



# governance disclosures

**H.E.S.T. Australia Ltd**

March 2024

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## Overview

This document contains disclosures of key policy documents as required by the *Superannuation Industry (Supervision) Regulations* pertaining to HESTA ("Fund") and its Trustee, H.E.S.T. Australia Ltd.

## Board Charter

### 1.1 Introduction

The Trustee is the legal entity responsible for the management of HESTA. The Board is responsible for both the affairs of the Trustee and the subsequent prudent management and investments of the Fund. In the context of the Trustee as an RSE licensee, the Board is further ultimately responsible for the sound and prudent management of the Trustee's business operations.

The Board has an overarching fiduciary duty to the members of HESTA, and Directors act in accordance with this paramount obligation in discharging their duties and responsibilities in the best financial interest of members.

### 1.2 Board membership

In accordance with the Trustee's Constitution, the Board must comprise of a minimum of thirteen Directors. The Board currently includes six Directors nominated by the Union ("A") Guarantors of the Trustee and six Directors nominated by the Employer ("B") Guarantors and two Independent Directors. One Independent Director is appointed as Independent Chair of the Board, and the other as Independent Chair of the Investment Committee. The list of Guarantors is as prescribed in the Trustee's Constitution.

The Board monitors this structure in light of developments in the industry and broader corporate governance practices and strives to ensure its structure continues to meet HESTA's governance and strategic needs.

The Chair of the Board and Chair of the Investment Committee are selected on merit through a process conducted by the Nominations Committee which is a sub-committee of the Governance and Remuneration Committee, or a similar process with oversight of the Governance and Remuneration Committee, as determined appropriate for the situation.

In addition to the ordinary selection process, the selection of the Independent Board and Investment Committee Chairs are undertaken with consideration of additional factors assessed by the Governance and Remuneration Committee to ensure and determine independence and appropriateness of skills and expertise.

### 1.3 Role, Responsibilities and Objectives of the Board

The Board is responsible for the overall management of the Fund and delegates certain responsibilities to the Trustee's Executive Team. Specifically, the Board is responsible for:

- the strategic direction of the Fund which is generally formulated on a three year cycle
- the sound and prudent management of Fund investments
- approving the investment objectives for each investment option

- approving an investment strategy that achieves the Trustee’s obligations to members of the Fund
- ensuring the Fund has an investment governance framework to manage investments to meet the Trustee’s obligations to members of the Fund, and overseeing the application of this framework
- ensuring the Fund has an insurance management framework to meet the Trustee’s obligations to members of the Fund, and overseeing the application of this framework
- approving the budget set for the Fund and the Trustee’s associated operational business plans on an annual basis
- monitoring the performance of the Trustee’s business plans as implemented by management on a regular basis
- monitoring the Trustee’s activities against the budget on a quarterly basis
- taking appropriate and timely action regarding information contained in reports to the Board on investment related matters
- overseeing the Trustee’s compliance with regulatory and legal requirements
- ensuring the Trustee maintains an appropriate risk management framework and setting the risk appetite within which the Board expects the Trustee to operate
- overseeing the Trustee’s financial and corporate reporting obligations
- appointing the external and internal auditors
- reviewing and assessing its performance and the performance of individual Directors
- appointing, reviewing the performance of, and replacing as necessary the Chief Executive Officer
- appointing all Directors, the Independent Chair and Deputy Chairs
- approving and overseeing the effective application of the Trustee’s remuneration framework in relation to both Trustee employees and Directors
- maintaining and enhancing the Fund’s reputation

#### 1.4 Role of the Independent Board Chair

The Independent Chair of the Board is the principal liaison point between the Board and the Chief Executive Officer (“CEO”), and also acts as Chair of the Executive Committee. The principal role of the Independent Board Chair is to:

- lead the Board in successfully achieving the objectives and strategies of the Fund
- act objectively in providing leadership and consultation to the Board
- facilitate co-operation and trust between the Board and the Executive Team
- facilitate the Board’s role in providing leadership and vision to the Trustee and Fund

- engage as appropriate with the Trustee’s external stakeholders and strategic partners
- guide the ongoing development of the Board as a whole and individual Directors, and facilitate the annual Board performance review process
- represent to the Chief Executive Officer the views of the Board on matters of strategy and policy
- encourage, counsel and support Board members in the discharge of their duties
- encourage cohesion and lead discussions at Board meetings
- direct Board discussions so there is an effective use of time and material issues are addressed

Where a Deputy Chair is appointed, the Deputy Chair assumes all the above responsibilities in place of the Independent Board Chair in instances where the Independent Board Chair is not available or unable to be present.

### 1.5 Role of the Independent Investment Committee Chair

The Independent Investment Committee Chair is the principal liaison point between the Investment Committee, the Chief Investment Officer (“CIO”) and the Board. The Investment Committee Chair reports to the Board. The principal role of the Independent Investment Committee Chair is to:

- lead the Committee in successfully achieving the Fund’s investment strategies and objectives as aligned with the overall strategy of the Fund
- ensure ongoing and regular engagement and communication with the Board on the Fund’s investment strategy
- act objectively in providing leadership and consultation to the Investment Committee
- facilitate and focus the Committee’s role in overseeing the governance of the investments function of the Fund
- continuously review and monitor the investment strategy with the CIO and engage in regular interactions in this regard with management
- engage with the Trustee’s external strategic investment partners and stakeholders
- guide the ongoing development of the Committee and facilitate the annual Committee performance review process
- liaise on investment governance matters with the CIO and CEO where appropriate
- contribute to the performance review of the CIO through liaison with the CEO

### 1.6 Role of the CEO

The CEO is directly accountable and reports to the Board and is responsible for:

- the operation and financial performance of the Fund

- developing and implementing strategies in collaboration with the Board to achieve key Fund objectives
- providing leadership and strategic direction for the Fund
- leading and promoting the growth of the Fund
- overseeing the operation and management of the Fund through the Trustee’s business areas
- leading the Executive Team
- overseeing the implementation of key policies and ensuring the Trustee complies with all its legislative and regulatory obligations
- representing the Fund in public forums and media to maintain and enhance its reputation

In circumstances where the CEO is absent or unavailable to perform their duties, an Acting CEO may be appointed by the CEO or Chair to act under the delegations as provided for in the Trustee’s Delegations Register.

