



# Making a difference

Governance  
Report 2021



# How we report

Helping members, employers and other stakeholders find and understand the information that's most relevant to them is part of our commitment to putting members' needs first.

This year we've introduced some improvements to our annual report to help our members, employers and other stakeholders find the information they need more easily.

## Part of the Annual Report



Annual Report 2021



Aware Super Product Performance Report 2021



VicSuper Product Performance Report 2021

## Additional reports



Destination Net Zero Report



Stewardship Report 2021

For more information or to request a printed copy free of charge, please call 1300 650 873 | [aware.com.au](http://aware.com.au)

### Important information and disclaimer:

Prepared and issued by Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340, the trustee of Aware Super ABN 53 226 460 365. Unique Superannuation Identifier (USI) 53 226 460 365 001, MySuper Authorisation Numbers 53 226 460 365 073 and 53 226 460 365 954. When members receive advice, they receive it under our financial planning business, Aware Financial Services Australia Limited ABN 86 003 742 756 AFSL No. 238430. Aware Financial Services Australia Limited (ABN 86 003 742 756, AFSL 238430) is wholly owned by Aware Super.

Issued October 2021.



We recently merged with VicSuper, so now we have the capacity for even greater good!



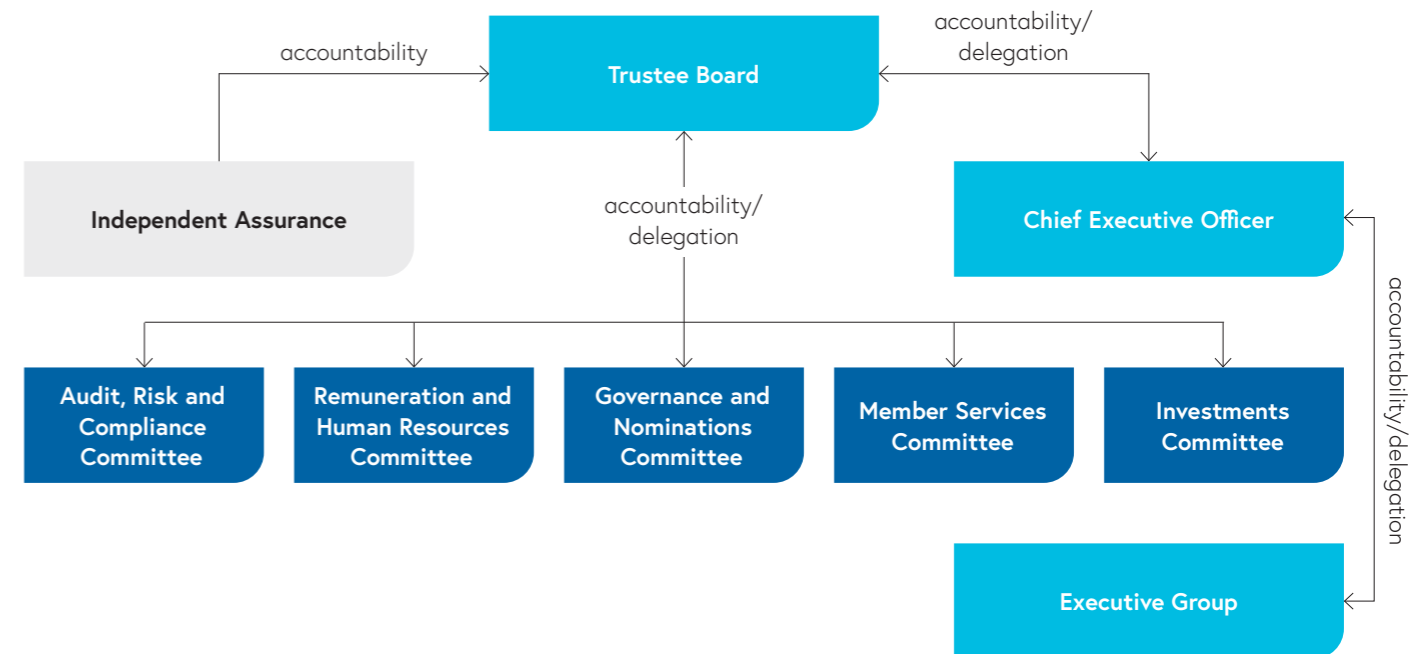
### We'd love to get your feedback on our reporting suite:

If you have any comments about the content covered in our reporting suite, please don't hesitate to contact us:

[corporate.responsibility@aware.com.au](mailto:corporate.responsibility@aware.com.au)

# Governance

A strong risk culture and supporting capabilities are essential for delivering on our strategic objectives.



