

# Statement of Governance Practice

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Motor Trades Association of Australia  
Superannuation Fund Pty Limited  
ABN: 14 008 650 628

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## Introduction

1. Motor Trades Association of Australia Superannuation Fund Pty Limited (**the Trustee**) is the corporate trustee of the MTAA Superannuation Fund (**the Fund**). The Trustee aims for best practice in fund governance. The Trustee defines fund governance as the processes by which the Directors direct, control and manage the Trustee and the Fund, as well as the processes by which the Directors are held accountable, the criteria for the success of the Fund are set and achieved, risks are assessed and monitored and performance is optimised.
2. Fund governance refers more specifically to the internal governance of superannuation funds, which includes the governance of the Trustee itself.
3. Corporate governance is *'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies and those in control are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised'*<sup>1</sup>.
4. This document summarises the Trustee's governance arrangements.

## The Trustee's Obligations

5. The Trustee is responsible for, amongst other things:
  - the sound management of the Fund;
  - investing the Fund's assets to enhance members' retirement savings;
  - ensuring that it operates the Fund in the best interests of members; and
  - ensuring that it complies with all applicable legal requirements.
6. The Trustee's fiduciary role as trustee of the Fund is encapsulated in four fundamental general law duties that must guide and shape its conduct:
  - the duty to comply with the governing rules of the Fund;
  - the duty to act in the best interests of members;
  - the duty to resolve conflicts of interest or duty by giving priority to members' interests; and
  - the duty to exercise a prudent degree of care in investing and managing the Fund's assets.
7. In managing the Fund in the best interests of its members, the Trustee recognises that the following stakeholders also have an interest in the prudent management of the Fund:
  - the Fund's employer-sponsors;
  - the nominating organisations; and
  - the Fund's regulators.

## The Code of Conduct

8. The Trustee recognises the need for Directors, staff and service providers to observe the highest standards of behaviour and business ethics when engaged in the business of the Fund. The Trustee further expects and requires that all these parties act in accordance with the law, in good faith and ethically at all times.
9. The Trustee has adopted a Code of Conduct which is available on the MTAA Super website. The Code has been adopted to promote high standards of ethical and professional standards within the Fund and its wholly-owned companies. It sets out general principles to guide the behaviour and conduct of Directors, and staff in carrying out their duties and responsibilities.

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<sup>1</sup> ASX Corporate Governance Principles and Recommendations, 3<sup>rd</sup> edition 2018, page 3.

10. The Trustee requires its service providers to confirm on a regular basis that they have policies and procedures in place requiring similar standards of conduct

## The Trustee Board of Directors

### **Responsibilities of the Trustee Board**

11. The Trustee Board of Directors is responsible for the overall governance and strategic direction of the Fund. The Board's responsibilities are set out in a Board Charter and include:
- ensuring that an appropriate governance system exists and operates with the aim that improved governance links to improved performance in both the corporate and financial sense;
  - setting the objectives and strategic direction of the Fund which are formalised within the strategic plan;
  - setting the investment policy, strategy and objectives of the Fund;
  - monitoring progress towards the financial and organisational objectives established;
  - monitoring the investments of the Fund and their investment performance;
  - establishing policies for the Fund and supervising their operation;
  - engaging and managing the duties and performance of internal and external service providers to the Fund, including the Fund's executives;
  - managing the delineation of functions and accountabilities between the Trustee and its service providers, such as its Administrator, Custodian, Asset Consultant and the like;
  - continuously monitoring compliance with the governing rules of the Fund, enabling and other relevant legislation and the requirements of regulatory authorities;
  - setting the risk appetite and risk management strategy for the Trustee and the Fund;
  - identifying, addressing and monitoring risks to the Trustee and the Fund; and
  - establishing policies and procedures to ensure appropriate internal and external controls and checks are in place and operating effectively.
12. The Board's role does not extend to the day-to-day management of the Fund. This is delegated to the Chief Executive Officer, Management, Committees and external service providers under general oversight of the Board.

### **Composition of the Board**

13. The Board is made up of:
- three Member Representative Directors (two Member Nominated Directors and one Union Nominee Director);
  - three Employer-Representative Directors; and
  - three Independent Directors.
14. All Directors are non-executive directors and are independent of management.