## 1.7 Role of the Company Secretary

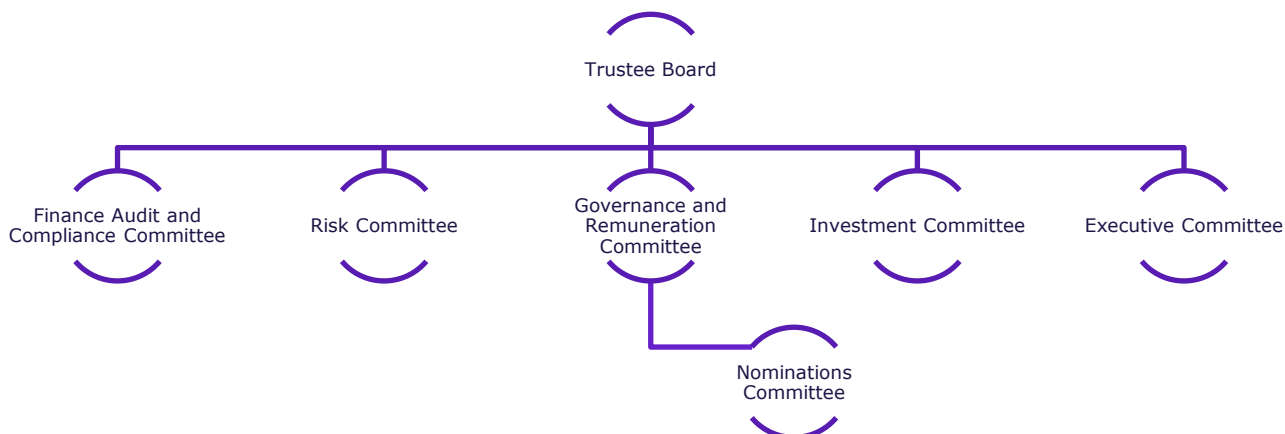
The Company Secretary is directly accountable to the Board and reports to the Chief Executive Officer (“CEO”). The Company Secretary is responsible for all matters relating to the effectiveness and proper functioning of the Board and its committees. The Company Secretary’s role includes:

- advising the Board and its committees on relevant governance matters
- advising or procuring advice for the Board on material governance issues that arise
- ensuring Board and committee policies and procedures are followed
- coordinating the distribution of Board and committee papers
- maintaining relevant corporate records in accordance with all legislative requirements
- monitoring and facilitating the professional development of Directors
- providing guidance to the Trustee office on governance matters and engaging with external legal providers as necessary

All Directors have direct unfettered access to the Company Secretary. The Company Secretary also has direct access to the Independent Board Chair and Independent Investment Committee Chair.

## 1.8 Board Committees

The Board has established the following committees to assist in its decision making processes:



All Board committees are subject to the overall authority of the Board. Each committee is governed by its own Terms of Reference and has decision making authority pursuant to delegations afforded to it from the Board. The Terms of Reference of each committee are reviewed by the Governance and Remuneration Committee annually and any amendments referred to the Board for approval.

The current Terms of Reference of the Committees are set out in Appendix 1.

## 1.9 Board relationship with CEO and Executive Team

The CEO attends and participates in each Board and Committee meeting.

The CEO is the spokesperson for the Trustee and Fund. Members of the Executive Team attend Board and committee meetings as required. All Directors have access to the Executive Team, provided such access does not distract from the operations of the Fund.

## 1.10 Board Assessment

The Board is committed to regularly reviewing its own performance, including that of individual Directors and to increasing Board effectiveness. The Board conducts an annual assessment process; done via an internal survey and once every three years an external review. Each Director is individually reviewed annually by the Chair. The outcomes of these assessments are also considered as part of the Director Nomination Process.

## 1.11 Directors representing the Fund

The Trustee manages all its public and media relations through its Corporate Affairs Team to maintain control and consistency on all statements represented in public forums. For this reason, Directors are in general not permitted to speak on behalf of HESTA in public communications unless specifically requested or authorised to do so by the Trustee. Further details concerning Directors' dealings with media are outlined in the Code of Conduct.

Where Directors represent HESTA on external boards, they should remain cognisant of the Trustee's policies, practices and strategies when discharging their duties as a director of that external board.

## Code of Conduct

The Code of Conduct outlines the behaviours expected of all HESTA employees (including agency hire and daily rate contractors) and directors. The Code of Conduct is binding on all employees and directors, and a contravention of the Code of Conduct may constitute misconduct.

The Code of Conduct is located on the HESTA website.

## Expectations of HESTA Directors

### 1.12 General Expectations

This section outlines what is expected of a HESTA Director in the discharge of their duties.

General expectations include:

- acting in accordance with the Code of Conduct
- attendance at all Board and where applicable committee meetings, Annual General meetings, Annual Member Meetings, or obtaining a leave of absence if attendance is not possible
- actively participating as appropriate in Board committees
- contributing to decision-making and discussions at Board and Committee meetings
- undertaking prescribed education and training programs and initiatives in accordance with the Directors Education and Training Policy
- dedicating the appropriate time commitment to undertake their role diligently
- being appropriately prepared for each meeting
- participating in Board and Director review processes

Directors are encouraged to be open and discuss any concerns around meeting the Trustee's expectations of them and encouraged to raise their concerns directly with the Chair or Deputy Chairs or if more appropriate, to the Board.

Directors must also in exercising their duties as a Director of the Trustee:

- be aware of and sensitive to the physical, political, legal, regulatory and social environment in which the Trustee operates
- use due care, skill and diligence in fulfilling the duties of a Director and exercising the powers attached to that position
- not make improper use of information acquired as a Director
- always give priority to the duties to and interests of the Fund and its members, including member's best financial interests, over any relevant duties to and interests of other parties should a potential conflict arise



- make reasonable inquiries to satisfy themselves in their capacity as Director that the Fund is managed appropriately

The Trustee has a number of policies and procedures in place to ensure the standards of conduct for employees and Directors are effectively managed and monitored. These include but are not limited to policies to manage conflicts of interest, training obligations, whistleblowing, fraud and fitness and propriety.

### 1.13 Directors and Media

From time to time the Trustee may identify particular topics of interest in the media that relate to the Trustee or Fund, and may provide Directors with preparatory speaking notes and pro-forma responses to queries that may arise. Under these circumstances, Directors are expected to respond to any queries they receive in accordance with any speaking notes or pro-forma responses. To the extent the query cannot be resolved with the information provided, Directors should refer to the CEO for further guidance.

If Directors are contacted by the media for a Trustee comment this should always be referred to the CEO. Directors are requested to avoid providing 'off-the-record' comments or personal comments on matters related to HESTA or the Trustee.

Social media commentary can be a difficult area to navigate and Directors are asked to consider the fact that any tweets or social media comments have the potential to be seen as the Trustee's view or commentary given the Director's position on the Board.

Members and employers may also contact Directors seeking responses to matters that are currently receiving social media attention (for example divestment campaigns). These requests need to be treated in the same manner as media requests as they are likely to end up on social media. They should always be referred to the CEO (or the Corporate Affairs team via the Company Secretary in the event that the CEO is not available) for the appropriate Trustee response.

