



The letters 'IOOF' are rendered in a large, white, outlined font across the middle of the page. They are superimposed over a scenic photograph of a coastline. The photo shows a blue ocean with white waves breaking on a sandy beach. In the foreground, there are green coastal plants. The sky is blue with some light clouds. The text 'IOOF' is positioned such that the 'I' and 'O's are on the left and the 'O's and 'F' are on the right, spanning across the horizon line of the landscape.

Investment Governance Framework – Superannuation

IOOF Investment Management Limited
ABN 53 006 695 021 – RSE No. L0000406

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1. Overview

1.1. Introduction

The Investment Governance Framework (**Framework**) sets out how IOOF Investment Management Limited (**IIML**), as a trustee of a Registerable Superannuation Entity (**RSE**) meets its investment governance responsibilities.

Investment governance is essential to IIML meeting;

- The sole purpose test which requires a trustee of a superannuation fund to maintain superannuation funds solely for the purposes of providing benefits to members on or after retirement, at age 65 or death and comply with its investment covenants, and
- The requirement of APRA Prudential Standard *SPS 530: Investment Governance* (**SPS 530**) to have a framework in place for the selection, management and monitoring of investments to ensure they align with the best interests of members.

This Investment Governance Framework is the totality of systems, structures, policies, processes and people that enable IIML to address its investment management responsibilities and its duties to members.

1.2. Policy Statement

The IIML RSE Board (**Board**), is committed to:

- Safeguarding members' interests and investments by ensuring the sound and prudent management and monitoring of the investments within its superannuation and investment operations.
- Imbedding a strong investment governance framework.

This Framework must ensure IIML fulfils its investment governance responsibilities and its duties to members of its superannuation funds through the systems, structures, policies, processes it has in place along with the people involved in operating this Framework.

In addition, it must be appropriate to the size, business mix and complexity of IIML's business operations including the unique nature of Small APRA Funds (**SAF**)

1.3. Scope and application of the policy

This framework applies to IIML which acts as the RSE Licensee (**Trustee**) of the RSEs (**Funds**) listed below;

- The IOOF Portfolio Service Superannuation Fund (**IPS**)
- The AvWrap Retirement Service (**AvWrap**)
- The AET Small APRA Fund offering (see 1.5 below)

This Framework sets out IIML's approach to formulating and implementing:

- Specific and measurable investment objectives, including return and risk objectives.
- Policies relating to investment activities.
- An investment strategy for each Fund it acts as Trustee for as required by section 52(6) of the Superannuation Industry (Supervision) Act 1993 (**SIS Act**).
- Appropriate measures to monitor the performance of each of those Funds on an ongoing basis
- Structures, policies and processes for investment performance and risk measurement, assessment and reporting.

- A process for reviewing the investment objectives and investment strategies on a periodic basis
- A liquidity management plan.
- Training and policies to ensure that all staff in roles related to investment activities are made aware of, and have processes and controls for monitoring compliance with this Investment Governance Framework.
- A review process to ensure that this Investment Governance Framework remains effective.

The effectiveness of these processes and controls is tracked through IOOF's Risk Management Framework (RMF), and subject to periodic risk reviews, internal audit and internal control tests. The Framework also covers all products that form part of the Funds and all investment options currently held by the members of those Funds.

1.4. Conflicts of Interests Management

IIML as Trustee of the Funds has a paramount duty under section 52(2)(d) of the SIS Act to act in the best interests of the members of the relevant fund, in priority to the interests of any other persons in making investment decisions. This duty also applies to the directors of IIML under section 52A(2)(d) of the SIS Act.

In fulfilling its investment governance responsibilities and in making investment decisions, IIML and the IIML directors must therefore comply with this best interests' obligation to give priority to the duties and interests of members over the duties and interests owed to any other persons. This is an important legislative requirement for IIML in its management of the conflicts of interest which may arise for it and its directors as a company within the IOOF Group of entities.

There are potential scenarios where there are conflicts of interest within or between the different entities within the IOOF Group as follows:

Potential Conflict	Observation
An IOOF Group Advisor may advise a client to invest in a Fund where IIML is the Trustee.	<p>IIML as Trustee of the Fund, and its directors have duties which they must meet at all times under the SIS Act for members (including the duty to manage conflicts of interest under sections 52(2)(d) and 52A(2)(d) of the SIS Act).</p> <p>IIML and its directors cannot merely rely on the IOOF Aligned Advisor meeting their own statutory best interest's duty to the client. The IIML directors should ensure that investment options remain appropriate for inclusion on the platform.</p>
The Trustee wishes to make investment options available to its members via an Investor Directed Portfolio Service (IDPS) that is operated by a related party. These investment options may include financial products where a related party is the responsible entity or investment manager.	<p>Under this scenario, IOOF Group entities would receive fees in respect of the related party investment options.</p> <p>Such arrangements constitute a related party transaction between the Trustee and the relevant IOOF Group entity, and directors on the board of the Trustee who also are directors or employees of an IOOF Group entity will have a potential conflict of interest in respect of making decisions for their members in relation to these investment options.</p> <p>IIML and its directors must meet their duties under the SIS Act at all times (including the duty to manage conflicts of interest under sections 52(2)(d) and 52A(2)(d) of the SIS Act), in respect of making any decision to offer related party investment options to members.</p>

Section 5 of this Investment Governance Framework ('Conflicts of Interest') sets out a summary of the controls in place for IIML, as Trustee of a Fund, to manage investment related conflicts of interest and which

underpin the decision making of the Trustee in ensuring compliance with the duties in sections 52(2)(d) and 52A(2)(d) of the SIS Act to act in the best interests of members, in priority to the interests of any other persons.

IIML, as Trustee of each Fund, will review and update these controls on an annual basis in accordance with the Superannuation Trustee Conflicts Management Framework and regularly review and update (as required) this Investment Governance Framework to include appropriate policy, procedures and controls to manage conflicts of interest in its investment decisions.

1.5. AET Small APRA Funds

Small APRA Funds (**SAFs**) are regulated superannuation funds that have fewer than five (5) members. One of the distinguishing features of a Small APRA Fund is that the Trustee is subject to member directions.

In conjunction with their financial adviser, members of SAFs have direct input in the selection of an appropriate investment strategy to be adopted by the Trustee for that fund and can exercise choice in the selection of assets that are to be held within that fund.

IIML as the Trustee for Small APRA Funds will accept member investment directions, subject to the asset;

- being suitable to the member's investment strategy,
- falling within a defined investment menu,
- in accordance with IIML's investment guidelines, and
- compliant with the law and regulatory requirements.

2. Definitions

Definitions	
Approved Product List	The APL is a list of products and investment options that best reflects the needs of the Advice Businesses and ultimately members.
Small APRA Fund	Means Small APRA Fund. A SAF is a self-managed super fund with a professional trustee and it regulated by APRA.
MIS / Investment Options	Managed funds, commonly referred to as unit trusts, are investment vehicles that pool your money with that of other investors.
IOOF Multi-Manager Funds	The IOOF Multi-manager fund is a managed fund that invests in multiple specialised funds managed by different fund managers, whereby investments can be spread across different asset classes, sectors or management styles.
Investment Menu	A list of investment options that Funds' members may invest in.
Investment objective	The investment goals and required returns set against a relevant benchmark.
Investment strategy	An investor's plan to guide their investment decisions based on individual goals, risk tolerance and future needs for capital.
MySuper	MySuper is a simple and cost-effective super account with a single diversified investment option, and a minimum level of insurance cover.
Advice Businesses	Bridges Financial Services Limited, Consultum Financial Advisers, Elders Financial Planning Pty Ltd, Financial Services Partners Pty Ltd, Lonsdale Financial Group, Millennium 3 Financial Services Pty Ltd, RI Advice Group Pty Ltd, Shadforth Financial Group Limited.

