



# **CORPORATE GOVERNANCE POLICY STATEMENT**

*For the*

**AUSCOAL Group**

# AUSCOAL Group Corporate Governance Policy Statement

## Introduction

### *Outline of AUSCOAL Superannuation Pty Ltd*

AUSCOAL Superannuation Pty Ltd is a corporate entity and acts as Trustee for the AUSCOAL Superannuation Fund. The Board of Directors of the company is responsible for the oversight and management of both the company and the Fund.

The shareholders of the company are:

- NSW Minerals Council (NSWMC) (25%);
- Queensland Resources Council (QRC) (25%);
- Construction Forestry Mining & Energy Union - Mining & Energy Division (CFMEU) (50%).

The company is licensed by APRA under a Registrable Superannuation Entity (RSE) License and is licensed to operate as Trustee of a public offer superannuation fund. The company also holds an Australian Financial Services (AFS) License for the provision of general financial product advice for superannuation.

### *Outline of AUSCOAL Superannuation Fund*

AUSCOAL Superannuation Fund (“the Fund”) is the industry superannuation fund for the coal mining industry in NSW, QLD and Tasmania. Its current membership is the result of the merger between Coalsuper Retirement Income Fund (NSW & TAS) and the QCOS Super Fund (QLD) in April 2005. The Rules governing all matters relating to the administration of the Fund are contained in the Trust Deed. The Fund is registered with the Australian Prudential Regulation Authority (APRA).

### *Outline of AUSCOAL Services Pty Ltd*

AUSCOAL Services Pty Ltd (“AUSCOAL Services”) is a wholly owned subsidiary of AUSCOAL Superannuation Pty Ltd. AUSCOAL Service’s primary role is the administrator of the AUSCOAL Superannuation Fund.

AUSCOAL Services administers the Coal Mining Industry Long Service Leave Fund which was established by the Coal Mining Industry (Long Service Leave Funding) Act 1992. The LSL Fund has operated since 1949 to provide reimbursement payments to employers paying long service leave to persons employed in the black coal industry in New South Wales, Queensland, and Tasmania on the basis of industry employment.

AUSCOAL Services also provides financial education and advisory services. If a member requires personal financial advice they may wish to seek the services of a licensed financial adviser, for example, AUSCOAL Services Pty Ltd ABN 49 051 351 014 (trading as AUSCOAL Advice). AUSCOAL Advice is a Member Firm and Corporate Authorised Representative (No. 240325) of Adviser Network Pty Ltd AFSL 232729.

Because of the specialised nature of this service, a fee is payable for obtaining advice. Information regarding the financial planning service and the fee payable is set out in the Financial Services Guide (FSG) of AUSCOAL Advice.

## **AUSCOAL's Commitment to Corporate Governance**

The AUSCOAL Group has a genuine commitment to effective corporate governance. It is committed to fairness, transparency and accountability in the way in which it conducts its business and to:

- (i) act honestly and ethically in all matters;
- (ii) act in the best interests of AUSCOAL Superannuation Fund members and their dependants at all times;
- (iii) implement a long term strategy to maximise, and keep secure, the retirement benefits of fund members;
- (iv) fulfill its primary responsibility for ongoing management of the AUSCOAL Superannuation Fund, enabled by adequate delegation of operational matters;
- (v) understand and manage risks at Company, Trustee and Fund levels;
- (vi) ensure compliance with all relevant laws and requirements;
- (vii) maintain appropriate risk management oversight to ensure risks are identified and mitigated to minimise any interruption to business and strategic plans;
- (viii) review and assess its own performance on an ongoing basis.

All Boards across the AUSCOAL Group use the principles of Good Corporate Governance and Best Practice Recommendations as put forward by the ASX Corporate Governance Council (modified for their relevance to superannuation Trustee companies and their subsidiaries) for guidance in its operations. The following outlines the Boards' principles in practice:

### **1. LAY SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT**

Each company within the AUSCOAL Group is governed by a Constitution and AUSCOAL Superannuation Pty Ltd in its capacity as Trustee of the AUSCOAL Superannuation Fund, is governed by a Trust Deed for its operations.

The Boards will develop, approve and maintain a long-term Strategic Plan for the operations of the AUSCOAL Group including each company and the AUSCOAL Superannuation Fund. The Boards also approve an annual Business Plan for the operations of their respective companies and in respect of AUSCOAL Superannuation Pty Ltd, for the Fund which are developed in conjunction with Management.

The AUSCOAL Superannuation Pty Ltd Board formulates and gives effect to an Investment Strategy that has regard to the whole of the Fund, the members and its circumstances.

Delegation, in writing of specific tasks and functions are made to enable the Boards to discharge their responsibilities in an effective and productive manner whilst maintaining good corporate governance.

Responsible Persons are appointed on the basis of suitable qualifications and documented Role Statements which clearly outline functions and responsibilities.

## **2. STRUCTURE THE BOARDS TO ADD VALUE**

The AUSCOAL Superannuation Pty Ltd Board consists of equal numbers of persons nominated and appointed by employer and member representatives plus one Independent Director appointed by the Board.