We have a robust governance framework in place with effective policies and procedures to guide our business practices. This framework ensures we provide our members with confidence in our ability to manage their savings and deliver their best retirement outcome.

During the reporting period we enhanced our governance practices and successfully submitted our 2020 Report on Compliance with the AIST Governance Code. These changes not only improve our members' outcomes, they align with the Australian Institute of Superannuation Trustees (AIST) Governance Code and help us exceed our regulatory requirements.

### Decision making

The Aware Super board is accountable as the governing body of our fund. It has oversight of our long-term strategic

direction and financial objectives, it monitors our compliance with all regulatory requirements and ensures we operate with integrity. While the board can delegate certain responsibilities to various board committees, management and service providers, it has ultimate responsibility for the sound and prudent governance of our fund's business operations.

When making decisions, exercising and delegating its powers and responsibilities, the board acts in accordance with the trustee's constitution, Board Charter, Director Code of Conduct and fund policies.

### Engaging with our members

We held our first Annual Member Meetings (AMMs) in Melbourne and Sydney at the end of 2020. For those members who joined the fund from WA

Super, we organised an additional AMM in February 2021. More than 1,000 of our members attended these meetings where they were given the opportunity to ask relevant questions to both directors and senior managers of the trustee.

### Board composition

Our board currently consists of 15 directors who are appointed using an equal representation model:

- seven directors who were appointed by member appointing entities
- seven employer directors who were appointed by employers
- one independent director, who is also Chair of the board.

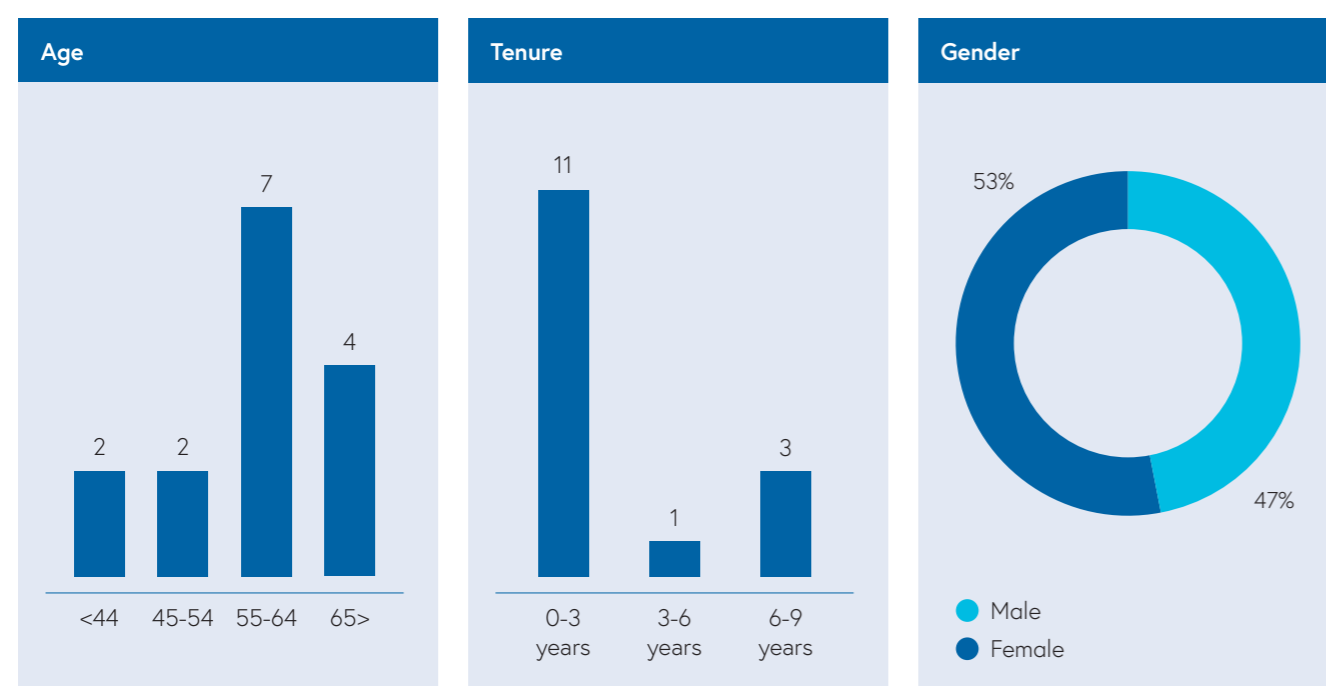
Biographies and information about our directors can be found on our website:

