

FY2022 COMPLIANCE REPORT: AIST Governance Code

Fund name:

Telstra Superannuation Scheme

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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 FY2021	Planned improvement activities
<p>1.1 A profit-to-member superannuation Board must:</p> <ul style="list-style-type: none"> conduct all appropriate enquiries to ensure that nominees have the appropriate skills and experience before appointing a person as a trustee director; for the appointment of representative directors in particular, this includes engagement with sponsoring organisations. 	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>In assessing director nominees, the Board follows the process set out in the Fund's Constitution and Governance Framework. This requires the Board to identify the skills and experience required from a new trustee director and consider the strategic and diversity objectives that the Board has in place from time to time.</p> <p>The Chair informs the nominating body of the Board's requirements when seeking nominations to fill a trustee director vacancy. The Chair draws the nominating body's attention to any areas where the Board wishes to increase its overall skills and experience capability and may engage further with them regarding the Board's requirements.</p> <p>Proposed nominees undergo a fitness and propriety assessment under the Fund's Fit & Proper Policy, and the nomination is considered by both the Governance & Remuneration Committee and Board before appointment.</p>	<p>During the year, the Board considered the expiring terms of four directors, including the Chair.</p> <p>Following consideration (and where appropriate, consultation with the nominating body), the Board determined to re-appoint each of these directors to complete a further term.</p>	<p>The Trustee will consider its governance practices generally, in light of the Governance Code changes recently approved by the AIST Board and effective from the 2023 reporting period.</p>

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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>The Fund has a written agreement in place with each trustee director and senior executive setting out the terms of their appointment. The written agreement for each trustee director is in their letter of appointment.</p> <p>The appointment terms of each senior executive are set out in their employment contract.</p> <p>Key terms in director agreements include duration of appointment and maximum tenure, time commitment and a requirement to comply with internal policies and professional development obligations.</p> <p>Key terms in senior executive contracts include duties and responsibilities, remuneration arrangements, confidentiality obligations and requirements to comply with internal policies.</p>	<p>Letters of renewal were sent to each director who was re-appointed to complete a further term, during the year.</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 Company Secretary role is undertaken by the General Counsel & Company Secretary, who is also a senior executive of the Fund.</p> <p>The General Counsel & Company Secretary advises the Chair and the Board on governance matters and manages the delivery of Board and Committee meetings.</p> <p>The General Counsel & Company Secretary meets with the Chair of the Board as required on all matters concerning the Board and helps to ensure that the Board fulfils its obligations to act in the best interests of members and prioritise members' interests</p>		<p>The Trustee is in the process of restructuring the Secretariat function and is creating a dedicated Company Secretary role.</p> <p>The Company Secretary will assume all existing responsibilities of the role. The role will not participate as a senior executive.</p>

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>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.</p>	<p><input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply</p>	<p>The Fund continues to progress its comprehensive Diversity & Inclusion strategy led by the People & Culture team, in conjunction with the Fund's Diversity Council and Diversity Working Group.</p> <p>Key objectives of the strategy include: promoting awareness of diversity, increasing representation and development of women in leadership roles, strengthening retention and promoting workplace flexibility, increased awareness on LGBTIQ and Gender Transition of employees and supporting working parents.</p> <p>The Fund also undertakes and reports on an annual pay equity analysis of business wide remuneration from a diversity perspective.</p> <p>The Fund's Governance Framework sets out the Board's gender diversity objective that there will be at least four women on the Board, constituting a female gender representation among representative trustee directors collectively of at least 50%. Gender diversity is considered when seeking nominees for trustee directors from sponsoring organisations.</p> <p>The Fund currently satisfies this diversity objective, with five out of the Fund's nine directors being female.</p>	<p>Introduction of a Gender Transition policy, increased parental leave program and introducing grandparents leave.</p> <p>Partnered with Pride in Diversity to support our LGBTIQ employees.</p> <p>In October 2021, the fund was recognised for a third consecutive year as a Workplace Employer of Choice for Gender Equality</p>	<p>Exploring introducing Menopause leave.</p>