Where Directors are presented with member or employer queries that are not related to any media campaigns, they should still be escalated to the CEO who will make a determination as to who the appropriate person should be to respond.

## Skills Matrix

The Skills Matrix outlines the skills the Board believes it needs collectively to ensure its effective and prudent operation. The Skills Matrix is regularly updated as changes arise and reviewed by the Board annually. Information contained in the Skills Matrix is provided initially by Directors on appointment via their completion of the Skills Matrix Questionnaire.

The current collective Board Skills and Experience Matrix is set out in the Appendix to this document.

## Director Nomination, Appointment and Renewal Process

### 1.14 Introduction

This section outlines the process to be undertaken for appointment and reappointment to the Trustee's Board. The nomination process for Directors is conducted in accordance with the Trustee's Constitution and all applicable laws. Guarantors are to nominate a specified number of directors in accordance with the

provisions of the Trustee's Constitution. This process is undertaken by the Governance and Remuneration Committee.

### 1.15 Nomination

The Trustee's Board follows the equal representation model and consists of nominees from member representatives and employer representatives, "A" and "B" Guarantors, respectively. In respect of "B" Guarantors, those employer organisations eligible to nominate a representative on the Trustee's Board are those determined by the Directors as being within the top six national organisations with the most employees who are members of the Fund.

At the conclusion of a Director's term of office or in the case of a casual vacancy, the relevant Guarantor will be provided with information pertaining to the Trustee's expectations of Directors and its fitness and propriety requirements. The Board will further determine particular attributes, experience and qualifications that it deems required and enter into discussions with the relevant Guarantor to ensure the nomination of suitable potential directors. In the case of "B" Guarantors, the employer organisation's eligibility to re-nominate a Director will be also reviewed having regard to the Guarantor's number of employees who are members of the Fund.

The Guarantor organisation will be required to submit their nomination for candidates they deem suitable for the Board's consideration. The Board is responsible for all appointments and re-appointments of Directors.

### 1.16 Eligibility

Directors must have an understanding of the fiduciary responsibilities of Trustees with the primary aim of prudentially investing funds in the interests of HESTA members. Directors must also meet the eligibility criteria under the Corporations Act, Superannuation Industry (Supervision) Act, APRA's Prudential Standards and the Trustee's Fit & Proper Policy in order to be appointed.

In addition, individuals who wish to take up the role as a HESTA Director should further demonstrate that they possess the following attributes or be prepared to commit to undertake any training required to increase their knowledge at an appropriate level (where required):

- regulatory knowledge - Knowledge and understanding of the key sources of law relating to superannuation and the broader financial services industry principles of corporate trusteeship; elements and application of principles of Registrable Superannuation Entity (RSE) licensee
- fund sector knowledge - Knowledge and understanding of the Health and Community Services (HACS) sector
- strategic planning - Ability to identify and assess opportunities, threats and impacts to HESTA and the Fund and develop strategies in line with business objectives; monitor and advise on the execution of the business strategy; identify key business drivers (business modeling); knowledge and understanding of the industry sector (players, models, environment); ability to develop and analyse strategic options; competitor analysis skills; ability to work with complexity
- governance - Knowledge and understanding of the principles of industry governance issues, ability to assess/diagnose corporate governance performance and conflicts of interest; ability to

constructively contribute to board discussions and communicate effectively with management and other Directors

- expertise in one or more of the following areas: finance, legal and compliance, investment, risk management, people management, enterprise technology governance or sustainability.

For existing Directors, to be eligible for reappointment at the end of their term, they must also have:

- an attendance record of at least 80% at Board meetings (or extenuating circumstances to justify a lower attendance record)
- demonstrated full compliance with the Expectations of HESTA Directors
- not been involved in any areas where HESTA has suffered, or had the potential to suffer, reputational damage
- maintained prompt and efficient communication with the Trustee as required

In determining an existing Director's attendance record, Directors who have sought and had approved a leave of absence from meetings will not have such an absence attributed to their attendance record.

For re-appointments, the Chair also reviews a Director's performance on the Board including their attendance and contribution at meetings, as well as the Director's progress with their Individual Development Plan.

### 1.17 Term of Appointments

Representative Directors are appointed for an initial term of up to five years and may be re-assessed at the end of this term for reappointment. Independent Directors are appointed for an initial term of up to three years and may also be re-assessed at the end of this term for re-appointment.

Representative Directors will be appointed for a maximum of 10 years, and Independent Directors for a maximum of 9 years.

The Board may resolve to extend the tenure of any Director beyond the maximum tenure above under extraordinary circumstances, where the Board determines it would be disadvantageous and detrimental to the best interests of the Fund and its members for the particular Director to leave the Board. This is not ordinary practice and the Board only makes such decisions on Director reappointments upon detailed deliberations. A situation which may give rise to such extraordinary circumstances may be where the Board has experienced significant turnover in a short period of time, and it would therefore be detrimental to the skills and experience possessed by the collective Board, should it lose the services of a long-serving Director.

Pursuant to its Constitution, the Trustee Board is responsible for the appointment of its Directors and as such, resolutions to appoint a Director may only be passed if at least 2/3 of the Directors present and entitled to vote on the resolutions at the meeting, vote in favour of the appointment or re-appointment.

All reappointments including extensions of maximum tenure periods are considered by the Board having regard to the below Board Appointment Principles to ensure good corporate governance practice.

## 1.18 Board Appointment Principles

The Board recognises the importance of ensuring an appropriate balance between Director renewal and continuity of knowledge, and generally takes into account the following principles when managing board appointments:

- all appointments must be made in the best interests of the Fund's members
- the value of fresh insights and reinvigoration of a board
- the importance of adequate experience and corporate knowledge particularly through market cycles
- the value of effective board dynamics and decision making ability that comes from board stability and shared experience
- the importance of diversity in board membership e.g. gender, age, geographic representation.
- In addition to the above considerations, the Board also has regard to the following matters when determining reappointments of Directors at the expiry of each of their terms of appointment:
  - the overall balance of the existing Board with respect to tenure, skills and diversity
  - any particular skills or expertise that the Board may require
  - whether a replacement is more appropriate and available
  - whether the Director has served on the Board for a period that could, or be perceived to materially affect their ability to continue to act in the best interests of beneficiaries

The Board takes the view that continuity of Fund knowledge is of particular importance in the context of a Trustee managing a superannuation fund. Investments undertaken by superannuation funds are long-term in nature. This emphasises the particular need to maintain ongoing Fund knowledge and experience of the Board as carefully balanced against any appetite to introduce levels of change and invigoration to the Board at the expense of such knowledge.