[aware.com.au/board](http://aware.com.au/board)

# Governance (continued)

## Board diversity and tenure

We're committed to seeking greater board diversity to support effective decision-making and governance. During the last financial year the board set three key diversity targets. For gender, the target was for gender balance to be achieved by a board composition with a minimum of 40% women, 40% men, and 20% unallocated to allow flexibility for board renewal. We also set the target of having representation in the board across all tenure and age diversity groups. Achievements against these targets are outlined below:



## Board nomination and appointments

The processes relating to the nomination, appointment and removal of directors (including tenure terms), are set out in the trustee's constitution, and our Board Renewal and Fit & Proper Policies.

Board directors are appointed by nominating entities to represent our members and employers. Each director

must meet the requirements of our Fit and Proper Policy, which outlines the skills and attributes the appointed directors must have. We use an external recruitment agency when recruiting independent directors.

More information about the remuneration of our board and executive team can be found on our website:

[aware.com.au/policies](https://www.aware.com.au/policies)

## Board committees

We have five committees supporting the board, each with a charter defining their roles and responsibilities. These committees report and make recommendations to the board.

The table below presents each committee, its members and key focus areas. The details on the meeting attendance can be found on our website:

[aware.com.au/policies](https://www.aware.com.au/policies)

|  | Members during the year to 30 June 2021                            |  |
|--|--|--|
| <b>Audit, Risk and Compliance Committee</b><br>Oversees finance, risk and compliance within our fund                       | • Roslyn Ramwell (Chair)<br>• Travis Bates<br>• Gabrielle Bell     | • Glenn Bunney<br>• John Dixon<br>• Antoinette Masiero |
| <b>Governance and Nominations Committee</b><br>Provides advice on our fund's governance initiatives                        | • Neil Cochrane (Chair)<br>• Patricia Faulkner<br>• Rosemary Kelly | • Mark Morey<br>• Naomi Steer<br>• Tom Symondson       |
| <b>Investments Committee</b><br>Oversees our fund's investment framework   | • Rosemary Kelly (Chair)<br>• Gabrielle Bell<br>• Glenn Bunney     | • Neil Cochrane<br>• Philip Moffitt<br>• David Dixon   |
| <b>Member Services Committee</b><br>Oversees our fund's member communications and member-facing services                   | • Jocelyn Furlan (Chair)<br>• Travis Bates<br>• Pip Carew          | • Mark Morey<br>• Naomi Steer<br>• Rod Harty           |
| <b>Remuneration and Human Resources Committee</b><br>Oversees our fund's human resources framework, including remuneration | • Tom Symondson (Chair)<br>• Pip Carew<br>• Jocelyn Furlan         | • John Dixon<br>• Antoinette Masiero                   |

## Indemnity

As required by law, the trustee acts in our members' best interests and ensures our fund, trustee, directors, and officers of the trustee are covered by professional indemnity insurance. The trustee holds all our fund's assets.

## Reviewing board and executive performance

The board annually assesses its own performance, the performance of its committees, and the performance of individual directors. As part of this process, the board reviews director performance against the director skills matrix and evaluates the performance of each committee against charter requirements. The Chairman conducts the performance reviews for each director.