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>1.5 In accordance with SPS510, profit-to-member superannuation funds must have:</p> <ul style="list-style-type: none"> annual procedures to evaluate the performance of the Board; annual procedures to evaluate individual trustee directors. <p>The fund must:</p> <ul style="list-style-type: none"> disclose a summary of those procedures and; confirm annually that the performance evaluations were undertaken during the reporting period. 	<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’s performance assessment processes are now embedded in the Board Governance Framework. Evaluation procedures include the assessment of the Board’s objectives and the performance of both the Board and Committees, as well that of individual directors.</p> <p>The fitness and propriety of individual directors is also reviewed annually.</p> <p>The Chair facilitates a review of the performance of the Board, Board Committees and individual directors. The Board engages an independent external party to undertake this review at least once every three years.</p> <p>The outcomes of the 2022 review were considered by the Board in September 2022. Individual director performance will be considered in discussions between the Chair and the director concerned.</p> <p>The Fund's Fit & Proper Policy sets out how the Board addresses matters relating to the performance of individual directors. This may include taking appropriate action where the Board considers that a trustee director no longer satisfies their fitness and propriety obligations or other requirements of their appointment.</p>	<p>The Board’s performance assessment process was embedded within the Board Governance Framework. The Board’s Performance Objectives were captured in a separate document.</p>	

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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 Fund has a formal documented process in place for evaluating the performance of senior executives and all employees.</p> <p>Performance evaluation is a continuous process with a structured discussion conducted twice annually. All employees set key performance objectives for the financial year. These are agreed in consultation with people leaders and are aligned with the TelstraSuper Corporate Business Plan.</p> <p>Performance evaluation consists of assessment against the employee's key performance objectives and alignment with the TelstraSuper values.</p> <p>The Chief Executive Officer undertakes the performance review of members of the executive leadership team.</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.1 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> • Have a committee responsible for Board renewal that has at least three members; • The committee must have a charter that is publicly disclosed and; • It should meet at least annually. <p>For each reporting period the fund must:</p> <ul style="list-style-type: none"> • disclose the members of the Board renewal committee and; • attendance records for any meetings during that period. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Board recognises the importance of Board renewal and maintains ongoing oversight of Board composition. The Board seeks to remain open to fresh insights and ideas, encourage diverse thinking and maintain appropriate and adequate levels of knowledge, skills and experience.</p> <p>The Board's Governance & Remuneration Committee (GRC) is responsible for Board renewal and succession planning. The GRC monitors the Board's composition and how it believes it should be best constituted to support the delivery of the Fund's strategic objectives.</p> <p>The GRC meets the relevant requirements of APRA Prudential Standard - Governance, SPS 510, has five members and meets at least three times each year.</p> <p>The GRC Charter sets out its duties and responsibilities. A summary of the Board renewal responsibilities of the GRC is disclosed on the Fund's website.</p> <p>The Fund's website also discloses the members of the GRC and attendance records for any meetings during the period</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.2 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> 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. It must disclose annually a representation of the existing collective skills, experience and diversity of the Board. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Board maintains a Fitness Analysis document summarising the skills and experience of each trustee director. The Board seeks to maintain skills and experience across a series of core and specialist areas.</p> <p>The matrix is updated whenever a new director is appointed or otherwise on an annual basis.</p> <p>A summary of the collective skills, experience and diversity of the Board is disclosed on the Fund's website</p>	<p>The skills matrix forming part of the Fit & Proper Policy was moved to a separate Fitness Analysis document.</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>The Fund has an equal number of member and employee representative trustee directors and one independent director who acts as Chair of the Board.</p> <p>Details of the directors and their nominating bodies are disclosed on the Fund's website.</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.4 The voting rights of all trustee directors on the Board must:</p> <ul style="list-style-type: none"> • Be equal, regardless of their status as a member or employer representative director, or non-representative director. • The voting majority for any Board decision should be no less than two-thirds of all trustee directors. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Trustee's constitution requires all decisions of the Board to be determined by resolution of two thirds of the number of trustee directors in office for the time being, including at least two employer representative directors and two member representative directors.</p> <p>The voting rights of all individual trustee directors are equal.</p> <p>Board Committees are comprised of a sub-set of trustee directors. The independent director's participation on certain Board Committees is in a non-voting ex officio capacity.</p>		
<p>2.5 The Chair of a profit-to-member superannuation fund Board must:</p> <ul style="list-style-type: none"> • Be appointed by the Board, and • Must satisfy all the requirements of skill and experience identified in the fund's skills matrix for the role of Chair. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Trustee's constitution permits the Board to have one independent director, who acts as the Chair of the Board.</p> <p>The Chair is appointed by the Board. The skills and experience identified for the role of the Chair are set out in the Chair's position description and outlined in the summary of the collective skills, experience and diversity of the Board on the Fund's website.</p>		
<p>2.6 The CEO must not be a director of the fund.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Chief Executive Officer is not a director of the Fund</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>2.7 A profit-to-member fund must:</p> <ul style="list-style-type: none"> • Have an induction program for new trustee directors and • Provide appropriate ongoing professional development and training opportunities to continuously enhance their skills and knowledge. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Fund undertakes a comprehensive induction program for all new trustee directors including briefing sessions with the Chair and members of the Executive Team, providing an insight into the Fund's philosophy, strategy and operations.</p> <p>The Fund also provides appropriate ongoing professional development and training opportunities to enable trustee directors to continuously enhance their skills and knowledge.</p> <p>All directors are required to complete at least 30 hours of continuous professional development each financial year.</p>	<p>No new director appointments were made during the year.</p>	
<p>3.1 A profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> • Have a code of conduct for its Board, senior management and employees. • This code, or a summary of it, must be publicly disclosed. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Fund has a Board Code of Conduct and a Code of Conduct for management and all employees.</p> <p>A summary of the codes of conduct is publicly disclosed on the Fund's website</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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>The Fund has a Chief Financial Officer and a dedicated Finance function, which deals with the Fund's financial matters, including the Fund's financial records. The Board is provided with ongoing reporting regarding the Fund's financial position at every Board meeting.</p> <p>The Audit Committee and Board comprehensively review the Fund's annual financial statements each year. The Chief Financial Officer facilitates a detailed walkthrough of the financial statements with all directors before the financial statements are tabled for approval by the Board each year.</p> <p>The Audit Committee Charter requires at least one Committee member to have formal financial qualifications.</p>	<p>The dates for the Audit Committee and Board were changed for the review of the 2021/22 financial statements to provide a longer review period for the Audit Committee.</p> <p>The longer view period also facilitated any changes made by that Committee, to be incorporated into the final Board version for review prior to the Board meeting approval.</p>	

