

# **Governance Framework of Legal Super Pty Ltd**

The objective of this Framework is to promote strong and effective governance of Legal Super Pty Ltd and legalsuper.

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## **1. About this document**

- 1.1 Legal Super Pty Ltd (**the Trustee**) is committed to operating in accordance with good governance principles. This Governance Framework (**Framework**) describes the key policies and procedures adopted by the Board (**the Board**) of the Trustee (Trustee) to ensure the sound and proper governance of legalsuper (**the Fund**).
- 1.2 In formulating this Framework the Board has had regard to:
- a) its commitment to a high standard of corporate governance practice and promotion of a culture which values ethical behaviour, personal and corporate integrity, accountability and respect for others;
  - b) the size and complexity of the operations of the Trustee and the Fund; and
  - c) the requirements of the Superannuation Industry (Supervision) Act 1993 (**the SIS Act**), Regulations, and APRA's Superannuation Prudential Standard 510, Superannuation Practice Guide 510 on governance matters and the AIST Governance Code.
- 1.3 This Framework should be read in conjunction with and includes, the Board's Fit and Proper Policy, Investment Governance Framework, Conflicts Management Framework, Remuneration Policy, Risk Management Framework, Register of Material Risks, Outsourcing Policy, the Charters of the Committees, Board Code of Conduct, Board Performance Assessment Form and Board Skills Matrix.

## **2. Definitions**

- 2.1 In this Framework, the following terms have the following meanings:

**"Board"** means the Directors acting collectively.

**"Chair"** means the Independent Director appointed by the Board as Chair of the Board or the Director appointed by the Board in accordance with Rule 45(c) of the Constitution.

**"Chief Executive"** means the person appointed by the Board as Chief Executive of the Fund and secretary of the Trustee.

**"Committee"** means a committee established by the Board.

**"Trustee"** means Legal Super Pty Ltd.

**"Constitution"** means the Constitution of the Trustee.

“**Director**” means a director of the Trustee.

“**Delegated Powers**” means powers that the Board has delegated in writing to a Director, a Committee or the Chief Executive.

“**Employer Director**” and “**Member Director**” means a Director nominated by an employer or member representative body respectively.

“**Independent Director**” means a Director appointed by the Board other than a Member Director or Employer Director.

“**Responsible Person**” means a Director, secretary of the Trustee, Senior Manager, RSE Auditor or a person who performs activities for a connected entity of the Trustee where those activities could materially affect the whole, or a substantial part, of the Trustee’s business operations, or its financial standing, either directly or indirectly.

“**RSE Auditor**” means the person appointed by the Board as external auditor of the Fund.

“**Senior Manager**” means a manager defined as a senior manager in relation to the Trustee for the purposes of APRA Prudential Standard SPS 520 Fit and Proper.

“**Stakeholder**” means an organisation that nominates Directors to the Board, namely, the Law Institute of Victoria, Law Society of New South Wales, United Services Union and Australian Services Union - Victorian Private Sector Branch and Victorian Bar Inc.

“**Trust Deed**” means the trust deed constituting the Fund (as amended from time to time).

### **3. Charter of the Board**

3.1 The Board has adopted a Board Charter setting out the role, responsibilities and authorities of the Board and related matters.

### **4. Board performance**

4.1 The Board has determined the core competencies required by Directors and Committee members and has developed a skills matrix setting out the mix of skills that the Board currently has or is looking to achieve. At least annually, the Chair helps facilitate an evaluation of the skills of each Director and the Board as a whole.

4.2 The Board, led by the Chair will annually conduct a performance assessment of the Board as a whole, its Committees, individual Directors and its governance process.

4.3 Evaluations will have regard to the matters set out in this Governance Framework and

Committee charters, including the duties and responsibilities of directors, and their capabilities, skills, knowledge, experience (including sectoral knowledge and experience), personal qualities and performance, while having due regard to the collective nature of board work. The Board may seek input from management in conducting its evaluation.

4.4 The results of the evaluation will be provided to directors and action plans will be determined to improve board effectiveness as appropriate.

4.5 The Board's performance assessment process includes the following:

- a) ongoing monitoring of progress with achievement of the Strategic & Business Plan;
- b) annual performance assessment of the Board facilitated by the Chair; and
- c) ongoing performance monitoring by the Chair and Board.

**Annual performance assessment facilitated by the Chair**

4.6 The Chair facilitates an annual performance assessment of the Board and may be assisted by an external party appointed by the Board to undertake an independent assessment.

