

# FY2022 COMPLIANCE REPORT: AIST Governance Code

**Fund name:**

Health Employees Superannuation Trust Australia (HESTA)

**Date of report:**

22 September 2022

**Document owner:**

Laura Dhana, Company Secretary

**Document owner contact details:**

**Email address:**

ldhana@hesta.com.au

**Phone number:**

(03) 8662 2526

**Date of approval by the Board:**

22/09/2022

**Date of submission to AIST:**

27 September 2022

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE



Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
-------------	--	--	-----------------------------	--------------------------------

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

<p>1.1 A profit-to-member superannuation Board must:</p> <ul style="list-style-type: none"> <li>conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director;</li> <li>for the appointment of representative directors in particular, this includes engagement with sponsoring organisations.</li> </ul>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>Prior to the appointment of a director to the Trustee Board, a Director nominee must complete a skills and training questionnaire to enable the Board to make an assessment of the skills and experience of that individual and to identify any gaps in training required. The usual fit and proper and conflict of interest and duties checks are also conducted prior to the appointment and on an annual basis.</p> <p>The Trustee maintains a Directors Skills Matrix which 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 is reviewed annually.</p> <p>For representative directors, the nominating organisations will be provided with information pertaining to the Trustee's expectation of Directors and fitness and proprietary requirements. The Board will further determine particular attributes, experience and qualifications that it deems required and enter into discussions with the relevant nominating organisations to ensure the nomination of suitable potential directors.</p> <p>The Trustee's governance framework also sets out a list of attributes that individuals who wish to take up the role of a HESTA director must demonstrate. The Board recognises the importance of ensuring an appropriate balance between Director renewal and continuity of knowledge, and generally takes into account the agreed set of principles when managing board appointments.</p> <p>A summary of the Trustee's Director Nomination, Appointment and Renewal Process is set out in section 6 of the Governance Disclosures document which is publicly available on the Fund's website. The collective Board Skills Matrix is also set out as an appendix to the Governance Disclosures document. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a></p>	
---	--	---	--

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>1.2 A profit-to-member superannuation fund must have a written agreement with each trustee director and senior executive setting out the terms of their appointment.</p>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>As part of the appointment process, each Trustee Director is required to sign a formal letter of appointment which sets out the terms and conditions of their appointment. Letters of appointment were signed by Directors appointed in the 2021/22 financial year.</p> <p>Executives and senior managers are employed under general employment law and their appointment is governed by individual employment contracts that sets out the terms and conditions of their employment. Employment contracts were signed by executives and senior managers appointed in the 2021/22 financial year.</p> <p>The letters of appointment together with the internal policies of the Fund substantially address the elements suggested under Requirement 1.2 of the AIST Governance Code Guidance.</p>		
<p>1.3 The fund's company secretary is accountable directly to the Board, through the Chair, on all matters concerning effective Board operations and must provide every assistance to the Board to fulfil their obligations in acting in the best interests of members. The Chief Executive Officer must not be the company secretary.</p>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>The Chief Executive Officer is not the Company Secretary.</p> <p>HESTA has a sole company secretary who is responsible for all matters relating to the effectiveness and proper functioning of the Board and its committees.</p> <p>All directors and the Chair have unfettered access to the company secretary and the company secretary is available to consult directly with trustee directors to facilitate the Board to fulfil its obligations in acting in the best interests of members.</p> <p>A description of the company secretary's role is set out in section 2.7 of the Governance Disclosures document which is publicly available on the Fund's website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a></p>		

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

1.4 Profit-to-member superannuation funds must have a written diversity policy, appropriate to the circumstances of the fund, which sets out clear and measurable objectives and provides for annual reporting to the Board and members. This policy must establish objectives concerning gender balance as a minimum, with other forms of diversity considered by the fund as appropriate. Objectives must relate to processes, which may, but do not necessarily, include targets for participation at Board and management levels, to ensure that the fund taps the broadest talent pool and is responsive to the needs of all its members.

- Full
- Partial
- Does not/cannot comply

HESTA has had a longstanding commitment to diversity and inclusion and with established processes, practices and systems in place, the focus is now on building a culture of belonging where employees are valued for their unique talents.

