	Partial	<p>Chair discussed CEO's Balanced Scorecard with him at annual performance review. The Chair assessed the CEO performance against the Balanced Scorecard set for his objectives.</p> <p>CEO performance raised by the Chair for consideration by the Nominations Committee at the annual salary review. Board reviewed and discussed recommendations at May 2022 meeting.</p> <p>There are no bonuses paid to any member of staff.</p>	Balanced Scorecard extended to all Trustee Office staff as part of annual reviews.





## Principle 2: Structure the Board to add value

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<p><b>Requirement 2.1: The Board of a profit-to-member superannuation fund must:</b></p> <ul style="list-style-type: none"><li>• have a committee responsible for Board renewal that has at least 3 members,</li><li>• the Committee must have a charter that is publicly disclosed, and</li><li>• it should meet at least annually.</li></ul> <p><b>For each reporting period, the fund must disclose:</b></p> <ul style="list-style-type: none"><li>• the members of the Board renewal committee, and</li><li>• attendance records for any meetings during that period</li></ul>	Partial	<p>The Nominations Committee is responsible for the Board appointments including the confirmation of the nominated Board member(s) meeting the Fit and Proper requirements. The charter for all committees are not publicly disclosed.</p> <p>Board documents are not publicly disclosed, but are instead stored on the digital Board Management system.</p> <p>Board member attendance at Board meetings and Committee meetings is disclosed in the annual report: <a href="http://www.electricsuper.au/app/uploads/2022-Annual-Report.pdf">www.electricsuper.au/app/uploads/2022-Annual-Report.pdf</a></p>	
			
Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<p><b>Requirement 2.2: A profit-to-member superannuation fund must:</b></p> <ul style="list-style-type: none"><li>• maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge the gaps it is looking to fill in order to fulfil its strategic plan.</li><li>• disclose annually a representation of the existing collective skills, experience and diversity of the Board.</li></ul>	Full	<p>A skills matrix is updated annually. Gaps are identified and training provided.</p> <p><b>Changes made in 2021-22</b></p> <p>In-house training provided on Risk, Investment and Superannuation.</p>	



## Principle 2: Structure the Board to add value

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
Requirement 2.3: In disclosing the name 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 publicly disclosed.	Full	Disclosed at <a href="http://www.electricsuper.au/about-us/governance">www.electricsuper.au/about-us/governance</a>	
			
Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
Requirement 2.4: The voting rights of all trustee directors on the Board must: <ul style="list-style-type: none"><li>• be equal, regardless of their status as a member or employer representative director or non-representative director,</li><li>• the voting majority for any Board decision should be no less than 2/3 of all trustee directors.</li></ul>	Full	Covered by Clause 5 of the Trust Deed which governs the fund.	
			
Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
Requirement 2.5: The Chair of a profit-to-member superannuation fund Board must: <ul style="list-style-type: none"><li>• be appointed by the Board, and</li><li>• must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair</li></ul>	Full	<p>Covered by Clause 4(1)e of the Trust Deed.</p> <p>The Independent Chairman Role policy is reviewed and signed by the Corporate Governance Committee each 3 years and ratified by the Board. This policy outlines special skills required for the Chair's position.</p>	

## Principle 2: Structure the Board to add value

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
Requirement 2.6: The CEO must not be a director of the fund	Full		



Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>Requirement 2.7: A profit-to-member fund must:</b> <ul style="list-style-type: none"><li>• have an induction program for new trustee directors, and</li><li>• provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.</li></ul>	Full	<p>Induction in accordance with the Induction policy.</p> <p>Board training KPI included in the Strategic Plan to have a minimum number of hours each year.</p> <p>Board members must attend at least one Committee meeting for a committee they are not a member of.</p> <p>All Board Members to complete the ASFA Essentials Course and the AICD Company Directors course.</p>	<p>Training levels for the year were above the minimum requirement due to the introduction of targeted training provided as a result of skills gaps identified in the matrix.</p>

### Planned improvements:

Schedule of training to be considered to ensure new and existing directors undertake induction and other training to deeply understand the fund and industry as soon as possible.





## Principle 3: Act ethically and responsibly

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>Requirement 3.1:</b> A profit-to-member must have a code of conduct for its Board, senior management and employees. This code, or a summary of it, must be publicly disclosed.	Full	The Code of Conduct is available to view at <a href="http://www.electricsuper.au/about-us/governance/code-of-conduct">www.electricsuper.au/about-us/governance/code-of-conduct</a>	Australian Institute of Company Directors course completed by company secretary.
	<b>Planned improvements:</b>	Develop a statement of values to align with the fund's purposes and strategic goals	