4.7 The annual assessments will use a combination of any or all of an external facilitator, assessment questionnaires, confidential (non-attribution) interviews and workshop(s), or other such means as the Board may from time to time determine.

4.8 The questionnaire assessment includes the following processes:

- a) the Chair distributes the Board performance assessment form to each Director for completion. This form allows each Director to indicate their assessment of their own performance at Board and Committee meetings and the performance of the Board overall;
- b) on completion, the form is returned directly to the Chair and individual responses will be kept confidential;
- c) the Chair meets with each Director and discusses their performance and the comments provided in the performance assessment form. This is a two-way conversation between the Chair and each Director;
- d) following a discussion with each Director, the Chair summarises the responses and reports the results to the Board. Any comments and feedback are reported without identification and, where required, the report outlines the required actions to address any unsatisfactory responses;

- e) the Board discusses the summary and, where required, confirms and approves any required actions to address any unsatisfactory responses;
- f) the Deputy Chair or a Director nominated by the Board facilitates the Board's review of the Chair's performance following completion by the Chair of the Board performance assessment form. The Board assesses the performance of the Chair; and
- g) the Board monitors the timeliness and effectiveness of any actions to be taken by way of ongoing reporting by the Chair.

#### **Ongoing performance monitoring by the Chair**

- 4.9 The Chair will raise any concerns with the performance of a Director with that Director. If concerns remain, the Chair will inform the Board.
- 4.10 Should concerns reported by the Chair relate to a Director's contribution as a member or chair of a Committee, the Board may remove the Director from such role.
- 4.11 Where performance issues arise with an Independent Director, the Board may remove the Independent Director.
- 4.12 If the Board has concerns with performance of a Director, it may refer them to the applicable Stakeholder.

### **5. Voting rights**

- 5.1 Rule 46 of the Constitution sets out the rules in respect of voting at meetings of Directors.

### **6. Board Renewal Policy**

#### **Tenure**

- 6.1 Rule 35 of the Constitution provides as follows:
  - (a) "Subject to this rule, on 31 March in each year, commencing 31 March 2009, at least one Employer Director and one Member Director must retire from office.
  - (b) A Director must retire from office on 31 March four years after which the Director was appointed or reappointed or elected or re-elected.
  - (c) If no Employer Director is required to retire pursuant to paragraph (b), the Employer Director required to retire pursuant to paragraph (a) is the Employer Director longest in office since last being appointed or elected.
  - (d) If no Member Director is required to retire pursuant to paragraph (b), the Member Director required to retire pursuant to paragraph (a) is the Member Director longest in office since

last being appointed or elected.

(e) Where no Employer Director or Member Director is required to retire under rule 35(b) and there are two or more Employer Directors or Member Directors who are potentially required to retire under rule 35(a) because they were appointed or elected on the same day (in the absence of agreement between the Employer Directors concerned and the Member Directors concerned), the Employer Director or Member Director required to retire will be determined by lot.

(f) A retiring Director is eligible for re-appointment or re-election."

6.2 The maximum term for a Director is 12 years, subject to paragraphs 6.3 and 6.4 below.

6.3 Where a Director held office on 20 June 2013, and on that date had served as a Director for 8 or more years but less than 12 years, that Director may after 30 June 2013 be re-appointed or re-elected once only for a period of not more than 4 years notwithstanding that:

(a) the Director has held office at the date of re appointment or re-election for more than 12 years; or

(b) the Director will have held office for more than 12 years prior to the expiration of the additional period of their appointment.

6.4 A Director who has served the maximum term shall retire but may be re-appointed where exceptional circumstances exist such as degree of expertise, knowledge, background and reputation or such other matters as the Board determines.

#### **Nomination**

6.5 Prior to a Director retiring from office, the Chair of the Board will write to the relevant Stakeholder setting out:

a) the requirements of the Board's Fit and Proper Policy;

b) the skills and experience (as determined by the Board) required of any nominee to enable them to make an effective contribution to Board deliberations and processes and to ensure that the Board, collectively, has the full range of skills needed for the effective and prudent operation of the Trustee and the Fund; and

c) a nominee experience and skills questionnaire and a Responsible Person's declaration to be completed by any new nominee.

#### **Appointment**

6.6 The Remuneration & Nomination Committee will determine the processes for the interview of

nominees for the role of Director and make a recommendation to the Board.