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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 Fund has a dedicated Procurement function in place, together with policies and practices which include a Supplier Governance Framework.</p> <p>This ensures that due process occurs in all transactions and that any related party transactions are conducted under market conditions with full transparency and disclosure.</p> <p>The Fund's Request for Proposal ensures a consistent approach for all prospective third-party service providers, including the Fund's principal employer sponsor, Telstra Corporation Limited.</p> <p>The Trustee has a formal written agreement in place with Telstra Super Financial Planning Pty Ltd (TSFP), a company wholly owned by the Trustee in its capacity as Trustee of the Fund, regarding the provision of financial planning and related services to Fund members. The nature of the relationship between the Fund and TSFP is disclosed to members in regulated disclosure documents.</p> <p>The Trustee undertakes a scalable risk-based assessment regarding the most appropriate procurement approach to third party service providers</p>		

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<p>4.3 The Board of a profit-to-member superannuation fund must:</p> <ul style="list-style-type: none"> 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. 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. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> Does not/cannot comply	<p>The Fund's Chief Executive Officer and Chief Financial Officer provide an attestation that the Fund's accounts are a true and accurate reflection of the Fund's financial position and that the Fund's financial records have been properly maintained, before approving the financial statements each financial year.</p> <p>The Fund has appointed EY as the independent auditor. The independent auditor audits the Fund's financial accounts and issues its opinion on the Fund's financial statements to the Board before the Board approves the financial statements.</p>		

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

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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<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>The Fund utilises its Annual Member Meeting (AMM) as a forum in which to engage with members regarding relevant and material issues.</p> <p>The AMM provides Fund members with the opportunity to hear directly from senior representatives regarding the Fund's strategic, investment and financial position. Members also have an opportunity to have their questions answered.</p> <p>The Fund also runs a comprehensive member education program throughout the year, providing members with both virtual and in-person opportunities to interact with Fund representatives, including Fund executives.</p>	<p>In 2021/22 the Fund ran online investment updates (due to COVID-19), where members could interact with the Fund's investment team and ask questions.</p> <p>The Fund also ran 140 webinars on 34 different topics.</p>	<p>The Fund will be running in-person Investment updates for members in capital cities in 2022. This will provide members with the opportunity to hear directly from the Fund's investment team.</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

The Board's governance processes provide robust oversight of the Fund's material risks. The Fund has a Chief Risk Officer, a Risk & Compliance function with first and second line capabilities and a strong risk culture. The Board has also established a dedicated Risk Committee.