### **Chair of the Board**

15. The Board elects an independent director to be Chair of the Board.
16. The Chair is responsible for leadership of the Board, including:
- setting the tone for the Board;
  - chairing Board meetings efficiently and, in consultation with the Secretary, shaping the agenda in relation to goals, strategy, budget and executive performance;
  - in consultation with the Secretary, seeking to ensure that information provided to the Board is relevant, accurate, timely and sufficient to keep the Board appropriately informed in relation to the performance of the Fund and any developments that may have a material impact on the Fund or its performance;
  - facilitating open and constructive communications among Board members and encouraging their contribution to Board deliberations;
  - overseeing and facilitating Board, committee and director performance reviews and succession planning;
  - liaising with the Chief Executive Officer as the primary contact between the Board and management;
  - liaising with and counselling, as appropriate, Board members;

- together with the Chief Executive Officer, communicating the views of the Board to members, other stakeholders and the public.

### **Diversity**

17. The Trustee is committed to the goal of having a gender balance on the Board of a minimum of 44% (or four of a total of nine) of each gender. To this end the Trustee actively promotes the goal of achieving an equitable gender balance on the Board and seeks appropriately qualified nominees of the under-represented gender when briefing nominating organisations or members of the Fund.
18. The Board recognises the value of all forms of diversity in the workplace and encourages and promotes greater regard for diversity through the nomination and selection processes.

## **Appointments to the Trustee Board**

### **Eligibility**

19. The Trustee's Constitution sets out the rules governing the eligibility, appointment, term and removal of directors. The Governance Policy supplements the rules set out in the Constitution and explains the manner in which they are applied by the Trustee.
20. Importantly, a person may not be appointed as a director on the Trustee Board if they are:
  - a director on another APRA-regulated public offer superannuation fund;
  - an executive (or have been an executive in the preceding three years) with operational responsibility for the Fund.
21. The Trustee also requires that all Directors (and other Responsible Persons) are fit and proper both on appointment and on an ongoing basis. The Trustee's Fit and Proper Policy sets out the Trustee's processes for assessing the fitness and propriety of its directors and other Responsible Persons.

### **Qualifications, skills and experience of directors**

22. Collectively, the Board is comprised of Directors with a broad range of necessary and desirable skills, knowledge and experience relevant to the management of the Fund.
23. The Trustee seeks Directors whose occupational, managerial or professional skills demonstrate an appropriate level of competency in the following areas:
  - investment;
  - governance - financial services and superannuation law;
  - governance - corporate management and governance practice including risk management;
  - business acumen;
  - fund operations and administration; and
  - insurance.
24. While it is not required or expected that each of the Trustee's directors will have knowledge of or skills and experience in relation to all of these areas, each director is expected to make a contribution to the Trustee being able to satisfy its collective fitness requirements.

### **Trustee's Skills Matrix**

25. For the purposes of ensuring that the Trustee as a collective entity has the skills, knowledge and experience to effectively conduct its business, the Trustee maintains a Skills Matrix which matches the Trustee's required skills, knowledge and experience with the individual skills, knowledge and experience of its Directors, Chief Executive Officer, Executive Managers and other Responsible Persons.
26. The purpose of the Skills Matrix is to enable the Board to identify at a high level any skills which are not readily available to the Trustee and where necessary take such action as may be necessary to address that skills gap.

## **Nomination and Appointment Processes**

27. The Skills Matrix is used by the Trustee in its consideration of the skills, knowledge and experience that it would be seeking in an applicant for the position of Trustee Director.
28. Nominating organisations and applicants are briefed on:
  - the nature and range of skills, competencies and experience required by a person interested in being appointed as a director; and
  - the Trustee's commitment to maintaining an equitable gender balance on the Board.
29. Applicants are also provided with a Nomination Kit which includes a copy of the Trustee's Fit and Proper Policy.
30. A summary of the rules for nominating, assessing and appointing directors (including the different nomination rights applicable to the various categories of director) is available on the website at [www.mtaasuper](http://www.mtaasuper) and in the Fund's Annual Report.
31. Appointments are made by the Board in accordance with the Trustee's Constitution.
32. Upon being formally appointed or re-appointed to the Trustee Board, a director will be required to enter into a Deed of Appointment with the Trustee.