HESTA has a Gender Equality Plan and has embedded broader diversity and inclusion in its cultural roadmap, I Belong at HESTA. The Gender Equality Plan and I Belong at HESTA cultural roadmap document guiding principles and clear action plans that measures HESTA's performance against key targets or objectives over a three year period.

HESTA is a WEGA Employer of Choice for Gender Equality (EOCGE) (<https://www.wgea.gov.au/leading-practice/employers-of-choice/2020-eocge-citation-holders>) with its Chief Executive Officer being a Pay Equity Ambassador having signed the Pay Equity Pledge (<https://www.wgea.gov.au/leading-practice/pay-equity-ambassadors/meet-our-ambassadors>). HESTA is an EOCGE citation holder for 2021-2022. The EOGCE citation is strategically aligned with the Workplace Gender Equality Act 2012 to promote and improve gender equality for both women and men, while recognising the historically disadvantaged position of women in the workplace. In May 2021, HESTA was one of the first organisations in Australia that was accredited as a Family Friendly Workplace.

Under the EOCGE, HESTA has set its gender diversity target at 40% and has consistently achieved this target every year. HESTA also assess the number of female and male applications for roles (and throughout each stage of the recruitment process), levels within the organisation, performance data and training data - all of which are mandatory EOCGE reporting requirements.

A detailed analysis of gender statistics including a pay gap analysis is completed annually when applying for the EOGCE citation. Internally, gender representation and gender pay-gap analysis is conducted bi-annually, with the data and action plans shared with the HESTA Executive Team and Board, and internal changes and strategies formulated to

HESTA's organisational values and cultural framework I Belong at HESTA was refreshed and reviewed to align to HESTA's 3 year strategic plan, launched in June 2021. A new Gender Equality Action Plan, a 40:40 focus was also launched in 2022 and HESTA has implemented a range of new metrics.

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
		<p>address emerging gender gap trends). The Board receives regular reporting on the gender split across all levels in the organisation.</p> <p>HESTA's Executive team regularly engage the Board on a range of gender related initiatives including updates on progress against HESTA's Gender Equality Plan, gender diversity as part HESTA's strategic workforce plan, addressing the Sustainable Development Goals (SDG) for gender equality through advocacy activity that aim to improve gender equity measures in super and address gender diversity on Boards and Senior Executive teams.</p> <p>Understanding how modern slavery overwhelming impacts women nationally and internationally, HESTA has assessed organisational risks of Modern Slavery within business operations, supply chains and investments. In addition, HESTA employees are going through a range of educational initiatives to understand how increased awareness and active decision making can lead to more informed decision making that impacts the modern slavery supply chain.</p>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>1.5 In accordance with SPS510, profit-to-member superannuation funds must have:</p> <ul style="list-style-type: none"> <li>annual procedures to evaluate the performance of the Board;</li> <li>annual procedures to evaluate individual trustee directors.</li> </ul> <p>The fund must:</p> <ul style="list-style-type: none"> <li>disclose a summary of those procedures and;</li> <li>confirm annually that the performance evaluations were undertaken during the reporting period.</li> </ul>	<p><input checked="" type="checkbox"/> Full</p> <p><input type="checkbox"/> Partial</p> <p><input type="checkbox"/> Does not/cannot comply</p>	<p>The Board and individual Directors are subject to an annual assessment of their 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.</p> <p>The Board will participate in an internal performance evaluation for the 2020/21 financial year which will be undertaken between late August to October 2022.</p> <p>A summary of those procedures is set out in the Relevant Disclosures document and section 7 of the Governance Disclosures document, both of which are publicly available on the Fund's website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf</a> and <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a>.</p> <p>The Relevant Disclosures document referred to above includes the confirmation that Director performance evaluations for the 20/21 year were undertaken in accordance with its processes and policies. This confirmation will be updated for the 2021/22 year following the external performance evaluation to be conducted between late August to October 2022. The updated disclosure will be made prior to AIST Governance Code disclosure requirement of 1 November 2022.</p>		