The AUSCOAL Services Board comprises five (5) Directors including two (2) Independent Directors appointed by the parent Board.

The definition of 'Independent Director' for each entity is (where relevant) detailed in the individual entity's Board Charter. This is because the definition of 'independent' for a superannuation Trustee company has specific reference to legislation which is only applicable in the superannuation context.

Each Board within the AUSCOAL Group has established permanent Committees, acting under terms of reference, to improve the efficiency of the Board by delegating tasks to those Committees thus allowing for issues to be dealt with in sufficient depth. Directors sitting on these Committees generally comprise representatives from all entities within the AUSCOAL Group. Committee membership changes from time to time and the Boards regularly review Committee memberships to ensure appropriate rotation with the aim of skill sharing and cross skilling Directors across key areas.

The current composition of the Committees are:

- Investment – comprising five (5) Directors including one (1) Independent Director. An external expert adviser can be appointed to advise the Committee;
- Audit, Risk & Compliance – comprising two (2) Directors, two (2) Alternate Directors and an Independent Chairman;.
- Remuneration & Organisational Development – comprising three (3) Directors (Group wide Committee) including the AUSCOAL Superannuation Pty Ltd Chairman;
- Strategy Committee - comprising four (4) Directors (Group wide Committee);
- Claims – comprising two (2) Directors.

Other special purpose working groups or temporary Committees are formed as required.

The role of the Chair of each Board is to provide leadership to the Board and to manage the conduct of Board meetings to ensure all necessary decisions are made in an effective manner. A Deputy Chair has been elected by the AUSCOAL Superannuation Pty Ltd Board to assist the Chair and provide relief in their absence. The position of Chair and Deputy Chair reflect the composition of the Board.

The Boards regularly undertake a review of their performance and the performance of Committees with the assistance of appropriately qualified external providers. To assist the Board in undertaking its duties, each Director undertakes appropriate professional development activities.

## **3. PROMOTE ETHICAL & RESPONSIBLE DECISION MAKING**

The AUSCOAL Superannuation Pty Ltd Board operates under a Fitness and Propriety Policy, ensuring the Board as a whole is fit to perform its duties, and individual Directors are proper persons to act in that capacity.

A Code of Conduct is in place to guide Directors of all entities in fulfilling their responsibilities. A separate AUSCOAL Group policy for managing conflicts of interest is also maintained.

#### **4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

To maintain the financial integrity of each company and Fund, each Board addresses this principle in the following ways:

- Senior Management prepares appropriate financial reporting for the Board to review on a regular basis;
- the Audit Risk & Compliance Committee of each entity provides oversight of the audit and finance functions;
- expert advisers are appointed to assist the Boards and Committees in undertaking their duties;
- a Financial Controller is employed at a senior level;
- an Internal Audit program is conducted; and
- an External Audit is performed.

The AUSCOAL Group employs an in-house internal auditor and utilises external service providers for specialist assistance from time to time. The appointed external auditor is PricewaterhouseCoopers.

#### **5. MAKE TIMELY & BALANCED DISCLOSURE**

A Communications Policy is maintained to ensure all legally required disclosure is made on a timely basis, and to enable quality, enhanced information and education to be delivered, on a cost-effective basis, to members and participating employers.

#### **6. RESPECT THE RIGHTS OF MEMBERS**

The AUSCOAL Superannuation Pty Ltd Board will act in the best interests of members and their dependants at all times. When other companies within the AUSCOAL Group are undertaking or providing services in respect of the Fund, they and their employees will also undertake those activities in the best interests of Fund members and their dependants at all times.

An internal dispute resolution system is to be maintained, including publicising the right of Fund members to seek redress at the Superannuation Complaints Tribunal if not satisfied by the final resolution of issues by the Trustee.

#### **7. RECOGNISE & MANAGE RISK**

The AUSCOAL Superannuation Pty Ltd Board maintains a Risk Management Strategy to identify, monitor and manage all material risks.

The AUSCOAL Services Board maintains a Risk Management Plan to identify, monitor and manage material risks.

Up until 1 July 2013, a Risk Management Plan will be maintained to address the risks at the Fund level and will be available to interested parties. After that date the material elements of the Plan will be integrated into the Risk Management Strategy.

Risk management is a key activity undertaken at the inception of all new projects, during the strategic and business planning cycles and when significant changes occur in the

business operating environment. Each Board receives regular reports and updates on risk management related activities.

## **8. REMUNERATE FAIRLY & RESPONSIBLY**

The AUSCOAL Group believes in fair and reasonable remuneration. It has delegated responsibility to the Remuneration & Organisational Development Committee for development, implementation and monitoring of appropriate policies for the provision of fair and reasonable levels of remuneration to Directors and staff.

The remuneration packages of senior management are structured in such a way to provide an appropriate balance of fixed and performance based remuneration. The performance based component is structured in such a way as to encourage behaviour which will materially improve the Group's performance in key areas in the longer term without introducing inappropriate risk characteristics and a short term view to the Group's activities.