



Governance Statement

Suncorp Portfolio Services Limited
ABN 61 063 427 958
AFSL 237905
RSE Licence No. L0002059

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Board Governance Statement

1. Introduction

The main elements of Suncorp Portfolio Services Limited's (**SPSL**) governance framework are described in this Governance Statement (**Statement**).

SPSL complies with Superannuation Prudential Standard 510 - Governance (**SPS 510**) issued by APRA in November 2012.

2. Board of Directors

2.1 Role of the Board

SPSL has a Board of Directors (**Board** or **Trustee**) that is required to act in the best interests of members and to ensure that each of the funds under its trusteeship are administered according to the relevant Trust Deed, other governing rules and superannuation legislation. The Board has adopted a charter that sets out its role and responsibilities which include:

- Acting in the best interest of members and beneficiaries of the funds for which it is trustee
- Approving the strategic direction of the trustee's business operations
- Ensuring that a system of good corporate governance is maintained
- Ensuring that each director has the full range of skills required for the effective and prudent management of the trustee's business operations
- Approving and overseeing the trustee's investment governance framework
- Approving and overseeing the trustee's insurance management framework
- Maintaining and monitoring an appropriate risk management framework
- Approving and maintaining an appropriate conflicts management framework
- Ensuring that the trustee complies with all legislative, regulatory, prudential or other requirements
- Delegating appropriate matters to management and committees in accordance with its Deed of Delegation
- Approving the financial statements for the funds and the company
- Ensuring that financial resources are maintained at an adequate level to achieve the trustee's business objectives
- Ensuring that adequate human resources are maintained to support the trustee's business operations
- Ensuring that adequate technical resources are maintained to support the trustee's business operations

The make-up and proceedings of the Board are governed by the SPSL's Constitution.

The Board has established the following Board Committees to assist it in its functions:

- Investment Committee
- Audit Committee
- Reserve Committee

The Trustee utilises the Suncorp Group Remuneration Committee to comply with its obligation in respect to maintaining a remuneration committee under SPS 510 Governance.

In addition, the following management committees have been established to assist the Trustee discharge its obligations:

- Claims Review Committee
- Unit Pricing Committee
- Product Disclosure Statement Verification Committee

Each Committee has a charter setting out its responsibilities and the extent of its delegation from the Board.

2.2 Board Size and Composition

At the date of preparation of this Statement, SPSL had 6 directors who are listed below:

Name	Position	Date Appointed
Kate Spargo ¹	Chair, Independent, Non-Executive Director	13 July 2009
James Evans	Independent, Non-Executive Director	13 July 2009
Hall Metcalf	Independent, Non-Executive Director	22 February 2006
Geoff Summerhayes	Executive Director	30 June 2008
Jan Swinhoe	Independent, Non-Executive Director	16 August 2013
Tony Wessling	Executive Director	16 April 2014

The Board has formed the view that the collective skills, experience and industry expertise of its directors is such that the Board is able to effectively fulfil its role and responsibilities. A synopsis of each Director's experience is set out in the Director Biography section of SPSL's website.

2.3 Board Meetings

The table below details the attendance of the directors at Board meetings since their date of appointment.

¹ Appointed to the Chair 9 December 2013

Director	Number of Meetings Attended							
	2007 7 meetings	2008 9 meetings	2009 11 meetings	2010 8 meetings	2011 7 meetings	2012 9 meetings	2013 6 meetings	2014 5 meetings
Kate Spargo	n/a	n/a	6 (6 eligible)	8	7	9	5	5
James Evans	n/a	n/a	5 (6 eligible)	8	7	9	6	5
Hall Metcalf	7	9	10	8	7	8	6	5
Geoff Summerhayes	n/a	4 (4 eligible)	11	7	6	9	4	5
Jan Swinhoe	n/a	n/a	n/a	n/a	n/a	n/a	3 (3 eligible)	5
Tony Wessling	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4 (4 eligible)

2.4 Director Independence

The Board consists of a majority of independent, non-executive directors. The Board confirms that all current non-executive directors are independent. Geoff Summerhayes and Tony Wessling are not considered independent because of the executive positions they hold within Suncorp Life as Chief Executive Officer and Executive General Manager, Product and Portfolio Management, respectively.

The independence of the directors has been assessed in accordance with the Financial Services Council definition of which the key components are that an independent director:

- is not an employee of the trustee or a related entity;
- does not have a substantial shareholding in the trustee or one of its related entities;
- within the last three years has not been employed in an executive capacity by a related entity or been a director of a related entity after ceasing to hold such employment;
- is not a material supplier/customer of a related entity or an officer of a material supplier/customer or otherwise associated indirectly with a material service supplier/customer;
- has no material contractual relationship with a related entity; and
- is free from any interest and business or other relationship which could, or could be perceived to materially interfere with the directors ability to act.