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>1.6 The Board of a profit-to-member superannuation fund must have a documented process for evaluating the performance of the senior management. The fund should disclose whether such a performance evaluation was undertaken during the reporting period.</p>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>The CEO's performance is assessed annually by the Board following detailed discussion and appraisal by the Board's Executive Committee.</p> <p>Executives are assessed annually by the CEO, with input from the Executive Committee.</p> <p>Each Executive's performance is assessed against the organisational framework developed in the performance management system against their position responsibilities and Key Performance Indicators. The CEO discusses these assessments with the Executive Committee and provides any relevant recommendations.</p> <p>A summary of Executive Management Team's assessment procedure is set out on in the Relevant Disclosures document (<a href="https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf</a>) which is publicly available on the Fund's website.</p> <p>The Relevant Disclosures document referred to above includes the confirmation that Executive performance evaluations for the 2020/21 year were undertaken in accordance with its processes and policies. This confirmation will be updated for the 2021/22 year prior to the AIST Governance Code disclosure requirement of 1 November 2022.</p>		



# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>2.1 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> <li>• Have a committee responsible for Board renewal that has at least three members;</li> <li>• The committee must have a charter that is publicly disclosed and;</li> <li>• It should meet at least annually.</li> </ul> <p>For each reporting period the fund must:</p> <ul style="list-style-type: none"> <li>• disclose the members of the Board renewal committee and;</li> <li>• attendance records for any meetings during that period.</li> </ul>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>HESTA has a Governance and Remuneration Committee comprised of at least four Directors. A key responsibility of this Committee is to facilitate renewal of the Board by reviewing, monitoring and managing the process for appointments and re-appointments to the Board. HESTA also has a Nominations Committee which is a sub-set of the Governance and Remuneration Committee which meets ad hoc and a key responsibility of this Committee is to facilitate the assessment of candidates for the Independent Board Chair and Independent Investment Committee Chair positions.</p> <p>The Charters of the Governance and Remuneration Committee and the Nominations Committee are set out in Appendix 1D and E of the Governance Disclosure document which is publicly available on the Fund's website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a> .</p> <p>The Governance and Remuneration Committee meets at least four times a year.</p> <p>The members of the Governance and Remuneration Committee and the attendance record for the meetings of this Committee for the 2021/22 financial year are disclosed in the Director's Report of the Fund's Financial Statement which is available in the Fund's website. HESTA also publicly discloses on its website, the attendance summary of Board and Committee meetings for the last seven years - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Board-attendance-record.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Board-attendance-record.pdf</a>.</p>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>2.2 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> <li>Maintain a matrix showing the skills, relevant experience and diversity the Board currently has and acknowledge gaps it is looking to fill in order to effectively fulfil its strategic plan.</li> <li>It must disclose annually a representation of the existing collective skills, experience and diversity of the Board.</li> </ul>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Trustee maintains a Directors Skills Matrix which 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 to ensure the Board maintains the relevant experience and diversity needed to effectively fulfil its strategic plan.</p> <p>A matrix representing the skills, experience and diversity of the Board is maintained and disclosed as an Appendix to the Governance Disclosures document which is a publicly available document on the Fund's website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a></p> <p>Information on individual Directors, their qualifications and experience is disclosed on the Fund's website (<a href="https://www.hesta.com.au/about-us/leadership/hesta-board.html">https://www.hesta.com.au/about-us/leadership/hesta-board.html</a>).</p>		