## **Induction and training**

33. Induction and ongoing training is provided to directors. The induction program is structured to provide new directors with information on their responsibilities, corporate governance and Fund and Board policies. Briefing sessions with the Chair and members of the Executive Leadership Team also form part of induction training, providing an insight into the Fund's structure and philosophy. Each Director is provided with access to information, current policies, licences and documents relevant to the Fund and their role. The Trustee is committed to continuous education thereby ensuring that directors' skills and knowledge remain current and relevant.

## **Continuing fitness and propriety**

34. The fitness and propriety of directors (and other Responsible Persons) is assessed prior to their appointment and annually thereafter. If a director (or other Responsible Person) no longer meets the requirements of the Fit and Proper Policy the remediation and removal provisions of the Trustee's Governance Policy will be applied.

## **Performance Assessment**

### **Board**

35. The performance of the Board is assessed annually against the Board's objectives as set out in the Strategic Plan. In assessing the collective performance of the Board, relevant considerations include whether:
  - strategic objectives have been achieved;
  - governance policies have been observed;
  - material decisions have been made on an informed basis and after adequate discussion;
  - directors have been given equal input in the decision-making process;
  - decision making has been influenced by factors other than beneficiaries' interests; and
  - risks have been effectively managed.
36. At least once every three years the Trustee undertakes a formal independent Board performance assessment.
37. The Board's Remuneration and Nomination Committee assists in the assessment process by:
  - facilitating (including by engaging independent external providers where required) annual and triennial Board performance assessments;
  - reporting the findings of such assessments to the Board; and
  - monitoring and following-up on any recommended actions accepted by the Board.

## Individual Directors

38. The performance of individual Directors is assessed annually by the Chairman against standards formulated by the Board consistent with the Board's Charter. In assessing the performance of individual directors, the Chairman will take into consideration matters such as whether directors have:
- attended board meetings;
  - collaboratively participated in board deliberations;
  - participated in committee activities;
  - utilised relevant skills and competencies in performing their duties;
  - undertaken relevant educational and industry activities to develop skills and competencies;
  - complied with the Board Charter;
  - complied with the Directors' Code of Conduct;
  - complied with the Conflicts Management Framework and Policy and other Board policies; and
  - continued to meet the requirements of the Fit and Proper Policy.
39. The triennial independent Board performance assessment may also include a formal independent assessment of individual directors.

## Board Renewal and Succession Planning

### Remuneration and Nominations Committee

40. The Trustee has established a Remuneration and Nomination Committee which is comprised of three directors. The members of the Committee and a copy of its Charter are available on the MTAA Super website.
41. The Remuneration and Nominations Committee is responsible, among other things, for Board renewal and succession planning. As part of that responsibility the Committee:
- assesses the fitness and propriety of new and existing directors and recommends to the Board the appointment/renewal of individual directors;
  - assesses the mix of skills, experience and expertise required by the Trustee Board and its Committees, and identifies any desirable new skills, knowledge and qualities required of directors;
  - reviews the Trustee's Skills Matrix to determine recommended Committee composition and make recommendations to the Board on any required changes;
  - monitors and assesses succession planning for the Board and its Committees and makes recommendations as required to the Board.
42. If, following the annual Board and individual director performance assessments or following a review of the Trustee's Skills Matrix, it becomes apparent that particular skills and experience or particular knowledge and qualities are desirable for the Board, the Board may request the Remuneration and Nominations Committee to identify one or more candidates with the desired skills, experience, knowledge and qualities for future nomination.

### Tenure and Succession

43. Directors are appointed for a term of three years and are eligible for reappointment at the end of each term. No maximum number of terms is set under the Constitution. However, the Governance Policy provides that in general a director would serve no more than three terms.
44. In extenuating circumstances an additional term of up to three years may be served provided that the director continues to meet all eligibility requirements.
45. To maintain continuity of knowledge, the Trustee considers it prudent to stagger the appointment and retirement of directors from the Board. This is facilitated by the Chairman and the Remuneration and Nomination Committee.

## Board Proceedings

46. Board meetings are the primary decision-making forum of the Trustee and are conducted in accordance with the requirements of the Trustee's Constitution and the Board Charter. Board meetings are held at least quarterly.
47. All Board meetings are supported by detailed agendas, meeting papers and other materials to effectively consider the business of the Trustee and the Fund. Meeting papers are prepared by the Trustee Office in consultation with the Chairman of the Trustee Board. Detailed minutes are kept of all meetings.