- 6.7 If the Board determines that the criteria set out in rule 33 of the Constitution have been met in respect of a nominee, the appointment of the nominee will take effect.
- 6.8 If the Board considers that a nominee is not qualified for appointment in accordance with rule 33 of the Constitution, the relevant Stakeholder will be advised and asked to nominate a qualified person.

#### **Removal**

- 6.9 Directors may be removed in accordance with rule 34 of the Constitution.

#### **Vacancies**

- 6.10 The office of a Director becomes vacant in accordance with rule 39 of the Constitution.
- 6.11 Where a vacancy arises, the vacancy will be filled within 90 days after it occurred in accordance with s. 89(3) of the SIS Act.

### **7. Remuneration policy**

- 7.1 The Board has adopted a Remuneration Policy for its Responsible Persons.
- 7.2 The Trustee does not pay performance-based remuneration to any staff.
- 7.3 The Remuneration Policy will be provided to APRA, on request.

### **8. Remuneration & Nomination Committee**

- 8.1 The Board has established a Remuneration & Nomination Committee and approved a Charter which sets out its membership, role and responsibilities.
- 8.2 The Remuneration Policy is overseen by the Remuneration & Nomination Committee.
- 8.3 The Remuneration & Nomination Committee has at least three members and all members are required to be non-executive Directors.
- 8.4 The Chair of the Board (being the only independent Director) is Chair of the Remuneration & Nomination Committee.

### **9. Audit, Risk & Governance Committee**

- 9.1 The Board has established an Audit, Risk & Governance Committee and has approved a Charter which sets out its membership, role and responsibilities.
- 9.2 The Audit, Risk & Governance Committee has at least three members and all members are required to be non-executive Directors.

9.3 The RSE Auditor and internal auditor are informed of the dates of all Board and Committee meetings and may attend meetings.

9.4 The RSE Auditor and internal auditor have access to any Director or member of the management team to perform their functions.

## **10. Internal audit**

10.1 The Board has established an outsourced internal audit function that evaluates the adequacy and effectiveness of the Fund's risk management and other matters determined by the Audit, Risk & Governance Committee or the Board.

10.2 The Audit, Risk & Governance Committee appoints the internal auditor and approves the annual internal audit plan.

## **11. Whistle-blowing**

11.1 Prospective, current or former officers, employees and service providers can disclose information and documents to APRA and discuss issues with APRA related to the management and prudential supervision of the Trustee or Fund provided there are reasonable grounds to raise their concern.

11.2 Such persons are also not constrained or impeded from providing information to the Chair, the Chief Executive or to auditors and others who have statutory responsibilities in relation to the Trustee or Fund.

11.3 Directors or members of the management team will not constrain, impede or discourage (whether by confidentiality clauses, policies or other means) any person from disclosing information or providing documents pursuant to 11.1 and 11.2.

11.4 All Directors and members of the management team will be informed of the above on appointment.

## **12. Framework dissemination**

12.1 This Framework will be provided to:

- a) all Directors and the Chief Executive;
- b) external and internal auditors;
- c) Senior Managers;
- d) Stakeholders; and

e) shareholders of the Trustee.

12.2 This Framework will be made available, on request, to APRA.

12.3 All Directors, the Chief Executive, Senior Managers and the external and internal auditors will, on request, make themselves available to meet with APRA.

### **13. Notification and Reporting**

13.1 The reason for the removal of a Director will not be divulged to external parties unless it is required by law or regulation.

13.2 The appropriate regulators will be notified of the appointment, retirement or removal of a Director, other Responsible Person or the RSE Auditor within the required regulatory timeframe.

13.3 ASIC and APRA will be provided information each year concerning Directors, other Responsible Persons and the RSE Auditor in the prescribed manner.

13.4 The Fund's Annual Report will include:

- a) Directors' names, experience and (if applicable) duties or interests in other entities or service providers;
- b) membership of the Committees;
- c) Board and Committee meeting attendance by Directors; and
- d) information about the Board's remuneration policies and Directors' remuneration.

13.5 The Annual Report is made available on legalsuper's website and is distributed to key stakeholders.

13.6 Stakeholders, the shareholders of the Trustee and the RSE Auditor will be informed promptly of the appointment, retirement or removal of a Director.

13.7 Members of the management team will be informed after the Board has been notified.

### **14. Framework review**

14.1 This Framework will be reviewed at least annually by the Audit, Risk & Governance Committee to ensure it remains effective. Any amendment must be approved by the Board.

14.2 This Framework will also be reviewed by the Audit, Risk & Governance Committee if there is a material change to the size or complexity of the operations of the Fund or a change to the Constitution.

**Version control:**

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