During the reporting period, we conducted the annual performance evaluation of each member of our executive team.

At least once every three years the board's review is undertaken by an independent consultant to maintain objectivity. During the last reporting period an independent consultant conducted the review.

# Governance (continued)

## Board skills matrix


As a result of the annual performance review, our board has collectively determined our directors have the necessary skills, experience and diversity required to manage our fund. The skills matrix below presents our board's key competencies. Annually, each director has the opportunity to develop a training plan that addresses development areas identified in the performance evaluation process.

● Novice ● Competent ● Highly Competent ● Expert

| Skill/Experience                         | Description  | Board composition in relation to skill |
|--|--|--|
| <b>Member outcomes</b>                   | The director has the ability to: <ul style="list-style-type: none"> <li>Understand the needs of members and how to enhance their experience and outcomes.</li> <li>Foster a strong member focused culture in a complex business.</li> </ul>  |  |
| <b>Leadership</b>                        | The director has experience in: <ul style="list-style-type: none"> <li>Performing at a senior level in an organisation of significant size.</li> <li>Overseeing the delivery of superior results and complex projects; and leading through periods of change.</li> </ul>   |  |
| <b>Financial acumen</b>                  | The director has an understanding of: <ul style="list-style-type: none"> <li>Financial statements and reporting, including relevant accounting standards and taxation requirements.</li> <li>Drivers of financial performance for the business.</li> <li>Budgeting and forecasting processes.</li> <li>Internal and external audit scopes and audit reporting.</li> <li>Valuation methodology and drivers of value.</li> </ul>   |  |
| <b>Risk management</b>                   | The director has the ability to: <ul style="list-style-type: none"> <li>Anticipate, evaluate and oversee risks that could impact the business across each key area of operations.</li> <li>Set and oversee sound risk management frameworks.</li> <li>Foster and strong risk culture.</li> <li>Oversee compliance risks and regulatory relationships.</li> </ul>   |  |
| <b>Strategic &amp; commercial acumen</b> | The director has the ability to: <ul style="list-style-type: none"> <li>Identify and critically assess strategic opportunities and threats to the business.</li> <li>Develop and set strategic objectives that support achieving member outcomes.</li> <li>Oversee strategy execution using commercial judgment.</li> <li>Set and monitor annual business plans with a focus on key initiatives, financial soundness, risks and key performance indicators.</li> </ul> |  |

| Skill/Experience                           | Description  | Board composition in relation to skill |
|--|--|--|
| <b>Investment</b>                          | The director has knowledge of: <ul style="list-style-type: none"> <li>Processes for formulating investment beliefs, investment strategy and investment objectives.</li> <li>Asset classes (including performance and risks associated with investing in particular asset classes).</li> <li>Portfolio construction and asset allocation.</li> <li>Investment management practices including responsible investing.</li> <li>Implementation and risk management including legal, tax, financial, fees, governance and investment structures.</li> <li>Economic factors and the impact on investment markets.</li> </ul> |  |
| <b>Technology &amp; digital</b>            | The director has an understanding of: <ul style="list-style-type: none"> <li>Effective technology strategies in a complex business.</li> <li>Digital transformation and innovation.</li> <li>Information security and data governance.</li> <li>Implementation of infrastructure, network and cloud technologies.</li> <li>IT supplier performance management.</li> </ul>  |  |
| <b>Governance &amp; regulation</b>         | The director has an understanding of: <ul style="list-style-type: none"> <li>The governance, regulatory and legal framework applicable to superannuation and financial advice.</li> <li>Key obligations of the SIS Act, Corporations Act, prudential standards and trust law.</li> <li>Best practice in corporate governance.</li> <li>Responsibilities, duties and regulatory standards applicable to a trustee director.</li> <li>The legal and operational requirements of a successor fund transfer or merger.</li> </ul>  |  |
| <b>Operational</b>                         | The director has an understanding of: <ul style="list-style-type: none"> <li>The operational aspects of the business, including scheme administration, custody, advice and complaints resolution (IDR and ERD arrangements).</li> <li>Outsource provider management.</li> </ul>  |  |
| <b>Products, services &amp; experience</b> | The director has an understanding of: <ul style="list-style-type: none"> <li>Superannuation products and services including advice.</li> <li>Life insurance product design, benefits and pricing.</li> <li>Brand and marketing strategies.</li> <li>Digital engagement.</li> </ul>   |  |