<p>2.3 In disclosing the names of its directors, a profit-to-member superannuation fund must identify for each director whether they are a member representative, an employer representative or a non-representative member. In each instance, the name of the nominating body must also be publicly disclosed.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>Information about HESTA's individual Trustee Directors, their qualifications and experience (including whether they are a member representative, an employer representative or a non-representative member as well as the name of the nominating organisation) is disclosed on the Fund's website (<a href="https://www.hesta.com.au/about-us/leadership/hesta-board.html">https://www.hesta.com.au/about-us/leadership/hesta-board.html</a>) and in the Fund's Annual Report.</p>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>2.4 The voting rights of all trustee directors on the Board must:</p> <ul style="list-style-type: none"> <li>• Be equal, regardless of their status as a member or employer representative director, or non-representative director.</li> <li>• The voting majority for any Board decision should be no less than two-thirds of all trustee directors.</li> </ul>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>All HESTA trustee directors have equal voting rights.</p> <p>The Constitution under Rule 15.7 provides that a resolution of the Directors is not passed at a meeting of Directors unless at least two thirds of the Directors present and entitled to vote on the resolution at the meeting, vote in favour of the resolution. The Constitution is published on the Fund's website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Ltd-Constitution.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Ltd-Constitution.pdf</a></p>		
<p>2.5 The Chair of a profit-to-member superannuation fund Board must:</p> <ul style="list-style-type: none"> <li>• Be appointed by the Board, and</li> <li>• Must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair.</li> </ul>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>In accordance with Rule 5.14 of the Constitution, the Chair of the HESTA Board is appointed by the Board. The Constitution is published on the website. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Ltd-Constitution.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Ltd-Constitution.pdf</a></p> <p>The role of the Independent Board Chair is set out in section 2.4 of the Governance Disclosures document which includes the Board Skills Matrix set out as an appendix to the document. Refer - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Governance-disclosures.pdf</a></p> <p>The Chair meets all the skills identified under the Board Skills Matrix.</p>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
2.6 The CEO must not be a director of the fund.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	HESTA's CEO is not a director of the Fund.  The directors of the Fund are set out on the website, which does not include the CEO. Refer - <a href="https://www.hesta.com.au/about-us/leadership/hesta-board.html">https://www.hesta.com.au/about-us/leadership/hesta-board.html</a>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>2.7 A profit-to-member fund must:</p> <ul style="list-style-type: none"> <li>• Have an induction program for new trustee directors and</li> <li>• Provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge.</li> </ul>	<p><input checked="" type="checkbox"/> Full</p> <p><input type="checkbox"/> Partial</p> <p><input type="checkbox"/> Does not/cannot comply</p>	<p>HESTA maintains an induction program for new Trustee Directors. On the commencement of their appointment, a new director is provided with:</p> <ol style="list-style-type: none"> <li>1. a Directors Manual which gives him or her access to current and previous board and committee papers and relevant governance policies and procedures; and</li> <li>2. inductions with the Chair, CEO and relevant senior executives and managers.</li> </ol> <p>All new Trustee Directors are also required to undertake an appropriate introductory training course nominated by the Board which must be completed within 9 months from the date of appointment.</p> <p>New directors are also supported by an experienced Director in their first 18 months of their appointment under the Director Mentoring Framework.</p> <p>HESTA encourages and supports the ongoing professional development of the Board, and requires Directors complete a minimum of 35 hours per year of ongoing training and professional development. All directors are allocated a training budget each financial year for training and professional development. The Directors Education and Training Policy forms part of the Trustee's governance framework and outlines the requirements for HESTA Directors in relation to their ongoing education and training. The aim is to develop the capabilities of Directors to ensure they are appropriately skilled and qualified in diligently discharging their duties.</p>	<p>A Director Mentoring Framework was implemented in FY22 to better support new directors</p>	