3. Governing Legislation and Requirements

3.1. As Trustee of superannuation funds

As a Trustee of an RSE, IIML is regulated by APRA and subject to regulatory requirements that include the (**SIS Act**) and Regulations, APRA Prudential Standards and the conditions of its RSE Licence. In particular, IIML must comply with the governing rules and covenants for Trustees that are contained within s52 of the SIS Act. These include:

- Exercising the same degree of care, skill and diligence when making investments on behalf of beneficiaries that a prudent superannuation trustee would exercise.
- Forming, regularly reviewing and giving effect to an investment strategy for the whole of the Fund, and for each investment option offered by the Trustee in the Fund, having regard to: the risk of holding and realising the investments; investment returns; the Fund's expected cash flows and liabilities; the diversification and liquidity of the investments; tax and other costs that may be incurred; and the availability of reliable valuation information.
- Exercising due diligence in developing, offering and reviewing regularly each investment option.
- Ensuring the investment options offered to members allow adequate diversification.

In addition, IIML must meet the requirements of SPS 530 to have an appropriate investment governance framework in place that ensures:

- All investment options have specific and measurable investment objectives, including performance measures that are monitored on an ongoing basis.
- There is an effective due diligence processes for the selection of investments options.
- Investment objectives and strategies are periodically reviewed, and a liquidity management and stress testing plan are in place.

Each Fund for which IIML acts as Trustee is governed by a Trust Deed which sets out the rules of the superannuation fund, and the Trustee's obligations.

4. Roles & Responsibilities

Whilst the IIML Board is ultimately responsible for the Investment Governance of the Trustee, it has also delegated certain functions to the following business units and committees within the IOOF Group. These business units and committees are responsible for implementing or overseeing various parts of the Investment Governance Framework. Please refer to the table at Appendix 2 that illustrates each parties role and responsibilities.

4.1. IIML RSE Board

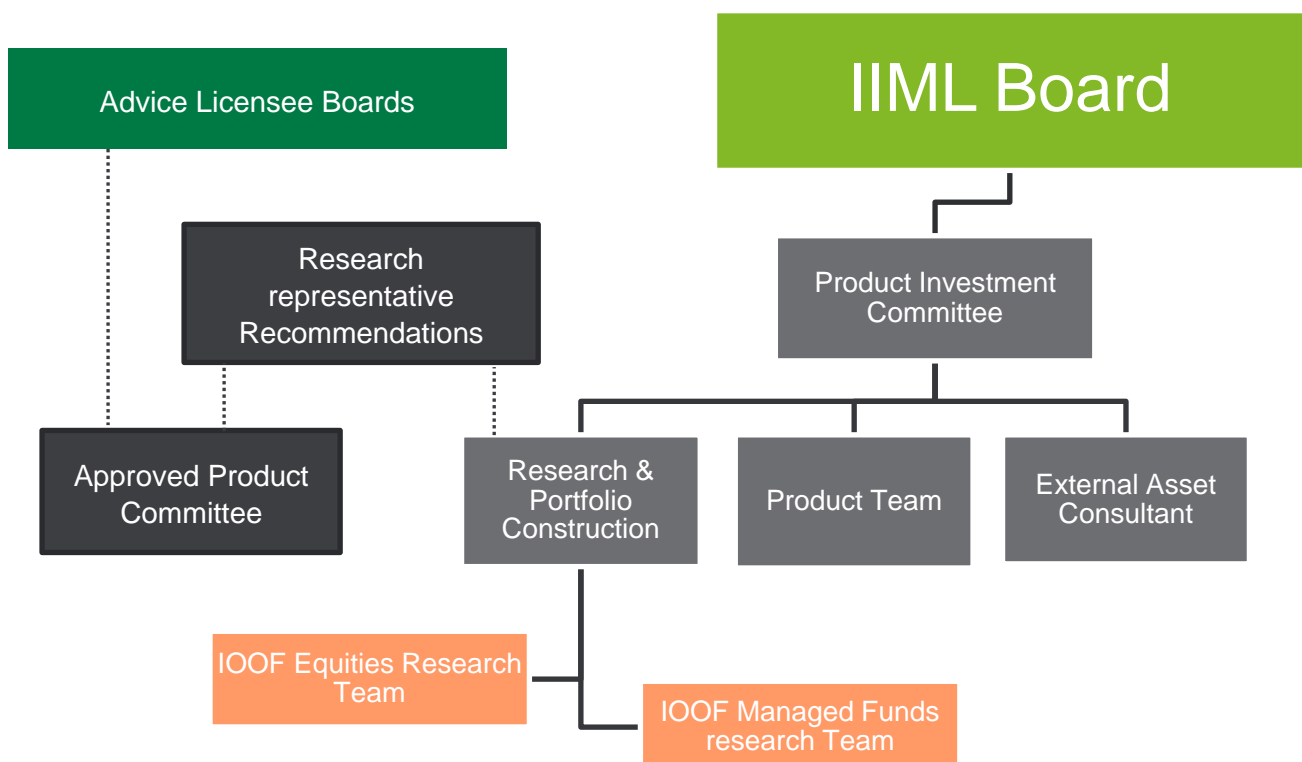
The Board of an RSE licensee (**the Board**) must, for the RSE licensee's business operations, at a minimum:

- approve investment objectives for each investment option offered in each RSE;
- approve an investment strategy, in respect of each RSE, that reflects the RSE licensee's duties to beneficiaries, including those in section 52(6) and Division 6 of Part 2C of the SIS Act, as relevant, and this Prudential Standard:
 - for the whole of that RSE; and
 - in respect of each investment option offered in that RSE.

Under the SIS Act provisions, regardless of any other roles of the Directors of the RSE, the Directors of the RSE must give priority to the duties to and interests of the RSE beneficiaries over the duties to an interest of other persons such as the RE and any other beneficiaries of the RE.

The Board is ultimately responsible for ensuring IIML meets the responsibilities outlined in this Framework. The Board is responsible for establishing this Framework and ensuring it is appropriate for the size and complexity of the business and for defining the investment strategy and objectives of each Fund and investment option offered to superannuation members. The Board is also responsible for regularly monitoring and assessing whether the investment objectives are being met and for determining whether an investment option should be added to, or removed from, the Fund's investment menu.

To assist the Board in carrying out its responsibilities, the Board has established the Product Investment Committee to assist the Board in its capacity of Trustee of the Funds.



4.2. Product Investment Committee

The Product Investment Committee (**PIC**) is comprised of two external independent members, the General Manager Distribution and an independent Director of the Board, who is the Chair of the PIC. The PIC meets quarterly or more often as required.

The primary role of the PIC is to assist the RSE Board in fulfilling its investment management and oversight responsibilities, including the responsibilities outlined in this Framework, with respect to all IOOF superannuation products.