The Fund manages and monitors its material risks through its Risk Management Strategy (RMS). The RMS addresses the factors that may erode the Fund's member-first culture, including the risk around the failure to act in members' best interests, and the risk around poor administration of member accounts.

The Fund has included as a material risk in the RMS, the failure to act in members' best interests.

The Fund has implemented a Risk Culture and Conduct Framework and established an Executive Risk and Compliance Committee to ensure that the Trustee has a strong risk culture and effective risk oversight.

The Board has established a dedicated Member Experience Committee to gain deeper insight into and oversight of member service delivery.

The Fund continues to embed its Three Lines of Defence governance model to ensure a continued strong risk culture.

This includes a positive culture of risk identification (bottom up and top down), together with a robust control environment to manage and mitigate risks.

The implementation of a new Governance, Risk and Compliance system, Protecht, in May 2021 has seen a strong focus throughout the year of linking risk data in order to draw greater insights into where best to focus attention and resources.

This data includes obligations, controls, risk events, complaints and audit findings. By linking this data, we can more effectively assess areas / topics of potential weakness

The Fund will continue to implement its Roadmap for Protecht, ensuring that risk data sets are linked effectively, and the system provides optimum reporting for Management and Board.

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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			which may require greater focus.	
<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>The Fund's Remuneration Policy contains the remuneration strategy, which aligns to the Fund's strategy, mission and values.</p> <p>The strategy focuses on providing fair and competitive reward levels to attract, motivate and retain high calibre employees, provide a transparent link between performance and reward, implement best practice remuneration programs and align employee and member interests.</p> <p>A portion of the remuneration of senior executives and Investment unit staff is paid in the form of variable remuneration, with performance measures focusing on Fund performance around key areas impacting on member outcomes</p>		<p>The Trustee will be reviewing the Fund's Remuneration policy, having regard to evolving regulatory expectations and member outcomes.</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 has appropriate investment strategies in place having regard to the member demographic profile, risk appetite and other membership characteristics, for both the accumulation and decumulation phases. An explanation of the Fund's investment strategies is outlined on the Fund's website.

The Fund has differentiated investment strategies and objectives for members in the accumulation phase and those in receipt of account-based retirement pensions. These have been designed to reflect differing risk tolerances, investment time horizons, taxation considerations and other member needs.

For accumulation members the Fund's default MySuper option is structured as a Lifecycle product, with investment risk reducing as members age.

The Fund's Investment Strategy is reviewed by the Board on at least an annual basis, to ensure that it continues to meet the needs of Fund members. In carrying out this process, input, modelling and scenario analysis is obtained from professional advisers.

In November 2021, the Fund launched its "Lifestyle" investment options – that have been specifically designed for members in receipt of account-based pensions.

A key objective of these new investment options is to increase diversification and thereby reduce volatility and sequencing risk. The new options also allow members to elect to receive a monthly cash allocation from their accounts.

As part of the annual review of Strategic Asset Allocations (SAAs), a number of changes were made to reflect the economic outlook and to enhance future risk/return expectations. These involved moderate reductions to equity and foreign exchange exposure, along with

The Lifecycle structure of the MySuper product may be modified once the current Trustee review has been completed.

The Trustee will continue to carry out periodic reviews of investment strategy in light of evolving economic conditions.

FY2022 COMPLIANCE REPORT: AIST GOVERNANCE CODE

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			<p>increases to the Opportunities asset class.</p> <p>SAs, investment objectives and risk characteristics are set out on the Fund's website.</p> <p>The Trustee also commenced a review of the MySuper Lifecycle investment structure, to consider opportunities for refinement.</p>	