### **Board commitment to 40:40 gender diversity**

Numerous studies and industry reports consistently highlight the positive correlation between gender diversity and enhanced financial performance within companies. Embracing a diverse range of perspectives, skills, and experiences, including people of all genders, fosters a more innovative and dynamic work environment. Diverse teams are often better equipped to navigate complex challenges, make informed decisions, and adapt to a rapidly evolving business landscape. Companies that prioritise gender diversity are more likely to attract and retain top talent, benefiting from a rich pool of diverse skills and expertise.

As a large global responsible investor, HESTA has been a strong advocate within the community as well as in our company engagement for gender diversity at both Board and Executive Management levels. This aligns strongly with our own practices within HESTA over multiple decades of action at Board and Executive Management level to foster the development of diverse talent and ensure a gender-diverse Board and Executive Team.

It is crucial to acknowledge that the HESTA Board's focus on gender diversity is part of a broader commitment to cultivating diversity in all its facets. While achieving a balanced gender representation is a significant and important step, the Board recognises the importance of embracing diversity across various dimensions, such as cultural, age, ethnicity, personal family background, work experience, socio-economic background, and more. This commitment reflects HESTA's dedication to fostering cognitive diversity — a spectrum of perspectives, ideas, and experiences that enrich the Board's decision-making processes. Research consistently demonstrates that collaborative groups (such as Boards) benefit from diverse perspectives, leading to more comprehensive and innovative problem-solving. By actively seeking diversity, the Board is living HESTA's values and strategically positioning HESTA to thrive in an increasingly complex and interconnected global landscape.

The HESTA Board supports a target of achieving a minimum 40% representation of those who identify as women as well as a minimum 40% representation of those who identify as men on the HESTA Board and within the Executive Management Team. This aligns with HESTA's strong external advocacy for gender diversity through various initiatives including 40:40 Vision which calls for 40:40:20 by 2030 (40% identifying as women, 40% identifying as men and 20% identifying as any gender). By setting such benchmarks, the Board is not only driving positive change within the organisation but also contributing to a larger societal conversation about the importance of diverse representation and opportunities for all genders.

HESTA's Trustee Board follows the equal representation model and consists of nominees from member representatives and employer representatives, "A" and "B" Guarantors, respectively. In accordance with the Trustee's Constitution, the Board must comprise of a minimum of thirteen Directors. The Board currently includes six Directors nominated by the Union ("A") Guarantors of the Trustee and six Directors nominated by the Employer ("B") Guarantors and two Independent Directors. One Independent Director is appointed as Independent Chair of the Board, and the other as Independent Chair of the Investment Committee. The list of Guarantors is as prescribed in the Trustee's Constitution.

HESTA monitors board skill and diversity facets on an ongoing basis, including through external reviews of board performance, board culture and collective capability. Prior to the nomination or re-appointment of Directors, HESTA engages directly with Guarantors on the skills, attributes and diversity facets sought so that candidates nominated by the Guarantors can contribute to the skills and diversity of the Board.

Given HESTA's members work predominantly in the health and community services sectors, wherein a significant proportion of those choosing to pursue careers are women, and the fact that almost 80% of our members are women, there is a natural tendency for Guarantors with strong female leadership in their sectors to nominate female candidates. This has served HESTA well in having strong and skilled female leaders at the HESTA Board table, and a deep connection and alignment with our members in the health and community services sectors.

While HESTA is firmly committed to fostering gender diversity at the Board level and achieving 40:40 by 2030, we note that our representation may fluctuate over time. We are part of the broader financial services sector, and aligned strongly with the health and community services sectors, both of which have their own natural sector-specific gender attributes. Fluctuation in our Board diversity, and in particular a naturally higher concentration of women (given the alignment with the health and community services sector) is not a compromise on our commitment to diversity but a strategic acknowledgment of our membership base, and seen as a positive influence on the naturally male-dominated financial services sector. We remain

dedicated to promoting an inclusive and diverse Board and Executive Team, alongside an inclusive and diverse workforce across all levels.

## Board Performance Assessment

The Board and individual Directors are subject to an annual assessment of its performance. Every three years an external consultant is engaged to undertake this assessment process. The Board is assessed against its functions as outlined in the Board Charter whilst Directors are assessed against the Trustee's Expectations of Directors and their compliance with any other applicable policies. The Governance and Remuneration Committee is responsible for managing the Board assessment process.

## Removal of Directors

### 1.19 Introduction

There may be circumstances that arise resulting in a Director ceasing to hold office as a Director of the Trustee Board, these of which generally include:

- formal resignation from their position by the Director
- expiration of the term of appointment and no reappointment is made
- removal by written notice from the Guarantor who nominated that Director
- failing to meet their Fit and Proper regulatory obligations, or any other Director obligations and responsibilities in accordance with this Framework
- the Board making a determination that the Director has failed to perform their duties of an acceptable standard and therefore no longer capable of carrying out the responsibilities of a Director

### 1.20 Board Determination of Non-Performance

Directors are encouraged to be open and discuss any concerns around meeting the Trustee's expectations of them. Where the Board holds the view that a Director is not meeting the Trustee's expectations, or concerns around performance become evident through the Board review process, the following procedure will be followed:

- the Chair and if required a Deputy Chair, will address the issues with the Director in question
- the Chair will seek a commitment from the Director to improve their performance or behavior as appropriate to address the issues raised
- the performance of the Director will be reviewed three months after this commitment is given
- if after three months, there has been little or no improvement in performance or behavior then the Chair will hold a second discussion with the Director with consideration of customised training or professional development to address the areas of concern
- if the Director agrees to undertake the relevant training, their performance will continue to be reviewed over an additional three month period

- if the Director refuses to undertake the training or they do so without any improvement in performance over the second three month review period, the Chair will recommend to the Board that the Director be removed
- the Board on such a recommendation from the Chair will resolve to remove the Director in accordance with the Trustee's Constitution, unless exceptional circumstances prevail
- the Board will then commence discussions with the nominating organisation to appoint a replacement

If a Director is found to be in serious breach of their obligations to the Trustee, the Director will be removed as soon as practicable in accordance with the Trustee's Constitution, and the above steps may be dispensed with as appropriate.

Directors are expected to adhere to the requisite time commitments in fulfilling their role on the Board. Should a director not attend two consecutive Board meetings without having prior sought and been approved with a leave of absence from the Board, the above procedure may be adopted by the Chair to address the matter.

## Governance Framework Appendix 1: Committee Terms of Reference

### A. Finance Audit and Compliance Committee Terms of Reference

#### 1. Purpose

The Finance, Audit and Compliance Committee assists the Board in discharging its duties in relation to the financial management, performance and reporting obligations of the Fund and Trustee.