The objectives of the PIC include to:

- Determine, implement and review the Fund's investment strategies and policies.
- Monitor the investment performance of all investment options.
- Approve the addition and removal of investment options from the investment menu and the closure of any option to new monies.

- Report to the RSE Board on investment matters and recommend action where required.
- Stress testing completion, analysis and reporting (where relevant).

The PIC appoints the IOOF Product team, the IOOF Research team and external asset consultants to assist it to fulfil its duties. In carrying out its functions, the PIC must appropriately manage any potential conflicts of interest that may arise due to the addition of an investment option where a related party is the Responsible Entity (**RE**) of that option.

Where the Committee is required to make decisions related to IOOF in-house products, the decision must only be made by the two independent external members and the independent chair of the Committee. This includes decisions relating to:

- The annual reviews of investment objectives and strategies for the IOOF Portfolio Service Superannuation Fund the Acquire Superannuation Fund, AET Small APRA Funds, IOOF *MySuper* and IOOF Eligible Rollover Fund; and
- The addition of any managed investment scheme issued by a related party to an IOOF superannuation or IDPS platform.

Full details of the roles and responsibilities of the PIC can be found in the ***PIC Terms of Reference***.

4.3. Approved Product Committee

The Advice Businesses have established the Approved Product Committee (**APC**) to manage the Approved Product List (**APL**) and to make determinations in relation to the products that will be added to, or removed from, the APL. The APL is a list of products and investment options that best reflects the needs of the Advice Businesses. The APC reports to the Boards of each Advice Business and requests the PIC to consider changes to the Fund's investment menu to provide alignment with the APL.

The IOOF Research team is the primary source of research across all external investment options on the APL. IOOF Research and the Advice Businesses have appointed Lonsec Research Pty Ltd (**Lonsec**) as a secondary provider of research reports in relation to the investment options. Research reports produced by Lonsec will be utilised where the opinion of the IOOF Research team is in line with that of Lonsec. In the event of a difference of opinion or where Lonsec does not cover the external investment option, the in-house rating will take precedence and the IOOF Research report will be utilised.

In relation to the IOOF internally managed investment options, where a related party is the Responsible Entity, IOOF Research do not provide research on these investment options and external ratings are sought from external Research houses (i.e. Lonsec, Mercer, Zenith) are required to be obtained in order for these investment options to remain or be considered for inclusion on the APL.

In the event and external research house rating (i.e. Mercer) is downgraded while the rating from another external research house (i.e. Lonsec and/or other research houses) were unchanged, the Research team would review the reasons for the downgrade and determine whether a change in rating or further monitoring is required.

4.4. Research Division

The Research team (**Research**) is primarily responsible for the overall management, research and monitoring of the external investment options that are on the various APLs offered by the Advice Businesses within the IOOF Group. The PIC relies on the research provided by the Research team and external consultants (**see section 4.9**) to fulfil its ongoing management obligations in respect of the suitability of the external investment options for retention on the Superannuation Fund's investment menus offered by the Trustee.

The Research team's responsibilities include:

- Developing and recommending to the PIC and the Board the investment strategy and objectives for each Fund and investment option offered.
- Reviewing the external investment options, for consideration and approval by the PIC on an annual basis, or more frequently as required.
- Advising the PIC of the Research based parameters used to determine whether an investment option is recommended to be added to, or removed from, the investment menu or closed to new monies.
- Monitoring the performance of each external investment option in meeting its objective and its contribution to the Funds' overall strategy, only if the option is also on the APL.
- Managing the relationship with the asset consultant that is appointed to research and monitor the external investment options on the Fund's investment menu that the Research Team do not actively research and monitor. This includes analysing the results of the asset consultant's monitoring and preparing recommendations for the PIC around this analysis, including inputs relevant to whether an external investment option may be closed to new investment or potentially removed from the investment menu, along with suggested timeframes for any action.
- Working with the IOOF Product team to advise the PIC around the addition, or removal, of investment options, using both their own and external research.

Research is a team of managed fund and equity analysts who have experience across all industry sectors and are separated into two sub-teams being:

- IOOF Equities Research Team
- IOOF Managed Funds Research Team

Both teams have a specific policy that sets out the protocols that each team must follow when:

- Providing research reports on both equities and managed funds to the Advice Businesses.
- Providing recommendations to the PIC with input relevant for consideration into adding or removing equities or funds investment options from the investment menus.
- The monitoring of the equities and investment options that are listed on the APLs.

At no stage do the Research team review any investment options where a related party also acts as the Responsible Entity. For further detail, please see the ***IOOF Research Equities Research Policy*** and the ***IOOF Research Policy – Managed Funds***.

4.5. The Office of the Superannuation Trustee

The Office of the Superannuation Trustee (**OST**) provides oversight and an independent perspective to the Trustee, the Board, and the respective committees to meet their obligations and to advocate for member outcomes.

The role of the OST is to:

- review, challenge and oversee the services provided to the Trustee by internal and external outsourced providers;
- review and facilitate that the Trustee Board receive appropriate and relevant reporting (including investments, risk, product and service);
- where appropriate, act on behalf of the Trustee under delegation (including undertaking some matters that cannot be delegated to a third party);

- partner with related Group entities to provide input on matters relevant to the Trustee to ensure recommendations made by the business further member outcomes in a manner which supports ongoing compliance with the Trustees obligations;
- provide input to the strategy of the Trustee
- oversee and ensure appropriate reporting of risks (including operational, reputation and financial) to the Trustee; and
- assist the Trustee Boards to meet their legal obligations, including the Trustees respective Risk Management Frameworks.

4.6. The Product Team

This Team provides support to the PIC to assist them in making decisions around whether an investment option should be added to, or retained on, the Funds' investment menu and approved Product List. The Team does this by considering the Research recommendations on investment menu changes (prior to PIC submission) and provides a separate Product assessment on the recommendation to the PIC. This Team is also responsible for managing the process around adding to, and removing investment options from, the investment menu and closing investment options to new members.

The Product team are responsible for ensuring the specific governance requirements for MySuper are met.

4.6. Consultants

IIML has engaged external investment consultants to provide independent advice and support in the management of its investments in its capacity as RSE Trustee.

An external consultant has been appointed by the Research team and approved by the PIC to perform stress testing on all applicable investment options on the Superannuation Funds' investment menu and to report outliers in investment performance relative to peer group. The consultant also reports changes to its ratings on individual investment options on a quarterly basis.

4.7. Group Finance

Investment performance is assessed by the Head of Data Reporting, who reports directly to the Chief Financial Officer and is operationally independent from the Research team. The Research team utilise the performance reports to assess whether the Fund is meeting its investment objectives.

4.8. Client & Process - Adelaide

Client & Process Adelaide provide fund administration services for the Small APRA Funds. Staff are responsible for actioning member investment instructions that are within permitted boundaries, the purchase and disposal of unlisted assets, the settlement of listed transactions, taxation issues, payment of fees, portfolio monitoring, including liquidity, asset allocations and diversification.

Operations Adelaide is functionally separate, and independent to the Research Team. The segregation of investment activities between the two teams prevents and manages any real or potential conflicts by maintaining investments at arm's length. The set-up also enhances efficiency in investment management by providing a central point of coordination of investment processes, procedures and controls by staff that are dedicated to this function.

5. Conflicts of Interests

All conflicts of interest must be managed in accordance with the Superannuation Trustee Conflicts Management Framework which is available on the IOOF Intranet.