The Chair of the Board of SPSL is an independent, non-executive Director. The current Chair is Kate Spargo who was appointed in the role on 9 December 2013. The role of the Chair is to facilitate effective discussion and decision-making at the Board level and to ensure that the committees under the control of the Board are fulfilling their functions and that in their respective processes relevant decisions are made in the best interests of members and beneficiaries.

3. Remuneration Disclosure

The Group Remuneration Policy covers amongst others, all directors, both executive and non-executive, of Suncorp Group Limited and its controlled entities of which SPSL is one.

The Suncorp Group Board Remuneration Committee is made up of at least three non-executive directors and is governed by a Charter that set out its responsibilities.

On an annual basis the Remuneration Committee provides the SPSL Board with summary of changes to the remuneration framework and the subsequent decisions. The report includes the nature and date of the change.

3.1 Basis of Preparation

The Remuneration disclosure provided in Appendix A is for the year ended 30 June 2014. This disclosure captures the remuneration details for the executive and non-executive directors of SPSL for FY13 and FY14.

Remuneration arrangements cover all forms of remuneration and include the measures of performance, a variety of types of remuneration and the timing of eligibility to receive payments that a person receives by virtue of their role with SPSL.

A proportionality disclosure methodology has been used to determine the total amount of time that an executive director of SPSL spends on matters specifically related to SPSL so as to assess the total remuneration relating to SPSL.

3.2 Remuneration Disclosure Overview

This Remuneration disclosure forms part of the Superannuation Industry Supervision (**SIS**) Act, section 29QB, and is structured as follows:

- **Table 1 (see appendix A)** provides the proportional remuneration details for the executive directors of SPSL including cash salary, short-term incentives, benefits (including non-monetary), superannuation guarantee contributions, long-term benefits and cash long-term incentives.
- **Table 2 (see appendix A)** provides the total fees, superannuation guarantee contributions and insurance benefits for the non-executive directors of SPSL.
- **Table 3 (see appendix A)** provides details of the service agreements that are in place with the executive and non-executive directors.
- The remuneration for all directors is reviewed at least annually. The Suncorp Group Limited Chief Executive Officer, in conjunction with the Suncorp Group Limited Board Remuneration Committee makes remuneration recommendations for the executive directors of SPSL which are then approved by the Suncorp Group Limited Board.
- The Suncorp Group Limited Board approves the changes to remuneration for the non-executive directors of SPSL.
- For executive directors the percentage of time apportioned to Board related activities has been reviewed and increased in FY14 to ensure the ad-hoc time spent on matters related to SPSL is accurately reflected. No retrospective change was made to the FY13 disclosure, which accounts for the apparent increase in the year-on-year remuneration disclosed in Table 1.

- The Group Chief Risk Officer (CRO) role is now included as an executive director in the disclosure as agreed by the Board in October 2014.
- David Clark was retrospectively included in Table 1 for the portion of FY13 he was an executive director of the Board to align with the SPSL financial disclosure.

4. Board Evaluation

The Board evaluation process evaluates the effectiveness of the Board in carrying out the following objectives:

- satisfactorily and effectively fulfilling its key responsibilities as set out in the Board Charter;
- making key decisions in a timely manner; and
- any other matters that the Board sees fit.

The Board formally assesses its performance once a year and meets to sets objectives and performance criteria for the upcoming financial year. Once every three years the annual evaluation process will be conducted by an external facilitator to ensure the independence of the evaluation process.

5. Board Renewal Policy

The Board views its renewal and succession planning process as a central component of its core governance procedures.

5.1 Appointment of a Director

In determining whether to appoint a person as a director, the following factors are considered:

- The strategic direction of the Board's operation;
- The key risks related to its operation;
- The skills, knowledge and experience required by the Board to effectively and prudentially manage its operation;
- The regulatory environment; and
- Any other factors that the Board deems relevant and appropriate.

The appointment of a person to the role of director is on the provision that:

- The person has consented, in writing, to the appointment and confirmed by statutory declaration that he or she is not a Disqualified Person; and
- The person is a Fit and Proper Person.

5.2 Removal of a Director

Directors can be removed in accordance with SPSL's constitution.

5.3 Board Renewal

The Board aims to ensure that it remains open to new ideas and independent thinking whilst retaining adequate expertise. It does this through a number of methods described below.