#### 2. Responsibilities

The Finance, Audit and Compliance Committee is responsible for:

##### **Finance**

- oversight of all financial reporting requirements
- oversight of all taxation governance and reporting requirements
- oversight of APRA statutory reporting requirements
- reviewing audited financial statements and statutory compliance requirements
- reviewing budgets & monitor adequacy of reserves under the Reserving Policy
- reviewing the effectiveness of financial reporting process and systems
- adherence to professional accounting requirements

##### **Internal and External Audit**

- reviewing and approving terms and scope of engagement
- reviewing, assessing and approving the audit plans, including the degree of co-ordination between audit firms
- ensuring auditors meet the relevant independence requirements prescribed in the APRA Prudential Standards and *Corporations Act 2001*
- monitoring and assessing performance of auditors
- ensuring the objectives of the internal audit include an evaluation of the adequacy and effectiveness of the Trustee's financial and risk management framework
- reviewing audit findings and ensuring rectification in an appropriate and timely manner

##### **Insurance**

- reviewing and assessing the adequacy of the annual Trustee's Liability Insurance program



## **Legal Regulatory and Compliance**

- reviewing and assessing the effectiveness of the Compliance Framework annually, including compliance-related controls and control effectiveness and assurance activities
- oversight of compliance-related incidents and breaches (including those relating to investment management and investment execution) and regulatory requirements
- oversight of trends in the external regulator environment and compliance-related engagements with external regulators
- oversight of external legal/legislative and regulatory environment and monitor implementation of regulatory change initiatives
- oversight of project, strategic and other business change impacting engagement by Business Teams with compliance and regulatory change-related matters
- oversight of compliance-related HESTA policies, as delegated to it by the Board

The internal auditor will have a direct reporting line to the Finance, Audit and Compliance Committee however works with the Executive Team on a day-to-day basis as necessary. Both internal and external auditors have a standing invitation to attend Finance Audit and Compliance Committee meetings.

### **3. Membership**

The Finance Audit and Compliance Committee will comprise of a minimum of three Directors including at least:

- One Director nominated from the 'A' Guarantors
- One Director nominated from the 'B' Guarantors

It is preferred by the Board that there is an equal number of Directors from each of the Guarantor groups represented on the Finance Audit and Compliance Committee.

Members of the Finance Audit and Compliance Committee are appointed by the Board. The Board will endeavour to ensure that at least one member of the Committee has accounting or related financial expertise. The Independent Board Chair will not be a member of the Finance Audit and Compliance Committee.

The Board will also nominate one of the Committee members to undertake the role of Chair for the Committee. The Director appointed as Chair of the Committee must possess accounting and finance expertise.

Other Directors who are not members of the Finance Audit and Compliance Committee are welcome to attend meetings, but will have no voting rights.

## 4. Meetings

Meetings of the Finance Audit and Compliance Committee are held at approximately quarterly intervals, or more frequently as required by the Committee or Board. Meetings of the Committee are usually held on the day prior to the Board meeting. Either Prior to the commencement of Committee meetings or at the conclusion of Committee meetings, auditors in attendance will meet with members of the Committee if determined necessary, at the exclusion of Trustee employees. This provides an opportunity for auditors to raise any matters directly with the Committee that may require the Committee's or Board's attention. Similarly, either prior to the commencement of Committee meetings or at the conclusion of Committee meetings, Trustee employees in attendance will meet with members of the Committee if determined necessary, at the exclusion of auditors. This provides an opportunity for Trustee employees to raise any matters directly with the Committee that may require the Committee's or Board's attention.

The Company Secretary will together with the CEO, CFO and CRO draw up an agenda which will be endorsed by the Committee Chair and circulated in the week prior to each meeting to the members of the Committee and the internal and external auditors.

The Chair of the Finance Audit and Compliance Committee will provide a report on the findings and recommendations of the Committee to the Board after each Committee meeting. The Company Secretary will prepare minutes of all Committee meetings and these will be circulated to members of the Committee for endorsement at the next Committee meeting.

The Chair will call a meeting of the Finance Audit and Compliance Committee if so requested by any Committee member, or the external auditors.

The CEO, Chief Operating Officer ("COO"), Company Secretary, CFO and Chief Risk Officer will be in attendance at meetings of the Committee.

At least two-thirds of the total number of members of the Finance Audit and Compliance Committee must be present to form a quorum at a meeting.

## 5. Authority

The Finance Audit and Compliance Committee may seek any relevant information it requires from any officers or employees of HESTA or any contracted service provider. Such parties will be instructed by the Board or the Executive Team to respond to such enquiries to the extent they are made in accordance with any relevant policies, contractual arrangements, or applicable regulations.

The Finance Audit and Compliance Committee is authorised to engage independent professional advice on matters as it considers necessary.

The Finance Audit and Compliance Committee makes decisions on authority delegated to it by the Board and as such reports to the Board on all decisions made under this delegation. Resolutions made by the Finance Audit and Compliance Committee will only pass if a majority of Committee members present and entitled to vote on the resolution at the meeting, vote in favour of the resolution.

The Finance Audit and Compliance Committee may make decisions within their delegated authority by circulating resolution if deemed appropriate to do so.

## B. Risk Committee Terms of Reference

### 1. Purpose

The Risk Committee assists the Board in discharging its duties in monitoring the effectiveness and operation of the Risk Management Framework and Strategy to ensure that appropriate controls and procedures are in place, to support and promote a good culture and processes in regard to the management of risk.

### 2. Responsibilities

The Risk Committee is responsible for:

#### **Risk Management Framework and Strategy (RMFS)**

- Monitoring the effective implementation and operation of the RMFS, including:
  - Annual review of RMFS and RAS, and reviewing and recommending changes for Board approval
  - Oversight of periodic review of material risk and sub-risk categories, including risk appetite, tolerance levels and key risk indicators
  - Oversight of operation and effectiveness of internal controls and procedures relating to risk management
- Monitoring Key Risk Indicators (KRIs) and other risk reporting relating to effectiveness of the RMFS
- Monitoring emerging and thematic risks for potential impacts on the RMFS
- Reviewing the annual Risk Management Declaration (RMD) and endorsing the RMD for Board approval

#### **Regulatory**

- Reviewing the adequacy of frameworks required by APRA Prudential Standards
- Approving, as delegated by Board, various frameworks and policies required by legislations or regulations
- Overseeing the AML/CTF compliance program and annual reporting to AUSTRAC
- Monitoring compliance with HESTA policies relating to risk management governance, practices, and controls (e.g. Outsourcing, Whistleblowing)
- The annual review of APRA SPS 114 Operational Risk Reserve Financial Requirement (ORFR)
- Consulting with the Governance and Remuneration Committee, Chief Executive Officer and Chief Risk Officer to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in specified roles

## **Information Security**

- Overseeing the implementation of the information security strategy and frameworks for regulatory compliance
- Oversee of responses to information security and cyber threats/incidents
- Reviewing information security risk posture, appetite and controls to ensure control environment reflects posture

## **Strategy and Change**

- Monitoring the external environment for strategic risks impacting the execution of the strategic plan and response plans
- Overseeing the risk management of key strategic projects, including execution, implementation and delivered risks
- Overseeing of other (non-project) change the business which may impact operational/other risk profile and assess for impact on risk appetite

## **Audit and Assurance**

- Reviewing the annual internal and external audit plans for risk management related activities, and overseeing of actions taken to address relevant findings
- Oversight of triennial comprehensive reviews required by APRA Prudential Standards
- Overseeing of other assurance activities relating to risk management across material, strategic or operational risks

## **3. Membership**

The Risk Committee will comprise of a minimum of three Directors including at least:

- One Director nominated from the 'A' Guarantors
- One Director nominated from the 'B' Guarantors
- If applicable, one external advisor to the Committee who is not a member of the Board,

It is preferred by the Board that there is an equal number of Directors from each of the Guarantor groups represented on the Risk Committee.