There are a number of internally managed investment options, where a related IOOF entity is the RE or Investment Manager and these investment options have been included the investment menus of Funds where IIML is the RSE Trustee. As a result, conflicts may exist between the interests of the related IOOF entities and IIML as the Trustee of the Funds.

IIML as the RSE Trustee of the Funds has a duty to act in the best interests of members of the superannuation entities when selecting investment options to be included on the investment menus of the Funds where it is RSE Trustee. Where the RE of the investment option is a related IOOF entity, the RE also has a duty to all unitholders and not just the superannuation fund members who invest. These duties may, at times, conflict.

To address these conflicts, The IOOF Group has implemented the following measures:

- Split the RSE and RE licences into distinct entities and will hold Board meetings for the RSEs separate to the REs.
- Establish a dedicated business function to support the APRA regulated entities (The Office of the Superannuation Trustee).
- Maintain a majority of independent directors and Chair of the APRA regulated entities (including IIML)

The Trustee further manages this potential conflict of interest and/or duty and satisfies itself that the related party IOOF Multi-Manager Funds can deliver optimum outcomes for members by utilising the expertise of the PIC to assist in determining whether the inclusion or removal of these Multi-Manager Funds on the investment menu is in the best interests of members.

To maintain the integrity of the Investment Governance Framework, the following controls are in place to help manage investment related conflicts of interest:

- The delegations by IIML to the PIC to act in the best interests of members of IIML's Superannuation Funds.
- Ensuring peer reviews of investment recommendations are undertaken by at least one other Research analyst.
- Separating IOOF Investments, Investment Operations, Data Reporting, Compliance and Research functions.
- The Research team do not provide research or ratings on any investment options where a related party is the RE or Investment Manager. Alternative external research reviews and ratings are sourced to cover the Trustee's investment governance obligations. Currently, Lonsec, Zenith and Chant West provide research and ratings on several investment options of which IOOF related parties are the RE.
- Mandating adherence with the Superannuation Trustee Conflicts Management Framework, the IOOF Code of Conduct, trading policies and staff securities trading policies.
- Using third party providers for research and performance reporting.
- Periodic positive assurance attestations provided to Enterprise Risk and Compliance from IOOF Investments Division, Investment Operations, Data Reporting and Research.
- Adhering to the IOOF Breach and Incident Policy in relation to the identification and reporting of internal issues.

Where a member of the IOOF Equities Team, within the Research team, considers they might have a potential or actual conflict between their outside interests and their employee duties, they must promptly notify the Head of Research and the Chief Risk Officer, providing relevant details of the conflict. All identified

conflicts are recorded in the Groupwide Conflicts Register. The Enterprise Risk and Compliance team will provide an update to the IIML Risk & Compliance Committee on conflicts and the treatment plans in place at each meeting.

As per the Related Entities Research Policy, the Research Team will not rate any product where an IOOF entity is the RE or where IOOF has a commercial interest in the investment manager. Where this is the case, an external research provider will be engaged (i.e. Lonsec) and any rating received must be 'Investment Grade' or above. All externally rated related party investment options will be designated on the IOOF Research APL as *Approved*.

Where an external research house has been engaged, they are selected based on their expertise, reputation, and ability. All external research house appointments are strictly in accordance with the IOOF Vendor Management and Outsourcing Policy, are subject to annual review, and ongoing due diligence and monitoring.

6. Investment Options

The aim for IIML as Trustee is to provide optimal returns for members over the long-term without exposing their member benefits to unreasonable risk. Setting specific and measurable investment objectives, including risk and return objectives, provides a benchmark for the Trustee to measure whether it has achieved its aims for members.

The Trustee has established investment objectives that are aligned to the investment strategy of each Fund. Setting measurable investment objectives against specific benchmarks allows the Trustee and members to measure whether their objectives have been achieved.

An investment option is an investment that the Trustee makes available on an investment menu for selection by a member. The Trustee seeks to ensure that the investment options available to each superannuation member and their adviser provide a sufficiently broad list of investment strategies to enable them to construct a diversified portfolio across a range of risk profiles, asset classes and market cycles.

6.1. Return objective

A return objective is required to provide members with an understanding of the expected investment outcome for each investment option. A return objective can be expressed as either a return relative to a quantifiable benchmark return or an absolute percentage return by asset classes. A relative benchmark will be selected for traditional asset classes such as equities and bonds; an absolute percentage return target will generally be selected for multi-assets and alternative assets classes.

The Trustee adopts a strategic asset allocation approach when formulating the investment strategy. Managed Funds investment options are selected from various asset classes with the expectation that collectively they will achieve the return objective of any given investment strategy.

6.2. Return objective – Small APRA Funds

For SAFs, the risk profile of each model investment strategy is determined by reference to the standard risk measure below. Developed by the Association of Superannuation Funds of Australia (**ASFA**) and the Financial Services Council (**FSC**), it provides risk bands and the corresponding ranges estimated number of negative annual returns over any 20-year period for that risk level. The Board has determined the following risk objective for each SAF model investment strategy:

Investment Strategy	Risk return objective
Conservative	Low
Moderately Conservative	Low to medium
Balanced	Medium
Balanced to moderate growth	Medium to High
Growth	High

7. Investment Strategy

7.1. Determining the strategy

The Trustee has determined that the investment strategy for the Funds is to provide diversified investment menus where adequate returns can be delivered for members over the long-term without exposing their investment to unreasonable risk. Consistent with the requirements of SPS 530, IIML regards the investment strategy of a whole Fund (other than an AET Small APRA Fund – **see 7.2** below) to be the collective investment strategies for all investment options within the Fund. The Funds have approximately 800 MIS investment options that have been categorised into 17 Investment Strategies.

Investment strategies are designed so that members have access to investment choice that meet their requirements. Members can benefit from the skills of professional fund managers and a well-researched range of MIS investment options, as well as term deposits with Australian Authorised Deposit Institutions (**ADI's**), and equity investments which are monitored by the PIC. The Trustee approves the investment strategy of each Fund and the investment strategy groupings for the investment options within the Funds and is regularly updated on each aspect via the PIC.

When formulating the investment strategy, IIML as Trustee considers costs incurred and tax consequences in relation to the investment options, as well as ways to achieve cost and tax efficiency. Ongoing review of the costs incurred forms part of the formal review of investment strategies.

IOOF Products have been analysed as a collective based on the standard investment strategy categories detailed below.

Investment Strategy	Asset Mix
Diversified Growth	70% to 100% growth assets and 0% to 30% defensive assets
Diversified Balanced	40% to 70% growth assets and 30% to 60% defensive assets
Diversified Conservative	0% to 40% growth assets and 60% to 100% defensive assets
Australian Share Funds ¹	90% to 100% Australian Shares and 0% to 10% cash
Global Share ² Funds	90% to 100% Global Shares and 0% to 10% cash
Property ³	90% to 100% Property and 0% to 10% cash
Global Infrastructure	90% to 100% Global Infrastructure and 0% to 10% cash
Alternatives ⁴	90% to 100% Alternative Investments and 0% to 10% cash
Commodities	90% to 100% Commodities and 0% to 10% cash

Australian Fixed Interest Funds ⁵	90% to 100% Australian Fixed Interest and 0% to 10% cash
International Fixed Interest Funds ⁶	90% to 100% International FI and 0% to 10% cash
Cash Funds	100% Cash
Listed Investments – International Shares	90% to 100% Intl Shares and 0% to 10% cash
Listed Investments – Australian Shares	90% to 100% Aust Shares and 0% to 10% cash
Listed Investments – Aust Property Trusts	90% to 100% Aust Property and 0% to 10% cash
Listed Investments – High Yield Investments	25% to 75% Aust FI and 25% to 75% Intl FI
Exchange Traded Funds	depends on the underlying strategy or product

Please note the following additional detail to the table above.

