

Governance Framework

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1. Introduction

1.1. Purpose

The Trustee has prepared this document to outline the way its governance framework complies with the requirements of *APRA SPS 510 – Governance*.

This Governance Framework is the totality of systems, structures, policies, processes and people within the Trustee’s business operations as they relate to the governance of the Fund. The purposes of this document are as follows:

- To demonstrate compliance with *APRA SPS 510 – Governance*;
- To outline the approach for managing governance risks;
- To set limits and/or targets for board size, composition and tenure;
- To outline the resourcing of the governance function; and
- To outline the process for Board assessment and renewal

2. Governance Framework

The Governance Framework includes:

- The content of this document;
- The approach to managing governance risks
- All policies and procedures related to governance activities as listed in the Policy Hierarchy within the *Policy Principles*, including policy relating to:
 - The roles and responsibilities of the Board, and the principles for delegating those roles and responsibilities, as outlined in the *Board Charter & Delegations Policy*;
 - The roles and responsibilities of Board Committees as outlined in the *Committees Charter & Terms of Reference*;
 - The process for appointment and removal of directors as outlined in the *Director Appointment and Removal Policy*;
 - The procedures adopted for ensuring fitness and propriety of directors as outlined in the *Responsible Officer Plan*;
 - The approach to managing conflicts of interest as outlined in the *Conflicts Management Framework*; and
 - The remuneration of directors as outlined in the *Remuneration Policy*.
- The Governance portion of the Business Plan for the Operations and Support Business Area.

3. Governance Risks

Governance risks are defined as risks relating to the quality of the Board and its responsible officers, in terms of composition, how they operate and the policies and standards they apply to the management of the Fund.

These risks are managed in accordance with the Fund’s *Risk Management Framework*. Additionally, the Board Governance & Remuneration Committee will receive a report on all governance risks, as defined in the *Primary Risk Register*, on an annual basis.ⁱ

4. Board Size

In order to assist in the effective functioning of the Board, the Board shall have a target size of nine directors.

The Trustee may from time to time determine that it is appropriate for the Board to have a size that differs from the target, subject to a minimum size of six directors and a maximum size of twelve directors. Where the Board size differs from the target, the Trustee shall make an assessment to ensure that the difference does not affect the effective functioning of the Board.

The Trustee will review the Board's target, minimum and maximum size on a triennial basis.ⁱⁱ

5. Board Composition

Directors may be appointed to the Board under three categories; member-elected directors, sponsor-elected directors or independent directors. The process for appointment to the Board is outlined in the *Director Appointment and Removal Policy*.

5.1. Representation Restrictions

In accordance with s89 of the *SIS Act*, the Board must at all times have an equal number of member-elected directors and sponsor-elected directors.

In order to ensure the Fund membership is appropriately represented by the Board, there must be no more than one director employed by, or acting as a director of, any one employer on the Board. Where a nominee for appointment is from the same employer as an existing director, the matter will be resolved as follows:

- Where the nominee is the same category of director as the existing director, both will be eligible for candidacy. Only one may be appointed, being:
 - For a member-elected director, the one that receives the highest number of votes from the membership.
 - For a sponsor-elected director, the one that the Board puts forward as the preferred candidate.
 - For an independent director, the one that receives the highest number of votes from the Board.
- Where the nominee is a different category of director as the existing director, the nominee will be ineligible for candidacy.

In order to ensure the Fund membership is appropriately represented by the Board, individuals who are employees of the Fund's Participating Sponsors or their subsidiaries are not eligible to be appointed as member-elected directors.

The Trustee will confirm on an annual basis that these representation restrictions are being met.ⁱⁱⁱ

5.2. Independent Directors

The Trust Deed provides that the Trustee may appoint a director who is independent of the members and the sponsors. The Trustee's interpretation of the Trust Deed is that this allows for the appointment of more than one independent director.

5.2.1. Determination of Independence

In accordance with s10(1) of the *SIS Act*, an independent director means a director who:

- is not a member of the Fund; and
- is neither an employer of the fund nor an associate of such an employer; and
- is neither an employee of an employer of the fund nor an employee of an associate of such an employer; and
- is not, in any capacity, a representative of a trade union, or other organisation, representing the interests of one or more members of the fund; and
- is not, in any capacity, a representative of an organisation representing the interests of one or more employers of the fund.