Board Composition

The composition of the Board is reviewed by the Board periodically either when a vacancy arises or if it considers the Board's existing mix of skills, knowledge and experience would benefit from the services of a new director. This process forms part of the outcomes of the Board Performance Policy described above.

Board Tenure

The Board considers it important to maintain an appropriate mix between long serving directors with a good depth of knowledge of the Board's operations and corporate history and new directors who bring fresh perspectives to the role. When considering the operation of the Board, consideration is given to whether any director has served on the Board for a period that could reasonable be perceived to materially affect their ability to act in the best interests of beneficiaries.

No formal maximum tenure period has been set however, as described above, the Board performance assessment process measures the Board's performance to ensure that the presence of each director on the Board remains appropriate.

Succession Planning

The Board seeks to ensure that the number of directors appointed to the Board exceeds the minimum required under Superannuation Law. This enables the Board to remain compliant with the relevant requirements should a vacancy occur whilst allowing the continued efficient operation of the Board whilst suitable candidates are assessed for the role.

To assist the Board with forming recommendations as to suitable candidates, it may engage the services of a professional recruitment agency for external candidates. The Board relies on the Suncorp Group's internal evaluation process when seeking internal candidates to assist with identifying individuals with the requisite skills, knowledge and experience.

6. Current Outsourced Service Providers

The table below provides the names of all current outsourced providers.

Outsourced Service Providers	Australian Business Number
Suncorp Life and Superannuation Limited	87 073 979 530
Suncorp Group Limited	66 145 290 124
Mercer (Australia) Pty Limited	32 005 315 917
Computershare Communication Services	76 007 153 184
Westpac Banking Corporation	33 007 457 141
SuperChoice Services Pty Limited	78 109 509 739
Ibbotson Associates Australia Limited	54 071 808 501
National Australia Bank Limited	12 004 044 937

7. Conflicts Management

The Board maintains a Conflicts Management Framework to ensure that all potential and actual conflicts of interest and duty in the Board business operations can be identified and then either avoided or prudently managed, as required.

The Board must take all reasonable steps to ensure that all relevant people clearly understand:

- the need to identify all potential conflicts;
- the circumstances that might give rise to a conflict;
- the content and purpose of the Conflict Management Framework; and
- their obligations.

Where SPSL has appointed a service provider to perform a material business activity, the service provider must:

- have a conflicts policy in place in relation to conflicts which have the potential to affect the service provider's performance in respect of the obligations undertaken for the Board's business operations;
- report to the Board circumstances where service provider conflicts have arisen and the steps that were taken to manage them; and
- ensure that its conflicts policy is reviewed regularly.

The Board maintains a register of interests and duties in which all relevant conflicts are disclosed. This register is publicly disclosed in the document section of SPSL's website.

8. Environmental, Social and Governance Matters

Environmental, social and governance (**ESG**) issues can affect investment returns to varying degrees across companies, sectors, regions and asset classes over time.

When selecting, retaining or terminating investment options, SPSL does not specifically take into account labour standards, environmental, social and ethical considerations unless the investment strategy of an investment option specifies it.

Amongst the range of investment options that are available to members, there may be an 'ethical' investment option which is characterised by an added focus on ESG considerations, or which integrates such considerations into the formulation of the investment strategy and supporting analysis.

9. Review of this Statement

The content of this Statement will be reviewed on an annual basis to check the Board's compliance with it and to ensure that the information is current.

More frequent reviews will take place to take into account changes to the governance structure of the Board or any new and/or changes to the legislative and regulatory environments in which the Board operates.