1. Includes large, mid and small caps
2. Includes large unhedged and large hedged global shares, small caps and regional shares
3. Includes both Australian and global property exposures
4. Includes hedge funds, private equity, managed futures, multi asset funds
5. Includes Australian Government, semi Government, corporate, inflation-linked, mortgage securities and high-yielding securities
6. Includes foreign Government, semi Government, corporate, inflation-linked, mortgage securities and high-yielding securities

Individual managed funds also maintain their own specific asset allocation targets and ranges. These specific asset allocations can be found in the respective Funds PDS.

The Research team determine which of the 17 investment strategies is most applicable to each of the investment options offered by the Funds (other than for SAFs). The investment options within each strategy have the same Standard Risk Measure (**SRM**) and consequently can be monitored and stress tested on the same basis within their strategy group and any outliers identified.

An annual review of the Investment and Risk Objectives for the above 17 investment strategy categories is completed within the *Annual review of Investment Objectives and Strategies paper* and is provided to the IIML Board.

7.2. Investment Strategies – Small APRA Funds

For SAFs, the Trustee has formulated five model investment strategies from which members, in conjunction with their financial adviser, select a model investment strategy that is relevant to the member's needs and financial objectives. The model investment strategies offered by the Trustee is the members' plan for making, holding and realising assets consistent with their investment objectives.

When formulating model investment strategies for the SAF Fund offering, the Trustee takes into consideration the following factors:

- Risks involved in making, holding and realising, and the likely return from, the investments covered by the strategy, having regard to the investment objectives and expected cash flow requirements.
- Composition of the investments covered by the strategy, including the extent to which the investments are diverse or involve the members' fund being exposed to risks from inadequate diversification.
- Liquidity of the investments covered by the strategy, having regard to the expected cash flow requirements in relation to the entity.
- Availability of reliable valuation information in relation to the investments covered by the strategy.
- Ability of the Fund to discharge its existing and prospective liabilities.
- Expected tax consequences for the entity in relation to the investments covered by the strategy.
- The costs that might be incurred by the entity in relation to the investments covered by the strategy.
- The fund's whole circumstances including the interests of beneficiaries, risk management, legal and regulatory requirements and market context; and

- Other matters relevant to formulating the strategy.

The Trustee has approved the following five model investment strategies for the SAF offering that members may choose to adopt for their fund:

- Conservative
- Moderately conservative
- Balanced
- Balanced to moderate growth
- Growth

With the assistance of their financial adviser, SAF members will select investments and construct a portfolio that meets their financial needs. The Trustee's role in the investment selection process is to ensure the defined investment menus provide members with an investment choice that covers a broad range of asset types. The Research Team reviews the asset that has been selected by a member and gives it a risk rating, which in turn assists the process of deciding whether that asset will be suitable for selection, having regard to the investment guidelines and the investment strategy.

The Trustee must have regard to the following legislative considerations when accepting members' directions to acquire an asset for their SAF:

- Under section 109 of the SIS Act, the Trustee must keep investment transactions at an arm's length basis. This means that investment transactions must be on commercial terms or on terms no more favourable to the other party than would reasonably apply if the trustee or investment manager was dealing with the other party at arm's length.
- To keep investment transactions at arm's length, the Trustee will agree to the purchase or sale of assets if the price is at market value and for unlisted assets, once it obtains reliable, accurate and independent valuations.
- Section 71 of the SIS Act sets out the basic rule that the Trustee must not invest in, lend or lease to a related party, generally any more than 5% of its fund assets. There are some exceptions to the basic rule, which are set out in Part 8 of the SIS Act. The in-house asset rules ensure that funds remain adequately diversified across a range of asset classes and varying level of risk. The Trustee at all times adheres ensures its members adhere to the in-house asset rules.
- Section 66 of the SIS Act prohibits the acquisition of an asset from a related party of a fund. Some exceptions apply.

The Trustee has mechanisms in place to ensure that the interests of beneficiaries remain its paramount consideration during the investment selection process, whether it leads that process or accepts member directions. These mechanisms include:

- All member directions are subject to review and approval by the Trustee; and
- Members are restricted to the investment parameters the Trustee has set when making their investment selections.

Investments that require detailed consideration, or those that fall outside the Trustee's ordinary guidelines may be put before the PIC or the Trustee Board, on the recommendation of the Research Team, for consideration and approval. The Trustee may also engage asset consultants and other investment professionals on a case by case basis, to assist its decision-making process.

The Trustee provides members the tools to make selections that will achieve a balanced yet diversified portfolio, and that produces a retirement income at an acceptable level of risk. In keeping with its duties to its

members to operate a fund for the sole purpose of providing retirement outcomes, the Trustee has established defined investment menus, has set asset exposure limits as well as implementing investment guidelines that are based on five broad investment principles.

- Diversification
- investments must be on an 'arm's length' basis
- investments should produce income or short-term capital gains
- highly speculative investments must be avoided
- specific investments precluded by legislation are unacceptable

In relation to SAFs, the Trustee has established defined investment menus along with a list of acceptable and unacceptable investments that members can invest in. Details of these can be found in **Appendix 1**.

7.3. Diversification

Diversification is a critical component of portfolio construction and is achieved by spreading contributions across multiple asset sectors, including International and Australian shares, property, alternative strategies, fixed interest and cash. Further diversification is achieved by appointing multiple fund managers (known as third party funds) with different investment styles which have been carefully selected within each asset sector. The investment strategy for the third-party funds is set by the investment manager.

Diversification assists in achieving reliable and consistent returns and is a method commonly used to manage investment risk. It is also good investment governance. Each investment strategy presented by the Research team to the Trustee Board for approval addresses the extent to which the strategy is diversified.

In formulating each investment strategy, Research determines an appropriate level of diversification within an investment strategy by:

- Identifying how sources of return are expected to interact, the variability of the interactions and, where the strategies includes multiple asset classes, the correlations analysis.
- Determining the asset classes or assets that it will invest in to achieve the desired risk exposure and whether making, holding and realising investments can be implemented in a manner consistent with the interests and duties of beneficiaries.
- Having regard to diversification when offering single security options.

7.4. Use of derivatives

Managed funds (investment options) that form part of the investment menus may use derivatives, however, will not be considered as part of the investment menu where derivatives are used for speculative purposes only. The controls and procedures relating to derivative use are set out in the third-party fund's Product Disclosure Statement (**PDS**) and the **Derivative Risk Management Statement**. The Research Team and the Approved Product Committee considers how a third-party fund manager uses derivatives in the analysis of the Fund to determine whether to recommend appointment to the APL. A review is also completed on an ongoing basis to ensure the investment option remains appropriate for the APL.

Where a SAF is concerned, the Trustee has deemed derivative instruments such as futures, forwards, written call and put options including covered calls, as unacceptable assets.

For further information in relation to derivatives use please see the **IOOF Research Policy - Managed Funds**.