## Principle 4: Safeguard financial integrity

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>Requirement 4.1:</b> The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and trustee entity.	Full	<p>Accounting is outsourced to Mercer. The Mercer Sub-fund Split Policy details the process to split the assets between each of the participating employers.</p> <p>The Board's Cash Management Policy covers transaction authorisation. The financial records are audited by PwC.</p> <p>Management prepare a report to the Corporate Governance Committee and Board in respect of the financial statements. Mercer outsource the preparation of the financial statements to Sharyn Long Chartered Accountants (slca). The Board receives an annual advice on the changes to the accounting standards together with a presentation to the Corporate Governance Committee and Board covering the financial statements and accounting standards.</p> <p>The Financial Statements form part of the Annual Report which is prepared on behalf of and ratified by the Board. This is publicly available on the website</p> <p>The Corporate Governance Committee conduct a detailed review of the Financial Statements, including interviewing the accountant who prepared the accounts and report from Management on the Financial Statements. The Corporate Governance Committee's report is tabled for the Board.</p>	



## Principle 4: Safeguard financial integrity

### Requirement

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.

### Compliance level

Full

### Explanation and evidence

Board Members are required to complete a statutory declaration each year which includes a declaration of potential conflicts.

A register of any potential conflicts of interest is maintained for Board Members, along with a Gift Register.

Board Members exclude themselves from discussions that may raise a conflict of interest.

### Changes made in 2021-22



### Requirement

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 SPS520 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.

### Compliance level

Full

### Explanation and evidence

The CEO issues a Management Representation Letter to the Board with the annual Financial Statements.

An independent auditor has been appointed (PwC).

The Corporate Governance Committee conducts a detailed review of the Financial Statements (see requirement 4.1).

### Changes made in 2021-22

## Principle 5: Respect the rights of the scheme participants

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>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.</b>	Full	<p>The Chair and CEO meet with the CEO of each participating employer each year. The Chair meets with all Board Members as part of the performance review.</p> <p>The 2 union-appointed Board Members are the branch secretaries of the relevant unions. This provides the dialogue between the unions and ElectricSuper.</p> <p>The Board consists of member representatives. The Trustee Office's Member Services staff work with HR and Payroll teams at participating employers to ensure relevant material is shared.</p> <p>Contact with members is a KPI reported to the Board and the Board seeks and receives regular reports on member engagement. Member Services staff have frequent face-to-face, phone or Teams/Zoom meetings with members, including onsite at the members' worksites.</p>	



## Principle 6: Recognise and manage risk

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
<b>Requirement 6.1: A profit-to-member superannuation fund must have a strong risk culture with a Board the provides robust oversight of the fund's material risk.</b>	Full	<p>The Risk Management Strategy is reviewed annually together with Risk Register. The Corporate Governance Committee considers the report from the CEO which examines each risk in the policy/register.</p> <p>The Corporate Governance Committee maintain a "watch list" of key risks for the business.</p>	<p>An ESG Policy has been developed and published on the website.</p>
<b>The risk management framework must explicitly address factors that may erode the fund's members-first culture.</b>			

## Principle 7: Remunerate fairly and responsibly

Requirement	Compliance level	Explanation and evidence	Changes made in 2021-22
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 rewarding ethical practices and behaviour.	Full	<p>An independent review re remuneration was conducted by Mercer with a report to the Board in December 2020.</p> <p>The Nominations Committee consider and recommend practices to attract and retain staff. This includes, but is not limited to, salary increases and promotion.</p> <p>Due to the significant complexities of ElectricSuper, the Board is focussed on maintaining highly competent staff. The main activity is to develop and maintain the knowledge management of ElectricSuper.</p>	<p>A succession plan is being developed by the Nominations Committee for the Chair, CEO and Trustee Office staff. Discussion as part of the October 2021 Nominations Committee meeting.</p>





## Principle 8: Strong investment governance practices

### Requirement

**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.**

### Compliance level

Full

### Explanation and evidence

The majority of the assets of ElectricSuper support legacy defined benefit arrangements, including lifetime pensions. The accumulation accounts for defined benefit members are designed to complement the primary defined benefits.

All members have access to investment choice in relation to their accumulation accounts. Members are able to invest in any combination of the investment options to obtain their desired asset allocation. Information about investment options is available at [www.electricsuper.au/investment-options](http://www.electricsuper.au/investment-options).

Members have access to investment choice advice via the Helpline from authorised representatives of Mercer. An online risk/investment profiler is also available to all members. It is accessible in the secure area of the website or as part of the retirement planner at <https://supercalcs.com.au/ris9/mst>.

Members also have the option of an allocated pension at retirement or when transitioning to retirement. This product offers a range of investment choice and members can invest in any combination of the investment options to obtain their desired asset allocation.

### Changes made in 2021-22

ElectricSuper website further updated to include member education material, including videos and calculators

### Planned improvement activities

Retirement Income Strategy to be fully developed, following further information and advice to regulated funds from ASIC. A draft strategy has been prepared but is not yet ratified by the Board.





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