# Governance (continued)

| Skill/Experience | Description   | Board composition in relation to skill  |
|------------------|---|---|
| People & conduct | <p>The director has an understanding of:</p> <ul style="list-style-type: none"> <li>Remuneration frameworks that attract and retain high calibre staff.</li> <li>Industrial relations and various employment models, including individual contracts and collective agreements.</li> <li>Organisational design, effectiveness and development.</li> <li>Building workforce capability.</li> <li>Conduct risk management.</li> <li>Promoting of a safe, diverse and inclusive workplace.</li> </ul> |  |

## Board remuneration

Our directors have the skills, experience and responsibilities required to govern our fund and are remunerated accordingly. An independent remuneration consultant conducts a benchmark review to determine the appropriate level of director remuneration.

More information about the remuneration of our board and executive team can be found on our website:

[aware.com.au/policies](https://www.aware.com.au/policies)



# Managing risks and pursuing opportunities

Managing risks and pursuing opportunities ensures the effective delivery of our strategy and supports better outcomes for our members. The material risks and opportunities for the fund are detailed below with a description of how we're responding to each.

## Strategic risk and opportunities

| Opportunities                                     | Description  | Our response  |
|---|--|---|
| <b>Member outcomes</b>                            | The opportunity to deliver member outcomes consistent with our purpose, vision, and values; ably supported by our people, processes and systems.   | Our Annual Member Outcomes Assessment concluded that we are acting in members' financial interests, helping members prepare for retirement through strong returns, low fees and member services, underpinned by scale and sound governance. We are focused on managing third party risks relating to outsourced administration with a member outcomes lens.   |
| <b>Investment performance</b>                     | The opportunity to deliver positive financial outcomes for members, while managing investment risk and volatility.   | We understand the importance of delivering strong and sustained investment performance. We meet our members' needs by providing competitive net returns and a robust investment approach, supported by strong risk governance. As at 30 June 2021, the Aware MySuper Growth option has delivered a top ten performance with a 9.80% return pa over 5 years <sup>^</sup> .   |
| <b>Strategic choices</b>                          | The opportunity to make strategic choices aligned to our purpose, vision and values. These drive business growth, reduce costs and provide positive impacts for our members.   | We test the robustness of our strategic choices by exploring scenarios around potential legislative, competitive and member shocks. This allows us to review our strategic actions and priorities to ensure we address our members' needs in a rapidly changing environment. We do this as part of our regular strategy planning, and on an ad hoc basis as circumstances change. Strategically we are transforming our administration operations and technology to better serve members. This is managed through a dedicated program of work, known internally as Program Catalyst. To manage material execution and delivered risk, the program is ably supported by our Enterprise Delivery Team, with senior management and board governance. |
| <b>Environmental, Social and Governance (ESG)</b> | <p>The impact of environmental, social and governance issues on our ability to achieve investment and strategic objectives.</p> <p>The opportunity is to exceed our member's expectations, be trusted to do well and help future proof our investment portfolio through decarbonisation measures.</p>    | <p>Our approach to responsible investing and consideration of ESG risks and opportunities is available on our website and is supported by our overarching policy. In 2020 we committed to achieving net zero by 2050 in our investment portfolio. Some of our accomplishments relating to climate change include committing approximately \$1 billion in renewables and achieving an emissions intensity reduction of 45% across our listed equities portfolio.</p> <p>We have a Modern Slavery policy in line with new legislation and have refreshed our Governance Framework to adjust to the current size of our fund.</p>  |
| Risks   | Description  | Our response  |
| <b>Regulatory risk</b>                            | <p>The risk that the government's regulatory reform agenda (e.g. changes to SG increase, or the compulsory nature of super) could have adverse outcomes for members.</p> <p>Further, the risk of failing to respond effectively or implement regulatory change or failing to comply with regulation.</p> | <p>We continue to provide advocacy for members' outcomes through peak bodies and other industry forums and associations in respect of policy settings.</p> <p>The current regulatory change agenda is substantial. Material regulatory change is monitored via the Risk, Remediation and Regulatory Committee. We are uplifting our Compliance Framework to manage regulatory compliance.</p>   |
| <b>Sustainable fund</b>                           | The risk of failing to cover the costs of our operations, transformations or remedial actions.   | <p>We carry out the ongoing modelling and review of our fund's budget and forecasts; based on business planning, funding allocation, performance estimates and scenarios.</p> <p>A material risk that can impact running a sustainable fund is the risk of failing to transform the advice business to one that is sustainable, scalable, with stronger economic performance, and is valuable to members. We are managing this risk through the Future of Advice strategy with strong board governance.</p>   |