8. Review of the Investment Strategies

The Board reviews the investment strategy for the Funds and the investment strategy groupings on an annual basis or more frequently if the specific triggers mentioned below occur. The Research team assist with this review which includes considering whether the investment objectives, including investment return and risk targets, are being met and whether they remain appropriate.

Any actual and/or proposed changes within the business, strategy or management and in the external environment are monitored by the RSE (through the PIC) to understand how such circumstances might impact on the investment strategy and whether it should be changed.

A review and change to the investment strategy might be triggered following changes to:

- Membership levels or profile.
- The liquidity status of underlying investments.
- Unusual patterns in investment performance.
- The economic climate.
- The law.
- Concentration risks.

The changes must be of a magnitude that would be reasonably expected to trigger a review and potential change of the investment strategy. Often this will be a qualitative, professional, judgement-based test conducted by the Research team.

The review of investment strategies for all MIS investment options held by members of the Funds will be reported through the PIC on an annual basis. When objectives are not met the PIC and, if relevant, the Trustee Board will take appropriate and timely action based on the results of the reviews and supporting documents. The review of investment strategies for all the investment options held by members of the Funds forms part of the quarterly reporting process conducted by the external asset consultant. Further information in relation to this process is detailed in section 9.3.2.

In times of exceptional market volatility or increased risk in general, the Research team will prepare a report for consideration and action by the PIC. The report will be provided to the Trustee Board for action as required.

For SAF's, the Trustee has determined that if a fund is out of strategy for a period of more than 180 days, the Trustee will select an appropriate alternative strategy for that fund. The Trustee has a detailed policy and procedure with respect to the monitoring of investment strategies - refer to *PRO1720: SAF / SMSF Cash & Investment Monitoring* which is incorporated into this Framework by reference.

Further information regarding the review of investment strategies can be found in the *IOOF Equities Research Policy* and the *IOOF Managed Funds Research Policy*.

9. Investment Selection Process

9.1. Investment menu construction & asset allocation

Investment menu construction brings together the recommended investment managers identified in the selection process with the guidelines determined by the asset allocation. Investment menus are designed so that members have access to investment choice that covers a broad range of asset types that meet their investment objectives.

IIML has developed a disciplined research due diligence process for selecting investment options. An investment option that has been found suitable can be recommended for approval by the Head of Research to the APC and then to the PIC for addition to the investment menu. Product consideration is included as part the PIC recommendation. The investment option may then be added if approved by the Trustee.

Members select investment options and construct a portfolio that meets their financial requirements usually with the assistance of a financial adviser. In order to maintain liquidity and diversification in members' accounts, the Trustee has set limits on the percentage of funds that can be allocated to particular investment options. All limits are set out in the investment option PDS.

Asset allocation for investment options is set by the relevant investment manager and reviewed by the Trustee on appointment and on a periodic basis. This is completed as part of the stress testing process where a review of the asset allocations of the managers is completed to ensure they are assigned into the correct strategy. For further information on the portfolio construction process, please refer to the ***IOOF Research Policy: Managed Funds and IOOF Research Policy: Equities***.

9.2. Due Diligence for the selection of investment options

Research undertakes due diligence when assessing the suitability of investment options for the APL investment menu. Investment menu construction involves an assessment of the following:

- The existing investment menu.
- Recommendations from the Research team, Product and external agencies.
- Experienced and stable investment teams with good track records.
- Quantitative factors that may include correlations, magnitude draw downs, historic risk return metrics.
- Clear, concise and repeatable investment process and philosophy.
- Transparency of portfolio and access to key team members.
- Optimal fee structures.
- Menu management - consideration is given to constraints such as capacity, liquidity, transparency and the evolution of financial markets and product development.
- Product management - consideration criteria may include scale, support (including non-aligned business) and operational compatibility.

The selection process employs both quantitative and qualitative assessments which are used to identify managers that the Research team considers are most likely to achieve their investment objectives. The Research team's due diligence process includes the assessment of certain criteria including operational factors, financial viability of the manager, investment process, portfolio structure and performance.

Balancing issues such as the investment style, the appropriate number of managers and the suggested maximum exposures to a specific sub-asset class are all important considerations. These are all assessed by the team to provide an appropriate outcome across all investor risk profiles.

Where an investment option is proposed for addition to the Superannuation Funds' investment menu and it is not on the APL, external research is sourced from Lonsec in the first instance or another ratings agency to be presented to the PIC as part of the recommendation process. An investment option must have a Lonsec rating of 'Investment Grade' or above and/or a Mercer rating of 'B' or above before it can be considered for addition to the Superannuation Funds' investment option.

Full details of the due diligence process for portfolio construction is detailed in the ***IOOF Research Policy: Managed Funds and IOOF Research Policy: Equities***.

9.2.1. Specific approach for related party investment options

The Superannuation Trustee Conflicts Management Framework stipulates that the Research team is prohibited from providing any research or recommending any investment option where a related party is the

RE. Consequently, investment options where a related is the RE are not reviewed or rated by the Research team, instead, to determine their suitability to be added or maintained on the Superannuation Funds' investment menu, investment ratings are obtained from an alternative external research house.

A “*look through*” approach may be taken where an investment option of which a related party is the RE invests directly in one or more investment options, and the underlying investment options holds a suitable research rating. The IOOF Chief Investment Officer (**CIO**) is functionally separate from the Research team and does not report into the PIC.

Both externally and internally investment options added to the Superannuation Funds' investment menu require the RE of the investment option to enter into a Platform Service Agreement (**PSA**) to satisfy operational suitability and due diligence for Trustee purposes.

9.3. Monitoring of investment options

9.3.1. APL Monitoring

The Research team has a “best of breed” approach to managing the Advice Businesses APL and does not undertake ongoing monitoring across the investment options or equity investment universe offered by the Funds on their investment menus. The philosophy adopted is to ensure sufficient breadth and diversification is available within each asset class so that the Advice Businesses have access to high quality strategies across various investment styles and characteristics.

The Trustee may choose to rely on the research undertaken by the Research team. However, as the Research team do not monitor all of the investment options on the Funds' investment menu, additional monitoring is required by asset consultants appointed by the PIC on those investment options available for investment that are not on the current Advice Businesses APL.

No research recommendations are prepared or distributed by the Research team in relation to MIS investment options issued by a related entity of IOOF. For further information in relation to the monitoring of investment options within the APLs see the ***IOOF Research Policy - Managed Funds***.

9.3.2. Platform Monitoring – MIS

The PIC has engaged an external asset consultant (**Consultant**) to undertake the stress testing of the investment options across the Funds. This Consultant also provides IOOF with a quarterly report that provides performance information relating to the investment options that are on the Funds' investment menus, including the IDPS.

As part of this quarterly reporting process, the Consultant will provide an indication of its own rating of the particular investment options and provide recommendations to the PIC and ultimately the Trustee as to whether these investment options continue to provide the Funds' with the appropriate mix of options that will satisfy their members' investment objectives.

The Research team reviews the Consultant's analysis and use this to provide the Managed Fund Report (**Report**) to the PIC on a quarterly basis. This Report considers the Consultant's analysis and recommendations and provides the Research team's view on the findings within the Consultant's report. The Research team's recommended actions are included in the Report which is reviewed by Product to reflect additional Product/business support requirements. A Product assessment of the recommendations is then provided separately to the PIC for review and recommendation to the Trustee for approval. The action plans may include the following:

- Where a rating of below 'B' is obtained from the Consultant, or they cease to cover the investment option, the PIC must form a view as to whether the investment option should be immediately closed to any new investment.