Members of the Risk Committee are appointed by the Board. Any appointment of an external advisor to the Committee must be approved by the Board (or as delegated).

The Board will also nominate one of the Committee members to undertake the role of Chair for the Committee.

The Finance Audit & Compliance Committee Chair has a standing invitation to join the Risk Committee meetings. Directors who are not members of the Risk Committee are welcome to attend meetings, but will have no voting rights.

Internal and external auditors may join the meeting from time to time where required.

#### 4. Meetings

Meetings of the Risk Committee are held at approximately quarterly intervals, or more frequently as required by the Committee or Board. Meetings of the Committee are usually held on the day prior to the Board meeting.

The Company Secretary and the CEO will together with the CRO and CFO draw up an agenda which will be endorsed by the Committee Chair and circulated in the week prior to each meeting to the members of the Committee.

The Chair of the Risk Committee will provide a report on the findings and recommendations of the Committee to the Board after each Committee meeting. The Company Secretary will prepare minutes of all Committee meetings and these will be circulated to members of the Committee for endorsement at the next Committee meeting.

The Chair will call a meeting of the Risk Committee if so requested by any Committee member.

The CEO, Chief Operating Officer ("COO"), Company Secretary, CFO and Chief Risk Officer (CRO) will be in attendance at meetings of the Committee.

At least two-thirds of the total number of members of the Risk Committee must be present to form a quorum at a meeting.

#### 5. Authority

The Risk Committee may seek any relevant information it requires from any officers or employees of HESTA or any contracted service provider. Such parties will be instructed by the Board or the Executive Team to respond to such enquiries to the extent they are made in accordance with any relevant policies, contractual arrangements, or applicable regulations.

The Risk Committee is authorised to engage independent professional advice on matters as it considers necessary.

The Risk Committee makes decisions on authority delegated to it by the Board and as such reports to the Board on all decisions made under this delegation. Resolutions made by the Risk Committee will only pass if a majority of Committee members present and entitled to vote on the resolution at the meeting, vote in favour of the resolution. Only Directors on the Committee may vote on resolutions.

The Risk Committee may make decisions within their delegated authority by circulating resolution if deemed appropriate to do so.

## C. Investment Committee Terms of Reference

### 1. Purpose

The Investment Committee's purpose is to govern strategic investment decisions and provide strategic direction and oversight for HESTA's investment and responsible investment program and where appropriate, relevant recommendations to the Board.

In doing so, the Committee oversees and monitors the implementation of the Fund's overall investment strategy – having regard to key regulatory and governance frameworks, the economic investment landscape and responsible investment factors.

The Committee has a primary role in assisting the Board to set the Fund's investment objectives and ensuring adequate frameworks are in place to monitor and manage investment risks, including ESG risks and relevant impact considerations.

### 2. HESTA Investment excellence with impact

The Investment Committee recognises that investing for long-term performance requires a long-term perspective on the relationship between investment, the economy, environment and our society. Accordingly, the Committee will support practices which incorporate consideration of environmental, social and governance risks and opportunities into investment decision making and active ownership.

### 3. Responsibilities

The Investment Committee is responsible for:

#### **Governance**

- reviewing and monitoring the governance arrangements for the investments function of the Fund, including oversight of the investment decisions being made in accordance with the Board's delegations of authority and the Trustee's Investment Governance Framework
- reviewing and monitoring the governance arrangements for the Fund's comprehensive Investment Stress Testing program, Liquidity Management Plan and Valuation governance framework
- reviewing and monitoring the governance arrangements of Responsible Investing ensuring all decisions are made in accordance with the Board's delegations of authority, and including overseeing the implementation of the Climate Change Transition Plan
- reviewing and recommending for Board approval the Investment Beliefs, the Investment Governance Policy, the Investment Strategy for Options and other Investment related policies reserved for Board approval
- approving/amending the investment objectives, risk parameters, ranges and benchmarks for asset classes and sub-asset classes within the constraints articulated in of the Investment Governance Policy and the Investment Strategy for Options
- approve/amend other investment related policies other items reserved for approval by the Board

- approving/amending the Investment Risk Limits & Monitoring Framework

## **Oversight**

- reviewing and ensuring the Trustee's organisational structure and resources support the investment objectives of the Fund
- reviewing new or existing investment strategies or mandates as required by the Board's delegation of authority
- reviewing and monitoring investment performance, investment risk, stress testing results, liquidity management and valuation governance
- reviewing and monitoring the performance of the Investment Team in respect of achieving the Fund's investment objectives
- reviewing and making recommendations to the Governance and Remuneration Committee on appropriate delegations of decision making authority to management with respect to the Fund's investments
- overseeing the performance of and relationship with the Fund's independent consultant
- overseeing triennial review of Investment Governance Framework as required under APRA Prudential Standards

## **Referral**

- referring decisions that are materially contentious to the Board for consideration and resolution

## **4. Membership**

The Investment Committee will comprise of a minimum of six members including at least:

- One Independent Director
- The Independent Chair of the Board
- One external investment advisor who is not a member of the Board
- One Director nominated from the 'A' Guarantors
- One Director nominated from the 'B' Guarantors

It is preferred by the Board that there is an equal number of Directors from each of the Guarantor groups represented on the Investment Committee.

The Independent Director will undertake the role of Chair for the Committee. The Independent Director appointed as member and Chair of the Committee must possess investment expertise. The appointment of the two external investment advisors who are not members of the Board must be approved by the Board.

Other Directors who are not members of the Investment Committee are welcome to attend meetings, but will have no voting rights.

## 5. Meetings

Meetings are held at least six times per year or more frequently as required by the Board or Committee.

The Company Secretary will together with the CEO and the CIO draw up an agenda which will be endorsed by the Committee Chair and circulated in the week prior to each meeting to the members of the Committee.