The Board will make the final determination on whether a director is independent.

5.2.2. Minimum Representation

In order to assist in the effective functioning of the Board, the Board shall have at least one independent director.

5.2.3. Deeming of Independence

For the purposes of compliance with this policy, a sponsor-elected director may be deemed an independent director, rather than formally re-classified, if they meet the definition of independence and such a re-classification would otherwise cause a breach of the equal representation requirements.

5.2.4. Review

The Trustee will, on an annual basis, confirm that all independent directors remain independent, including sponsor-elected directors that have been deemed independent. The Trustee will also consider whether any existing sponsor-elected directors should be reclassified or deemed as independent directors, having regard to the equal representation requirements.^{iv}

The Trustee will consider on a triennial basis the benefits of the appointment of additional independent directors.^v This may be done as an additional director, or as a replacement for a member-elected or sponsor-elected director, having regard to the equal representation requirements.

5.3. Diversity Policy

For the purpose of this framework, diversity refers to differences in various factors, including but not limited to gender, age, ethnicity, national origin, formal trainings and qualifications, that are present on the Board. The Trustee recognises the importance of diversity is assisting in the:

- Effective governance, oversight and idea generation for the Fund
- Fair representation of stakeholders of the Fund
- Perception and reputation of the Fund

The Trustee does not set formal targets in regards to diversity. Instead, the Trustee is committed to pursuing diversity through a variety of means, including:

- The maintenance of an *Equal Opportunity Policy* used in the appointment, re-appointment or removal of directors.
- The setting of maximum tenure for directors;
- The setting of a target number of independent directors;

- Regular assessment of the Board as a whole, and directors as individuals, in compliance with this policy and the *Committees Charter & Terms of Reference*.

The Trustee will conduct a triennial diversity assessment of the Board. As part of this assessment, the Trustee will consider whether formal diversity targets should be set.^{vi} Where the Board identifies a lack of diversity which is likely to materially impact on the benefits outlined above, it is expected that the Board will take appropriate steps to rectify the issue. These steps may include:

- increasing the size of the Board to accommodate additional directors;
- following the director vacancy provisions as outlined in the *Director Appointment and Removal Policy*; or
- Upskilling existing directors, where the lack of diversity is skills-based.

5.4. Board Chair and Deputy Chair

A director will be appointed as the Chair of the Board. A director who is not the Board Chair will be appointed as the Deputy Chair. The roles and responsibilities of the Chair and Deputy Chair are outlined in the *Responsible Officer Plan*.

The role of Chair and Deputy Chair will be appointed or re-appointed on a two year staggered term on the recommendation of the Board Governance & Remuneration Committee.^{vii} In making such an appointment, the Trustee will give consideration to whether the appointment of an independent director as Chair or Deputy Chair would benefit the Board's fulfilment of duties.

6. Board Tenure

6.1. Director Terms

All directors are appointed to the Board of Christian Super for a three-year term. Each director must be re-appointed or removed at the end of each term, in accordance with the *Director Appointment and Removal Policy*. Where a member-elected or sponsor-elected director is appointed as a mid-term replacement, they are appointed until the date of the next relevant election.

6.2. Director Tenure

6.2.1. Maximum Tenure

The maximum tenure for directors is twelve years, being four three-year terms.

Where a director has not met the maximum tenure at the time of re-appointment, but will exceed it during their term if re-appointed, they may be re-appointed without it contravening the requirements of this policy, and will be permitted to serve their full term. A director who exceeds the maximum tenure during a term will not be eligible for a tenure extension at the completion of that term.

For the purposes of this policy, tenure includes periods of non-continuous service. Tenure also includes periods of time served on the Board of an entity that has merged with the Fund.

The Trustee will review the maximum tenure for directors on a triennial basis.^{viii}

6.2.2. Tenure Extension

Where a director has reached the maximum tenure during or at the end of a term, the default position is that they are ineligible for re-appointment. The Board, on the request of the Board Governance & Remuneration Committee, may approve the extension of the tenure of an individual director by one-term if it is felt that it is necessary to ensure the effective functioning of the Board during that term.