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>3.1 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> <li>• Have a code of conduct for its Board, senior management and employees.</li> <li>• This code, or a summary of it, must be publicly disclosed.</li> </ul>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>HESTA maintains a Code of Conduct which outlines how Directors and employees of HESTA are expected to act in performing their duties. The Code of Conduct is part of the Governance Framework and aims to ensure the Trustee effectively discharges its duties in managing the Fund with regard to the regulatory requirements applicable to it, ensuring the reputation of the Fund is enhanced and its commitment to the ethical and social responsibilities of a profit-to-members superannuation fund. Given the size of the fund's operations and regulatory requirements, the Trustee has in place a number of policies and procedures to ensure the standards of conduct for employees and Directors are effectively managed and monitored, including any breaches. These include but are not limited to policies to manage conflicts of interest, training obligations, whistleblowing, fraud and fitness and propriety.</p> <p>A copy of HESTA's Code of Conduct is publicly available on its website - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-code-of-conduct.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-code-of-conduct.pdf</a> and is also available on the fund's intranet accessible by all employees.</p>	<p>HESTA's organisational values were reviewed in FY22. Employees within HESTA are able to nominate employees who live the values exceptionally and this is celebrated with the entire organisation on a monthly basis.</p>	

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>4.1 The Board of a profit-to-member superannuation fund must ensure the financial integrity of both the fund and the trustee entity.</p>	<p> <input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply                 </p>	<p>HESTA is regulated by APRA and ASIC and is subject to regulatory requirements on the integrity of accounting records, transparency on transactions, financial position of the Trustee and the Fund, solvency requirements and statutory, financial and professional accounting requirements.</p> <p>HESTA has appointed independent auditors (both internal and external) to ensure the financial integrity of both the Trustee and the Fund with both auditors reporting to the Finance Audit and Compliance Committee. As part of the regulatory requirements, the independent auditors are subject to fit and proper requirements and must make a declaration on their fitness and propriety prior to their appointment and on an annual basis. Fit and Proper assessments are also carried out prior to their appointment and on an annual basis.</p> <p>In addition to the Finance Audit and Compliance Committee's report to the Board, the Board also receives regular reporting from Management on the financial position of the Fund and the Trustee throughout the year.</p> <p>The financial integrity of the Fund and Trustee is evidenced in the Financial Statements of the Fund and the Trustee and supported by the Independent auditor's report.</p>		

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>4.2 A profit-to-member superannuation fund must ensure due process in all transactions and ensure that any related party transactions are conducted under market conditions with full transparency and disclosure.</p>	<p> <input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply                 </p>	<p>The Trustee’s relationships with related parties are ultimately approved by the Board. Where a Trustee’s relationship with a related party includes a relevant interest or duty, such interests or duties are disclosed.</p> <p>Related party transactions are entered into from time to time and are only done so in the best interests of the Fund’s beneficiaries. To ensure the Trustee treats related parties with consideration as to any potential conflicts, any consideration of an engagement will also consider all factors relevant to a full arm’s length review of a service provider relationship under HESTA’s internal policy and due diligence frameworks.</p> <p>Related party investments or transactions and the register of relevant interests are disclosed in the Relevant Disclosures document which is publicly available on the Fund's website - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Relevant-disclosures.pdf</a>.</p> <p>The summary of the Trustee's conflicts management and policy is also publicly available on the Fund's website - <a href="https://www.hesta.com.au/content/dam/hesta/Documents/Conflicts-management-framework-and-policy-summary.pdf">https://www.hesta.com.au/content/dam/hesta/Documents/Conflicts-management-framework-and-policy-summary.pdf</a></p>		



# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>4.3 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> <li>• Receive an attestation from the fund’s CEO* and CFO* that the fund’s accounts are a true and accurate reflection of the fund’s financial position and that the financial records have been properly maintained, before approving the financial statements.</li> <li>• In accordance with SPS510 an independent auditor must be appointed. The auditor must be fit and proper pursuant to SPS520 and must issue their opinion on the financial statements to the trustee and members of the fund.</li> </ul>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Board receives an attestation from the CEO and CFO confirming that the Fund’s accounts are a true and accurate reflection of the Fund’s financial position, prior to the Board's approval of the financial statements.</p> <p>The Board has appointed PriceWaterHouseCoopers as its independent external auditor in accordance with SPS510. The appointed lead external auditor's independence and opinion on the financial statements are included in the Financial Statements of the Fund.</p>		

\* Titles may differ – please indicate the title of relevant manager/s undertaking attestation.

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>5.1 A profit-to-member superannuation fund must develop and implement a stakeholder engagement program, for effective disclosure of relevant and material issues. The program must provide opportunities for directors and senior management to communicate directly with stakeholders and for stakeholders to ask questions of them.</p>	<p> <input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply                 </p>	<p>HESTA held its annual FY 21 Member Meeting on 30 November 2021. As required under legislation the Member Meeting was attended by the Board Chair, a quorum of directors, the executive officers of the Trustee and the auditor of the Fund for the income year. The meeting was open to all members of the Fund and a formal notice of the Member Meeting was also given to members.</p> <p>The meeting covered an overview of the results of FY21, an update on board, governance and investment committee focus including an update on the investment strategy and performance. There was a dedicated Q&amp;A session where members were able to submit the questions online via the live event. A recording of the meeting as well as written minutes were made available on the Fund's website within a month, including responses to those questions submitted which were not addressed at the meeting. Through this forum, the Trustee will continue to foster and build its engagement with members.</p> <p>HESTA also engage with its members through education and engagement including onsite face to face and virtual seminars and webinars that are interactive. For our key stakeholders and employer partners, there are a number of engagement opportunities for direct dialogue with senior members of our Executive and leadership team Nationally throughout the year.</p>		

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

6.1 A profit-to-member superannuation fund must:

- Have a strong risk culture with a Board that provides robust oversight of the fund’s material risks.
- The risk management framework must explicitly address factors that may erode the fund’s members-first culture.