The Chair of the Investment Committee will provide a report on the findings and recommendations of the Committee to the next meeting of the Board following each Committee meeting. The Company Secretary will prepare minutes in consultation with the CIO of all Committee meetings and these will be circulated to members of the Committee, for endorsement at the next Committee meeting.

The CEO, CIO, COO, relevant Investment Heads Of and Company Secretary will be in attendance at meetings of the Committee.

At least two-thirds of the total number of members of the Investment Committee must be present to form a quorum at a meeting. If the Chair of the Committee is unable to attend a meeting, the Committee may appoint a Director serving on the Committee to Chair the meeting in their place.

## 6. Authority

The Investment Committee may seek any relevant information it requires from any officers or employees of the Trustee or any contracted service provider. Such parties will be instructed by the Board or the Executive Team to respond to such enquiries to the extent they are made in accordance with any relevant policies, contractual arrangements, or applicable regulations.

The Investment Committee is authorised to engage independent professional advice on matters as it considers necessary.

The Investment Committee makes decisions on authority delegated to it by the Board and as such reports to the Board on all decisions made under this delegation. Where matters are required under regulations to be approved by the full Board, the Committee will consider the relevant issues and make a recommendation to the Board for the Board's approval. Resolutions made by the Investment Committee will only pass if a majority of Committee members present and entitled to vote on the resolution at the meeting, vote in favour of the resolution. Only Directors on the Committee may vote on resolutions.

The Investment Committee may not make decisions by circulating resolution. Investment matters that arise outside of Board or Committee meetings that are urgent in nature must be referred to the Executive Committee for consideration together with the Investment Committee Chair.



## D. Governance and Remuneration Committee Terms of Reference

### 1. Purpose

The Governance and Remuneration Committee is responsible for overseeing the governance framework that the Trustee operates within including the design, operation and monitoring of the Remuneration Framework and Policy.

### 2. Responsibilities

The Governance and Remuneration Committee is responsible for:

#### **Board Governance**

- reviewing and monitoring the governance arrangements for the Trustee and Board
- managing the nominations process for appointments and reappointments to the Board
- conducting an annual assessment of the Board as part of the Board review process
- determining and recommending processes by which the Board's performance can be reviewed and improved
- engaging external advisers every three years to conduct the Board assessment
- monitoring the outcomes of the Board Review and addressing areas of improvement
- reviewing and determining appropriate education and training courses for Directors in accordance with the Directors Education and Training Policy
- annually reviewing the Directors Education and Training Policy to ensure it is capable of adequately addressing the education and training requirements of Directors
- reviewing the expertise of the Board and identifying any areas of weakness in terms of its skill mix and capacity to perform the functions required of it
- annually reviewing and providing recommendations to the Board on board committee compositions including the appointment of external advisors on HESTA board committees

#### **Remuneration**

- reviewing comprehensive reporting to assess alignment of remuneration outcomes with the performance and risk outcomes achieved, in accordance with the Remuneration Framework
- assessing biennial benchmarking review of remuneration in accordance with the Remuneration Framework
- reviewing and recommending to the Board, at least annually, the remuneration arrangements, variable remuneration outcomes (including deferral and/or vesting) consistent with CPS 511 requirements

- conducting regular reviews of and making recommendations to the Board on the Trustee's Investment Performance Incentive Plan Policy, including determining whether it, individually and on a cohort basis is appropriate to meet its intended purpose and expected remuneration outcomes
- conducting biennial review of the remuneration of Directors and tabling any recommendations for changes arising from this review for approval at the Trustee's Annual General Meeting
- providing clear guidance to senior management on its expectations in determining the appropriate level and timing of risk adjustment to the variable remuneration outcomes for persons in specified roles
- monitoring and reporting to the Board any people and culture related risks or issues that may have a material impact on the Fund's strategy, reputation, brand or culture
- reviewing the annual compliance review and triennial effectiveness review of the Remuneration Framework, and assessing the findings (if any) to ensure they are addressed adequately
- reviewing the effectiveness of the Remuneration Framework annually or following a material change to the size, business mix and operating complexity of the Fund and appropriately addressing findings

### 3. Membership

The Governance and Remuneration Committee will comprise of a minimum of four Directors including at least:

- The Independent Board Chair
- One of the Deputy Chairs
- One Director nominated from the 'A' Guarantors
- One Director nominated from the 'B' Guarantors

It is preferred by the Board that there is an equal number of Directors from each of the Guarantor groups represented on the Governance and Remuneration Committee.

The Board will also nominate one of the Committee members to undertake the role of Chair for the Committee. The Independent Board Chair will not be the Chair of the Governance and Remuneration Committee.

Other Directors who are not members of the Governance and Remuneration Committee are welcome to attend meetings, but will have no voting rights.

### 4. Meetings

Meetings are held at least twice per year or more frequently as required by the Board or Committee. Meetings of the Committee are usually held on the day prior to the Board meeting. Recommendations and/or reports are made to subsequent Board meetings.

The Company Secretary will, together with the CEO, draw-up an agenda which will be endorsed by the Committee Chair and circulated in the week prior to each meeting to the members of the Committee

The CEO and Company Secretary will be in attendance at meetings of the Committee.

At least one Director from each of the "A" Guarantors and "B" Guarantors must be present to form a quorum at a meeting.

## 5. Authority

The Governance and Remuneration Committee must consult with the Risk Committee Chair, Chief Executive Officer and the Chief Risk Officer, to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in specified roles.

The Governance and Remuneration Committee has unfettered access to other Board Committees, risk and financial control personnel, any officers or employees of the Trustee or any contracted service provider. Such parties will be instructed by the Board or the Executive Team to respond to such enquiries to the extent they are made in accordance with any relevant policies, contractual arrangements, or applicable regulations.

The Governance and Remuneration Committee is authorised to engage independent professional advice on matters as it considers necessary.

The Governance and Remuneration Committee makes decisions on authority delegated to it by the Board and as such reports to the Board on all decisions made under this delegation. Resolutions made by the Governance and Remuneration Committee will only pass if a majority of Committee members present and entitled to vote on the resolution at the meeting, vote in favour of the resolution.

The Governance and Remuneration Committee may make decisions within their delegated authority by circulating resolution if deemed appropriate to do so.

## E. Nominations Committee Terms of Reference

### 1. Responsibilities

The Nominations Committee unlike the other Board Committees does not form and meet regularly, due to the limited scope and nature of its responsibilities. The role of the Nominations Committee is to select the Chair in accordance with the Appointment of Independent Chair process. The Nominations Committee will assess candidates for the role of Chair and recommend the most suitable candidates to the Board.