In making such an assessment, the Board may have regard to a number of factors, including but not limited to:

- The significance of the role held by the individual, including whether the individual is the Chair or Deputy Chair of the Board, or the Chair of a Committee;
- The status of compliance with regulatory or legislative requirements following the departure of the director;
- The specific skills brought by the individual and the prevalence of those skills in the remaining directors;
- The ability to manage Board continuity risks; and
- The ability to find a suitable replacement director, or the ability of the Board to function and meet its composition requirements without a replacement.

6.2.3. Tenure Targets

In order to assist in the effective functioning of the Board, the Board will target:

- At least one-third of all directors having been on the Board for less than six years.
- At least one-third of all directors having been on the Board for more than six years.

7. Board Committees

The Board has constituted the following Committees to support the Board in various areas of its responsibilities as outlined in the *Board Charter & Delegations Policy*:

- Audit & Compliance Committee (ACC)
- Board Governance & Remuneration Committee (BGRC)
- Community Engagement Committee (CEC)
- Ethics Committee (EC)
- Investment Committee (IC)
- Risk Committee (RC)

The roles and responsibilities of each Committee, and the process for establishing, reviewing and retiring Committees, is outlined in the *Committees Charter & Terms of Reference*.

7.1. Committee Size

The size of each Committee is determined in accordance with the *Committees Charter & Terms of Reference*.

7.2. Committee Composition

Directors are appointed to Committees in accordance with their skills and expertise, and the roles and responsibilities of each Committee. Consideration will be given to the appointment of independent directors to each Committee when determining and reviewing composition.

7.3. Committee Terms

Directors will be appointed and re-appointed to Committees in accordance with the *Committees Charter & Terms of Reference*.

8. Governance Resourcing

The Fund will resource the governance function through a Governance Manager. The function is responsible for assisting the Board, Board Governance & Remuneration Committee and management to develop and maintain the Governance Framework.

The Governance Manager will also act as Company Secretary for the Trustee in accordance with the role description in the *Responsible Officer Plan*. The Company Secretary should have free and unfettered access to the Board Chair.

The Trustee will assess the adequacy of governance resourcing on an annual basis.^{ix}

9. Board Assessment and Renewal

The Board shall conduct a continuous improvement process involving an annual self-assessment,^x including soliciting formal feedback from senior management and external audit (as appropriate) to ensure sufficient independence of evaluation. The purpose of this annual assessment, which may include the Trustee Standards self-assessment, is to determine whether the Board, with reference to the skills of individual directors, has sufficient skill, expertise and capacity to fulfil its responsibilities, with particular reference to the current strategic objectives of the Fund. To ensure currency with the Fund's strategic objectives, the Trustee Standards will be reviewed on a triennial basis.^{xi}

The results of the annual assessment will be reviewed by the Board Governance Committee, with the results to then be provided to the Board along with any relevant recommendations arising out of the review.

The Board shall be externally reviewed on a triennial basis.^{xii} It is the responsibility of the Board Governance & Remuneration Committee to select the appropriate mechanism for conducting this review.

The Trustee has determined that this assessment process, along with the independence, diversity and tenure requirements outlined in this policy, are sufficient to ensure that Board is regularly renewed and remains open to new ideas and independent thinking whilst retaining appropriate expertise.

10. Review

This policy shall be reviewed by the Board Governance and Remuneration Committee on an annual basis.^{xiii} All amendments to this policy must be approved by the Board. The Board is ultimately responsible for the establishment, implementation and oversight of this framework.

Document History

9 December 2016 Adopted by Trustee Board (Board Governance & Remuneration review)

Related Documents

APRA SPS 510 – Governance

Director Appointment and Removal Policy

Board Charter & Delegations Policy

Committees Charter & Terms of Reference

Conflicts Management Framework

Equal Opportunity Policy

Remuneration Policy

Responsible Officer Plan

Compliance Tasks

- ⁱ Annual Governance Risk Reporting
- ⁱⁱ Triennial Board Size Review
- ⁱⁱⁱ Annual Representation Restrictions Attestation
- ^{iv} Annual Independent Director Confirmation
- ^v Triennial Independent Director Review
- ^{vi} Triennial Diversity Targets Review
- ^{vii} Biennial Board Chair Review
- ^{viii} Triennial Maximum Tenure Review
- ^{ix} Annual Governance Resourcing Assessment
- ^x Annual Board Assessment
- ^{xi} Triennial Trustee Standards Review
- ^{xii} Triennial Board Assessment
- ^{xiii} Annual Governance Framework Review