- Full
- Partial
- Does not/cannot comply

HESTA is passionate about maintaining its member-first culture. The HESTA purpose is to “invest in and for people who make our world better”, and the member-first culture is promoted from the top by the Board and Committees, embedded and continuously enhanced by Management through various activities that promote and maintain a strong culture of risk awareness and management by all employees.

As part of instilling a strong risk culture, a comprehensive risk management induction, training and awareness program is deployed for all employees to promote greater understanding of how HESTA’s Risk Management Framework and Strategy contributes to achieving strategic objectives. All employees must comply with key HESTA Policies including the Risk Management Framework and Strategy, in accordance with the terms of their employment and promoted through online learning and development modules and attested to at least annually. In FY22 this was uplifted by the CRCO delivering a comprehensive risk management awareness and development program of presentations to all staff nationwide to ensure the new risk management framework was fully understood and embedded across all employees.

The Risk Management Framework and Strategy, including the Risk Appetite Statement, explicitly address the management and oversight of material risks to the Fund. The fully revised and updated set of material risk categories and sub-categories that was Board approved in May 2021 included increased emphasis on the key member-first risk areas of conduct, culture, and people. This was formally operationalised in the new Risk Appetite Statement and Risk Management Framework and Strategy in FY22. A comprehensive set of Risk Measure and Metrics covering all material risks and sub-risks supports the framework through increased reporting of the performance against key risks. This enhances the focus on ensuring that HESTA appropriately engages with members and stakeholders to ensure that the member-first culture and optimal member outcomes are achieved.

The Risk Management Framework and Strategy (RMFS) is reviewed and approved by the Board via the Risk Committee (RC) annually. The Board

Building on the extensive enhancements to the overall risk management framework over the last 12-18 months, HESTA has continued to invest in human and technical resources for the Risk & Compliance team. Some features of FY22 activities include:

- The planned restructure of the Board Committees has been implemented, creating the stand-alone RC and FACC
- Enhanced risk reporting to the RC facilitated by the CRCO through specific risk topic deep dives and discussion
- Securing a new industry-leading GRC system, which is in the process of implementation

A key priority for HESTA in FY23 is the successful merger with Mercy Super which requires a significant level of Risk & Compliance Team oversight. The evolution of the risk management framework will continue as the organisation grows and the risk profile changes in complexity with the merger. The key Risk & Compliance Team activity in FY23 to complete the overall risk management framework uplift is the successful deployment of the new GRC system including the enhanced risk dashboard reporting capability.

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

also separately reviews and adjusts the Risk Appetite Statement (RAS) as part of the annual strategic and business planning process to ensure robust oversight by the Board, particularly of emerging strategic risks.

The RC together with the new Finance Audit and Compliance Committee (FACC) oversee and monitors the effectiveness of the internal controls and risk management systems considering evolving external governance requirements. In undertaking this role, the Committees review:

- procedures for identifying material risks and managing their impact on HESTA including the operational effectiveness of these procedures;
- processes and systems for managing budgeting, forecasting and financial reporting;
- adequacy of trustee insurance coverage and fund reserves
- standards and practices for detecting, reporting and preventing fraud and corruption;
- procedures for ensuring compliance with relevant regulatory and legal requirements;
- arrangements for the protection of information and data systems and other non-physical assets;
- overseeing the adequacy of the internal controls and allocation of responsibilities for monitoring internal financial controls.

with dedicated project resources to facilitate optimal outcomes

- Conducting a full business team organisation wide risk profile resulting in a set of reporting metrics, and mapping the specific risks and mitigating controls for deployment with the new GRC system
- Creating a Regulator Engagement role to lead the direct engagement with regulators to ensure we meet ever increasing regulator expectations
- Continued strengthening of the Risk, Compliance, and Information Security Teams to increase the capability to effectively perform the second line of accountability role in an organisation

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
			growing in size and complexity. HESTA participated in the 2022 APRA Risk Culture Survey and achieved a response rate of 75% of all employees which reflects a positive level of organisational engagement with risk management and the importance of risk culture.	