### 2. Membership

The Nominations Committee is a sub-committee of the Governance and Remuneration Committee. The Nominations Committee will consist of four Directors, two from each of the "A" and "B" Guarantors. The Committee will appoint a Chair from amongst themselves. The Committee Chair will not have an additional casting vote. The Committee may seek secretarial support if required. In the event it is not possible to form the Committee in accordance with the above membership requirements, the Committee may draw upon the broader Board members to form the Nominations Committee.

### 3. Meetings

All four Directors who are members of the Nominations Committee must be present to form a quorum for a meeting.

The CEO will be in attendance at meetings of the Committee.

### 4. Authority

As part of the appointment process, the Committee may, without limitation, consider:

- using an external search firm to identify candidates
- using Director Registers e.g. Australian Institute of Company Directors, CPA Australia
- calling for nominations from employer and union organisations
- canvassing superannuation industry association chief executives for potential candidates
- placing advertisements in appropriate publications

The Committee has no decision-making authority however makes recommendations to the Board concerning the subject matter of their responsibilities. These recommendations are then tabled to the Board for resolution.

A recommendation of the Nominations Committee is only referred to the Board for resolution if a majority of the Committee vote in favour of it.

## F. Executive Committee Terms of Reference

### 1. Purpose

The Executive Committee is generally responsible for making decisions on matters that arise between Board meetings that require the immediate attention of the Board, and other particular matters referred to it by the Board. The Executive Committee has further responsibilities in relation to remuneration recommendations and executive performance.

### 2. Responsibilities

The Executive Committee will, subject to the overall authority of the Board, be responsible for:

- making time critical strategic business decisions as they arise outside of Board meetings
- making time critical investment decisions as they arise outside of Board meetings together with the Investment Committee Chair, where the decision cannot be deferred to the next Investment Committee or Board meeting
- reviewing and approving together with the Investment Committee Chair, appointments of external directors to investment portfolio boards
- conducting the performance reviews for the CEO in accordance with the Remuneration Framework
- recommending the remuneration for the CEO to the Governance and Remuneration Committee
- reviewing the established Policy Guidelines for Executive Positions and recommending changes as appropriate

The Executive Committee will also provide strategic leadership and guidance to the Board.

### 3. Membership

The Executive Committee comprises of the Independent Board Chair and Deputy Board Chairs. The CEO will attend all meetings except when the terms and conditions of the CEO's appointment are being considered.

### 4. Meetings

Meetings of the Executive Committee do not occur regularly, however where scheduled will usually be held on the day prior to the Board meeting and on such other occasions as necessary.

The Chair will provide a brief report of the findings and recommendations at an Executive Committee meeting to the Board.

The Chief Executive Officer will be in attendance at meetings of the Committee.

At least two Directors on the Committee must be present to form a quorum at a meeting.

## 5. Authority

The Executive Committee may seek any relevant information it requires from any officers or employees of the Trustee or any external service provider. Such parties will be instructed by the Board or the Executive Team to respond to such enquiries to the extent they are made in accordance with any relevant policies, contractual arrangements, or applicable regulations.

The Executive Committee is authorised to engage independent professional advice on matters as it considers necessary. Any such advice will be reported to the Board for consideration. There may be occasions when urgent decisions need to be made between Board meetings and as such the Executive Committee will make such a decision on authority from the Board. The Board acknowledges that such decisions are made on behalf of the Board as a whole.

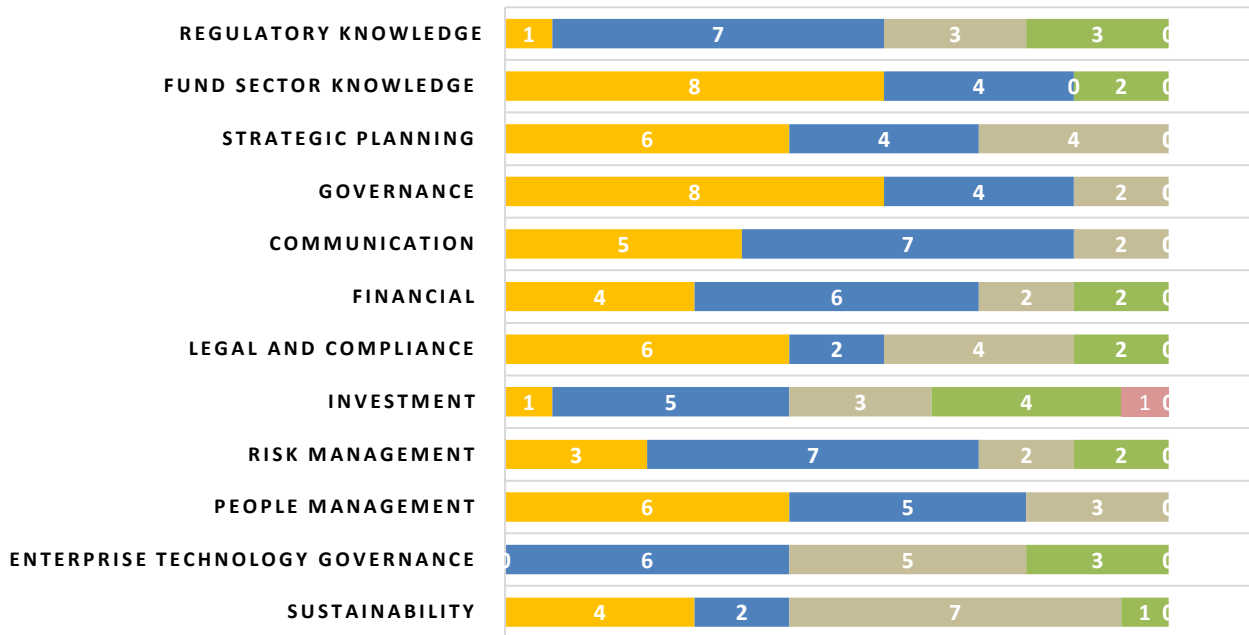
The Executive Committee makes decisions on authority delegated to it by the Board and as such reports to the Board on all decisions made under this delegation. Resolutions made by the Executive Committee will only pass if they are unanimous.

The Executive Committee may make decisions within their delegated authority by circulating resolution if deemed appropriate to do so. For investment related decisions, circulating resolutions may only be made by the Executive Committee together with Investment Committee Chair.

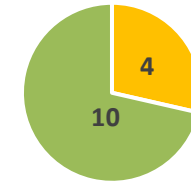
## Appendix: Collective Board Skills and Experience Matrix

### HESTA BOARD SKILLS AND EXPERIENCE

Very Strong Strong Developed Developing Basic

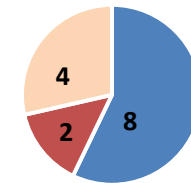


### Gender Diversity



Male Female

### Tenure Diversity



0 - 3 years 3 - 7 years 7 - 10 years