- If Lonsec continues to cover the investment options rated below B, or ceased coverage by the Consultant, and Lonsec provides a rating of Investment Grade or above, then this will be considered as adequate and review by the PIC not required.
- Consultation with Product, Tax, Distribution and Compliance teams as to the consequences of recommending members to sell down out of the investment option and reinvestment into a comparable investment option within the investment menu.

Once a resolution is made by PIC to remove an option from the investment menu or to close it to new monies, the Product team will be required to take appropriate action within agreed timeframes.

The Consultant's quarterly report will also be utilised by the Research team to assess where an investment option's performance is outside the range determined by the Consultant as acceptable against the investment option's peer universe. If the performance over the rolling three-year period is outside acceptable levels, this will trigger a review by the Research team and reporting to the PIC and Trustee Board for action.

In addition to the reviews completed by the Research team and the external consultant, Enterprise Risk and Compliance will request an independent Operational Due Diligence report from the investment managers with investment options on the Funds' investment menus. Any exceptions identified in these reports will be monitored and notified to the PIC if deemed to be unacceptable risks.

9.3.3. Monitoring – equities, term deposits and ETFs

The APL for equities is made up of the ASX200 as well as specific stocks / hybrids / Listed Investment Companies (**LICs**) recommended by the Research team. The Research team do not monitor all stocks within the ASX200. In relation to the Hybrids/LICs, the APL will only be those that Research send out on a weekly basis or conduct research on.

If a stock falls out of the ASX200 there are a number of scenarios that may occur:

- If the Research team reviewed the stock when it was in the ASX200, the team would continue researching it and therefore may place the stock on the APL as a specific stock allowed for investment.
- If the Research team no longer intend to cover the stock, coverage would revert to Morningstar. When an advisor reviews the client's portfolio they would need to justify the position and would require a non-approved product waiver (**NAPW**). Research will give this waiver as long as Morningstar still cover the stock. If Morningstar no longer cover the stock, no NAPW will be given and the Advisor will need to justify holding that position and or get a client waiver.

All Term Deposits (**TDs**) offered by an Authorised Deposit Institution (**ADI**) are included on the investment menus and the master APL.

10. Liquidity Management Plan

The Trustee's approach to managing liquidity risk is covered in the *Superannuation Liquidity Management Policy (Liquidity Policy)*, which sets out its liquidity and cash flow position so that it may meet its ongoing obligations to its members and any liabilities within each Fund.

Each Fund applies different rules on investment strategy restrictions and minimum cash levels at the member account level. These rules help to mitigate the risk of a liquidity event or reduce the impact of a liquidity event by placing restrictions on members investing large portions of their portfolio into illiquid assets. These rules are disclosed to the members through the Fund's PDS. In addition, the Trustee has ensured that the investment menu available supplies a sufficient range of investments to be able to construct an adequately diversified investment portfolio with an appropriate mix of assets.

The Trustee may decide to invest in some illiquid assets in order to improve diversification of the overall investment menu. A key consideration when deciding whether to invest in illiquid assets is to assess the return benefit relative to the risk of not being able to meet redemption, cash flow or rebalancing requirements. An illiquid asset is defined in the liquidity policy as an investment that cannot, by the nature of its underlying investments, be converted to cash within 30 days during normal market environments.

In SAFs, the liquidity risk is borne by the members since they select their investments. In such circumstances, the Trustee's management of such risk is necessarily limited in addressing a consequential shortfall in the liquidity of a fund. The Trustee ensures that there has been appropriate disclosure of the risks associated with liquidity in its offer documents.

To ensure the desired level of liquidity within a SAF is maintained, the Trustee monitors minimum cash requirements within each fund on a daily basis and has implemented procedures to detect if any investment option becomes illiquid. In such circumstances, appropriate steps are taken to keep the member informed and ensure that any subsequent redemption windows or fund restructures offered by the issuers of the investment options are appropriately actioned.

By adhering to the minimum and negative cash requirements, and ensuring sufficient liquidity within the fund, the Trustee has comfort that the fund is able to discharge existing respective liabilities.

11. Investment Risk Management

Members are exposed to a range of investment risks which may impact on their return objectives. The sources of risks that members can be exposed to include:

- Market risk
- Interest rate risk
- Credit risk
- Currency risk
- Derivative and gearing risk
- Liquidity risk
- Inflation risk
- Fund risk

At the individual investment option level, operational risks are assessed by the Research team only as part of their initial due diligence when the option is first added to the Funds' investment menu.

Ongoing consideration of operational risks is not currently considered by the PIC. Work has commenced to develop an ongoing monitoring program that will adopt the approach undertaken by our industry peers.

The due diligence process for assessing MIS and listed securities incorporates a formal risk assessment through which Research:

- Identifies risks.
- Assesses and measures identified risk factors and their impact on investment returns.
- Understands the risk mitigation strategies that need to be put in place.
- Determines the policy on how those risks will be monitored and reported.

Further information regarding the management of risk and risk ratings can be found in the ***IOOF Equities Research Policy*** and the ***IOOF Managed Funds Research Policy***.

11.1. Investment Risk Management – Small APRA Funds

As SAFs are subject to member directions, members are exposed to a range of investment risks which may impact on the return objective. The Trustee will aim to manage these risks by establishing the guidelines, parameters, limits within which members can select investments, and by ensuring that the selections are made according to law and regulatory requirements.

12. Asset valuation

IIML has developed the **Superannuation Asset Valuation Policy** which is consistent with regulatory requirements and details the following:

- Independence of pricing sources.
- Use of recognised valuation methodologies for different asset classes.
- Valuing assets in accordance with approved accounting standards.
- Validation of price movements.
- The frequency of valuations.

The valuation of securities is derived from a number of independent information sources. The independent sources or custodians, where applicable, maintain asset valuation policies that provide the mechanisms for valuing assets. These policies are provided to the Trustee prior to investing in a particular asset, or as part of the custodian review process.

The Head of Investment and Accounting Services is responsible for the development and application of the valuation policies with approval and oversight of these policies resting with the PIC. The Board receives quarterly reports on asset valuations.

13. Monitoring performance and reporting

APRA Prudential Standard - *SPS530 Investment Governance* requires the Trustee to monitor the performance of each investment/asset on an ongoing basis, and that its investment governance framework (as set out in this document) must be appropriate to the size, business mix and complexity of its business operations.

The PIC receives independent performance reports from the Head of Data Reporting for each investment option and an analysis of whether it is meeting its investment objectives. Any notable investment performance issues and exceptions will be reviewed by the PIC and any recommendations for action sent to the Board for consideration.

The Trustee reviews the various investment menus on an annual basis. Teams assessing the performance of each investment remain operationally independent from those carrying out investment activities. The operational independence controls in place are periodically reviewed by internal audit and the Enterprise Risk and Compliance team via the Risk Management Framework.

13.1. Monitoring performance and reporting – Small APRA Funds

The Trustee recognises the special and unique characteristics of SAFs, in particular, the fact that the AET SAF is offered on a wholesale basis through a network of advisers, and that members authorise the Trustee to accept instructions directly from their advisers and that all investments/assets held within a SAF are

member directed. As such, IIML as the Trustee holds a diverse range of investments/assets on behalf of the SAFs.