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
<p>7.1 A profit-to-member superannuation fund must have policies and practices in place to attract and retain highly competent people, assessed relative to the size, nature and complexity of the fund. These policies and practices must be consistent with its responsibilities for maximising members' retirement outcomes and encouraging and rewarding ethical practices and behaviour.</p>	<p><input checked="" type="checkbox"/> Full  <input type="checkbox"/> Partial  <input type="checkbox"/> Does not/cannot comply</p>	<p>In 2019 HESTA developed and implemented a comprehensive remuneration framework based on a board approved remuneration philosophy. This framework recognises HESTA employees as the valued key drivers of delivering effectively for members. The Remuneration Framework was further refined in FY21 to refresh and update the Investment Performance Incentive Plan to apply from FY22.</p> <p>The remuneration framework (reviewed by the Governance and Remuneration Committee and approved by the Trustee Board) focuses on important matters like how HESTA employees are valued, equity and diversity, accountability and the process of HESTA's remuneration review and benchmarking process.</p> <p>HESTA understands the need to attract and retain highly competent employees, and as such maintains a people plan to ensure the recruitment and retention of employee talent consistent with our strategic objectives. HESTA continues to have an articulated and well-considered Employee Value Proposition focused on attracting and retaining highly competent people with the appropriate ethical practices and behaviour, aligned with its focus on maximising members' financial futures.</p> <p>HESTA's Employee Value Proposition is publicly available on its website. Refer - <a href="https://www.hesta.com.au/about-us/careers-at-HESTA.html">https://www.hesta.com.au/about-us/careers-at-HESTA.html</a></p>		<p>Review of the Remuneration Framework will be undertaken in FY23 to align with requirements under CPS511. Further reviews may be required under the Financial Accountability Regime once the legislation has passed.</p>

## FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

8.1 A profit-to-member superannuation fund must design and manage appropriate investment strategies having regard to member demographics and circumstances during both the accumulation and decumulation phases.

- Full  
 Partial  
 Does not/cannot comply

The Fund was established to provide benefits to employee members in the health and community services sector. The Fund's investment strategy centres on driving better investment outcomes for its members to support the HESTA purpose.

The Fund's Investment Policy Statement, together with other policies, systems and structures, forms HESTA's Investment Governance Framework (IGF), consistent with the definition in SPS 530. This includes generating returns to meet investment objectives while managing and monitoring all identified sources of investment risk. During FY21/22, there has been a continued focus on evolving investment governance policies, process and reporting to ensure that HESTA's IGF is appropriate for a Fund of its size and sophistication.

Underpinning the Investment Governance Framework, the Board has approved a clear set of Core Investment Beliefs which guide investment decision-making towards achieving its mission and goals. Together, these form the approach to how the Fund manages its members' assets. HESTA's Core Investment Beliefs can be found on its website. Refer - <https://www.hesta.com.au/campaigns/investment-beliefs.html>

Details of the Investment Options offered by HESTA are set out on the Fund's website, which also include the relevant Product Disclosure Statements – refer to <https://www.hesta.com.au/members/investments/super-investment-options.html> and <https://www.hesta.com.au/members/investments/income-stream-investments.html>.

The ready-made investment pools ("diversified investment options") provide a range of diversified options, spreading investments across different asset classes and offering a range of risk levels. The single asset class pools are primarily invested in one specific asset class, but may have a strategic asset allocation to cash to help reduce risk and manage liquidity. The single asset class pools are designed to allow members to tailor their own asset allocations within their portfolios.

# FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

Requirement	Compliance level Please select one:	Explanation & evidence (pls copy in links and/or supply documents)	List changes made in FY2022	Planned improvement activities
		<p>Through the Investment Committee, the Trustee reviews the Investment Policy Statement and Investment Governance Framework which includes the regular review of the investment strategy of the Fund. The Trustee considers investments at both the total Fund level and for each individual investment option, ensuring that investments and governance are aligned with the size, business mix and complexity of the Fund. Across all options, the primary objective is to deliver the best financial outcome for members. In addition, HESTA has a comprehensive Liquidity Management Plan to manage liquidity risks associated with market volatility and member activity.</p> <p>The Fund's Annual Report also includes detail on the Fund's investment strategy.</p>		