## Conflicts of Interest

48. Statutory obligations and the fiduciary role of directors require that they act in the interests of the members and beneficiaries of the Fund and not in their own interests or those of external parties. The Trustee has a Conflicts Management Framework which details how the Trustee approached the management of conflicts of interest and conflicts of duty as well as the process by which the Trustee identifies and mitigates conflict risk.

## Company Secretary

49. The Company Secretary is appointed by the Board.
50. The Secretary assists the Board on all matters concerning effective Board operations and in fulfilling its obligations in the best interests of members. In performing this role, the Secretary:
  - advises the Board and its Committees on governance-related matters;
  - monitors the Board and Committee processes and relevant policies;
  - arranges for the timely completion and distribution of Board and Committee papers;
  - records accurate minutes of meetings;
  - facilitates the induction of new directors and coordinates the professional development of all directors;
  - provides requested assistance and advice on Board-related matters to all directors.
51. Having regard to the very different role performed by the Chief Executive Officer (as principal adviser to the Board on the business of the Fund) the Chief Executive Officer may not be appointed as the Secretary.

## Committees

52. The following committees assist the Board in the discharge of its responsibilities:
  - the Finance, Audit and Compliance Committee;
  - the Risk Committee;
  - the Investment Committee;
  - the Operations and Insurance Committee;
  - the Marketing Committee;
  - the Remuneration and Nomination Committee; and
  - the Management Claims Panel.
53. All committees of the Board are subject to the control and direction of the Board. The purpose, role and responsibilities of each of the committees are documented in formal Charters maintained by the Trustee.
54. Meetings of the Remuneration and Nomination Committee are held at least annually. Meetings of the Management Claims Panel are held as and when required. Meetings of other Committees are held at least quarterly.
55. The Trustee's Executive Management Team and relevant key advisers to the Trustee participate in the business of the committees at the invitation of the committee Chairman. The External Auditor is invited to each meeting of the Finance, Audit and Compliance Committee. The Fund's Internal and External Auditors meet with the Finance, Audit and Compliance Committee in the absence of management at the conclusion of the Committee's quarterly meetings.
56. Detailed minutes are kept of all committee meetings. These minutes are prepared and submitted to the Directors as soon as possible after a meeting so that the deliberations, recommendations, decisions and actions of each of the committees may be reported to the Trustee Board in a timely manner.

## Management and Administrative Support

57. The Board is responsible for ensuring that appropriate management and associated administrative support structures are in place to secure the Trustee's policies, plans and instructions in the interests of the Fund and its members.
58. A comprehensive secretariat service, including the provision of executive management, is provided to the Trustee Board by its wholly owned company, MTAA Superannuation Fund (Secretariat Co.) Pty Ltd.

## Delegations

59. The Trustee Board has the power to delegate powers and authorities to specified persons, committees and service providers. The Board remains ultimately responsible for the exercise of any delegated powers and functions and has adopted a Delegations Policy which details the Board's processes for ensuring that:
  - appropriate delegations are made by the Board; and
  - the Board maintains appropriate control in relation to such delegations.
60. The Trustee's Register of Authorisations and Delegations, Committee charters and Service provider contracts record the powers and functions of the Trustee that have been delegated.
61. The Board regularly reviews its delegations to ensure that they continue to be appropriate and reflect current Trustee policies and processes.

## Compliance, Risk Management and Internal Audit

62. The management of superannuation funds is governed by legal and fiduciary obligations arising under statutory provisions and licences, common law, equity, contracts and internal governing documents. The Trustee acknowledges that compliance with all legal and fiduciary obligations is an essential requirement which must be adhered to at all times in managing the Fund. To this end the Trustee has adopted a compliance program, which seeks to ensure that the Trustee complies
63. with all of its legal and fiduciary obligations.
64. The Trustee acknowledges that risk management is fundamental to the prudent management of the Fund. The Trustee's Risk Management Framework extends to all facets of the Trustee and the Fund's operations and administration.
65. The Trustee has an independent and adequately resourced internal audit function. The purpose of the internal audit function includes evaluating the adequacy and effectiveness of the financial and risk management framework of the Trustee.
66. In the performance of its role, the internal auditor has unfettered access to the Trustee's business lines and support functions.
67. The Internal Auditor has a reporting line and unfettered access to the Finance, Audit and Compliance Committee.
68. The Risk Management Function has a reporting line and unfettered access to the Risk Committee.