Appendix A

Table 1 – Remuneration Disclosure for Executive Directors and Chief Risk Officer

Incumbent information	Position information	Financial Year			Payment and Benefits - Annual Remuneration						Payment and Benefits - Share-based	
		Year	From	To	Cash Salary	Short-term incentive	Benefits (incl. Non-monetary)	Super	Long-term benefits	Cash LTI (STI deferred plus interest)	Equity settled shares	Equity settled rights
Executive directors	Title				\$	\$	\$	\$	\$	\$	\$	\$
Geoff Summerhayes	CEO Suncorp Life	2014	1/07/2013	30/06/2014	54,344	39,926	1,818	1,333	1,098	23,475	-	21,240
		2013	1/07/2012	30/06/2013	35,177	30,875	1,180	824	2,992	17,824	-	14,707
Sean Carroll	EGM Product and Service (1/7/13 - 28/2/14) & Chief Risk Officer (1/3/14 - 30/6/14)	2014	1/07/2013	30/06/2014	30,319	9,450	786	1,333	529	4,446	-	4,002
		2013	17/12/2012	30/06/2013	11,134	4,864	730	443	-	2,169	-	1,697
Anthony Wessling	EGM Product and Portfolio management	2014	16/04/2014	30/06/2014	5,691	2,228	530	164	-	955	-	-
		2013	N/A	N/A	-	-	-	-	-	-	-	-
Michael Tuffy	Chief Risk Officer	2014	1/07/2013	28/02/2014	17,412	4,525	1,394	1,000	-	2,133	-	2,400
		2013	N/A	N/A	-	-	-	-	-	-	-	-
David Clark <i>(terminated 18/09/2012)</i>		2014	N/A	N/A	-	-	-	-	-	-	-	-
		2013	1/07/2012	18/09/2012	2,560	1,400	238	181	54	574	-	-
Vicki Doyle <i>(terminated 14/12/2012)</i>	EGM Direct Customer	2014	N/A	N/A	-	-	-	-	-	-	-	-
		2013	1/07/2012	14/12/2012	8,528	1,135	61	380	288	578	-	1,786

Table 2 – Remuneration Disclosure for Non-Executive Directors

Incumbent information	Position information	Financial Year			Payment and Benefits - Annual Remuneration						Payment and Benefits - Share-based	
		Year	From	To	Fees	Short-term incentive	Benefits (incl. Non-monetary)	Super	Long-term benefits	Cash LTI (STI deferred plus interest)	Equity settled shares	Equity settled rights
Non-Executive directors	Title				\$	\$	\$	\$	\$	\$	\$	\$
Hall Metcalf	Non-executive Director	2014	1/07/2013	30/06/2014	59,497	-	586	5,503	-	-	-	-
		2013	1/07/2012	30/06/2013	59,633	-	472	5,367	-	-	-	-
James Evans	Non-executive Director	2014	1/07/2013	30/06/2014	59,497	-	2,199	5,503	-	-	-	-
		2013	1/07/2012	30/06/2013	59,633	-	354	5,367	-	-	-	-
Kathryn Spargo	Chairman, SPSL	2014	1/07/2013	30/06/2014	73,403	-	3,104	6,790	-	-	-	-
		2013	1/07/2012	30/06/2013	68,807	-	-	6,193	-	-	-	-
Jan Swinhoe	Non-executive Director	2014	16/08/2013	30/06/2014	54,691	-	-	5,059	-	-	-	-
Peter Hodgett <i>(terminated 23/10/2012)</i>	Non-executive Director	2014	N/A	N/A	-	-	-	-	-	-	-	-
		2013	1/07/2012	23/10/2012	18,807	-	465	1,693	-	-	-	-

Table 3 – Agreement Details

Incumbent information	Service agreement information			Annual STI opportunity	LTI Plan details - Annual Grant			
	Contract Duration	Notice Period	Severance Payment		Performance target	Treatment at Termination	Grant date	Grant value (Maximum face value)
Legislation prescribed detail						13-14	13-14	13-14
Geoff Summerhayes	Unlimited	3 months	maximum of 75 weeks	Target: 125%	Board discretion for Non - Qualifying reason	October 2013	100% of annual fixed remuneration	Performance Rights tested against Relative TSR after 3 years
Anthony Wessling	Unlimited	3 months	maximum of 52 weeks	Target: 55%	Board discretion for Non - Qualifying reason	October 2013	20% of annual fixed remuneration	Performance Rights tested against Relative TSR after 3 years
Sean Carroll	Unlimited	3 months	maximum of 52 weeks	Target: 55%	Board discretion for Non - Qualifying reason	October 2013	20% of annual fixed remuneration	Performance Rights tested against Relative TSR after 3 years
Former SPSL Executive Director(s)								
Vicki Doyle	Board termination date: 14/12/2012			Employment ceased at Suncorp Group 16/02/2013 - Performance Rights forfeited				

Other

David Clark	Board termination date: 18/09/2012	Change in role
Michael Tuffy	Board termination date: 28/02/2014	Change in role

Incumbent information	Service agreement information			STI Plan	LTI Plan details
	Contract Duration	Notice Period	Severance Payment		
Hall Metcalf	Unlimited	30 days	Nil	No STI plan	No LTI plan
James Evans	Unlimited	30 days	Nil		
Kathryn Spargo	Unlimited	30 days	Nil		
Jan Swinhoe	Unlimited	30 days	Nil		

Terminated Non-Executive Director(s)		
Peter Hodgett	Termination date: 23/10/2012	

Definitions of Table Items

Item	Definition
NED(s)	Non-Executive Director(s)
TSR	Total Shareholder Return