<sup>^</sup> SuperRatings Fund Crediting Rate Survey June 2021 SR50 Balanced (60-76) Index, median returns: 5 years 8.7% vs. Aware Super Growth: 9.8%. Past performance is not a reliable indicator of future performance.

# Managing risks and pursuing opportunities (continued)

## Operational risk and opportunities

| Opportunities                                     | Description  | Our response  |
|---|--|---|
| <b>Our people</b>                                 | To attract, develop, retain and support our people in a competitive market; with the right capabilities and expertise to transform our organisation and deliver on our strategy.   | To ensure we attract and retain the best talent, we evolved our Employee Value Proposition by seeking staff feedback through an independent survey. We look to ensure our people feel supported (particularly through COVID-19 challenges), invest in their development and careers and promote health, safety and wellbeing.   |
| Risks   | Description  | Our response  |
| <b>Supply chain and resilience</b>                | The risk of major failure or disruption (e.g. system failures and cybercrime) internally or on the part of third/fourth parties that could significantly affect our ability to deliver our core operations and administer our fund.  | <p>We focus on the oversight of our supply chain, business resilience, disaster recovery, information security frameworks to review and regularly test our operational resilience.</p> <p>We manage our material outsourced service providers through engagement, monitoring performance, and obtaining assurance over operational resilience.</p>  |
| <b>Investment, operations and fund accounting</b> | The risk of ineffective management of our investment and fund accounting operations including valuation of assets of the fund, resulting in negative financial outcomes for our members.   | Our Investment Governance Framework includes risk controls to support the Investment Operations and Fund Accounting Teams. These controls ensure that the investment transactions and values of assets reflect correctly into daily unit prices and therefore value of members accounts with Aware Super.   |
| <b>Financial crime</b>                            | The risk of financial crimes impacting our members or organisation. These include activities such as money laundering, terrorism financing, fraud, bribery and corruption. Criminals typically target areas of vulnerabilities such as weak controls, poor data management or information security, often through cyber-attacks. | <p>The superannuation industry continues to be a target of financial crimes due to its large funds under management, low member interaction and increased digitisation. The COVID-19 early release of super led to an increase in criminal activity across the industry. The landscape of financial crime and cyber security threats and vulnerabilities is ever-changing.</p> <p>To protect our members' money responsibly, we remain ever-vigilant over the landscape, and our response includes enhancing our financial crime and cyber security capabilities to counter threats and vulnerabilities.</p>  |
| <b>Data, Privacy and Identity Protection</b>      | Inadequate and ineffective IT infrastructure, data management, privacy, and information security capabilities that are not aligned to business strategy, not fit for purpose or not managed to expectations.   | <p>We are diligent with our member data and are continually looking for ways to improve the handling and storage of member personal information. We have adopted the <i>Privacy by Design</i> approach - all solution and service design starts with identifying what data is being handled and the relative risk associated with handling or storing that information. We then ensure that appropriate security controls are applied when accessing our digital platforms to protect member's personal and identity information.</p> <p>Our operational processes are governed by our Group Privacy Management, Information Security and Data Governance frameworks which are aligned to the Australian Privacy Principles, regulatory standards and good industry practice.</p> |

# Recognition and awards

## Money Magazine



## Responsible Investment Association Australia



## Workplace Gender Equality Agency





## Contact us

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