Whilst acknowledging its monitoring obligations, the Trustee is also aware of the difficulties faced in monitoring the performance of certain investments/assets, in particular; real property, private unit trusts and private assets (including collectibles).

Having regards to the specific characteristics of SAFs and their complexities, the Trustee is satisfied that it is meeting its monitoring obligations by the processes currently employed as set out below:

Performance reporting arrangements – Small APRA Funds	
AET My Portfolio Performance Reporting	<p>Reports on the performance of all investments/assets held within each SAF on a daily basis via the on-line portal 'AET My Portfolio', which is available to all SAF members and their advisers, giving access to a suite of Performance Reports including;</p> <ul style="list-style-type: none"> ● Individual investment / asset performance reports, ● Income and Expense Summary Reports, ● CGT Sales Reports, and ● Unrealised gain / loss Reports.
Real Property	<p>The Trustee obtains an initial independent valuation for all real property and thereafter every three (3) years obtains a further independent valuation. Where real property is subject to a lease, the Trustee ensures that there are annual rent reviews and increases subject to increases in CPI.</p>
Private Unit Trusts	<p>The Trustee obtains audited/unaudited financial statements on an annual basis</p>
Private Assets (including collectibles)	<p>The Trustee obtains an initial independent valuation and thereafter every three (3) years obtains a further independent valuation.</p>
Investment Options available on IOOF platforms	<p>Where a SAF member selects an investment option that is available on an IOOF platform, the performance of those investments is monitored by the Research Team. The PIC receives a report on the performance of each investment option from the IOOF Research Team at each regular meeting.</p>

Investment performance is also reported to members of the Small APRA Funds on an annual basis via their annual member statements.

14. Stress testing program

The Trustee is required to undertake stress testing to ensure its investment options can meet their objectives across a number of different and extreme market conditions. The stress testing program takes into account changes in market conditions, the investment strategy, the liability profile of investment options, any circumstances that may affect the liquidity of specific investment options and IIML's business as a whole.

The PIC reviews the appropriateness of the stress testing program and any material issues identified are addressed via the formal review of the investment strategy/asset class. The RSE has determined that stress testing is to be conducted at the investment option level, consistent with APRA's expectations.

In relation to externally managed investment options, any stress testing scenarios conducted are considered as part of the due diligence process. However, if stress testing on the investment options is not provided by the external investment manager, this will not automatically discount the investment option from inclusion on the investment menu.

The PIC has appointed a Consultant in accordance with the PIC Terms of Reference to act as an independent function to assist the Committee fulfil their duties to undertake appropriate stress testing, analysis and reporting. A set of stress testing scenarios will be developed and reviewed annually to ensure relevancy by the Consultant and recommended to the PIC prior to the commencement of the stress testing. This review will include the risk assessment across the scenarios.

The Research team will review and consider the stress testing analysis and results provided by the Consultant and provide their views and any recommendations to the PIC for their consideration. The PIC must recommend the RSE Board approve the results and any identified action plans on an annual basis.

Further detail on the stress testing process can be found in the **Stress Testing Policy**.

15. IOOF MySuper

MySuper is a low cost, default superannuation investment option with a single, diversified strategy and basic default insurance benefit for Australians that has replaced existing default Funds. IIML as Trustee has assessed and agreed the IOOF Balanced Investor Trust (**IBIT**) is the most appropriate option for the default superannuation Fund for the IOOF *MySuper* product. The ongoing suitability of the IBIT is reviewed by the Trustee on an annual basis.

15.1. Additional governance requirements specific to IOOF MySuper

The IOOF *MySuper* investment strategy must include all investment management requirements set out in this Framework and consideration of the enhanced regulatory obligations for *MySuper* detailed below:

- How the strategy is diversified over multiple risk factors and sources of return.
- The investment return target over a period of 10 years for the assets of the Fund and the level of risk deemed appropriate to the investment of those assets is to be updated annually.
- Complying with the relevant permissible fee rules - performance-based fees will not be charged for the IOOF *MySuper* product.

To ensure compliance, IIML has developed a checklist containing all legal and regulatory requirements relating to the formulation and implementation of the investment objectives and strategy, including the *MySuper* requirements.

The Product team is responsible for ensuring the specific governance requirements for *MySuper* are met. The Product team is to liaise with the Office of the Superannuation Trustee (OST) on all *MySuper* related proposals prior to the proposal being submitted to the Trustee for approval.

15.2. Monitoring and reporting of IOOF MySuper

IIML undertakes the performance monitoring for IOOF *MySuper* as with all other investments. In light of the enhanced obligations for the IOOF *MySuper* product, performance monitoring includes measuring how the product performs its intended objectives of lowering costs and maximising retirement benefits using a simplified product model.

Tailored reporting is provided on the IOOF *MySuper* option to the IIML Board with comprehensive considerations of suitability of the *MySuper* strategy, including:

- Consideration of the member profile and demographics of the option.
- Performance and fee comparison against a selection of retail and industry fund peers.

- Performance assessment against CPI objective and composite benchmark.
- Details of the asset allocation and underlying managers of the IOOF Balanced Investor Balanced Trust (**IBIT**), including performance of each underlying manager.

15.2.1 Investment and administrative scale

The Trustee will, on an annual basis, make a determination relating to the scale of its *MySuper* offering as required under s.29VN(b) of the SIS Act. The Trustee is required to consider whether the financial interest of beneficiaries holding an IOOF *MySuper* interest are disadvantaged compared to beneficiaries of other (external) funds that also offer a *MySuper* product. In making this determination, IIML must assess the sufficiency of both administrative and investment scale.

The Product team is responsible for the completion of this annual review and will advise the Trustee on the outcome including the sufficiency of the investment scale. Please refer to the ***IOOF MySuper Scale Policy*** for the approach to annual assessment of scale.

The Product team is to liaise with the OST after completing the annual review to ensure Member's interests have been appropriately considered in the annual review and reflected in the outcome.

15.2.2 Shared Costs Allocation

The Trustee will, on an annual basis, complete a review of shared costs to determine whether group costs were shared on a fair and equitable basis between interests in the IOOF *MySuper* and Choice products offered by IIML. These shared costs are allocated on a proportional approach using the number of members or full-time equivalent where appropriate. Please refer to the ***IOOF Shared Costs Allocation policy*** for further information on the process.

15.3. Dashboard requirements

As required under Reporting Standard SRS 700.0, a product dashboard is available for IOOF *MySuper* that sets out the following:

- the investment return target;
- the number of times the current return target has been achieved for each of the financial years in which the product has been offered, up to the last 10 financial years;
- the level of investment risk;
- a statement about liquidity of members' investments; and
- the value of fees and other costs relating to the *MySuper* product option during the last quarter, expressed as a percentage of the assets of the Fund attributable to the *MySuper* product.

The OST will review the process undertaken to generate the product dashboard to ensure the information is accurate and will obtain independent advice on what is required if deemed necessary.

16. SMF Eligible Rollover Fund

The SMF Eligible Rollover Fund (**ERF**) has been designed as a temporary repository to accept the benefits of members with low account balances, who are leaving or changing employment or who have become uncontactable. The ERF is not intended as a permanent place to hold superannuation funds as it only offers one investment option with a single, diversified strategy and basic default insurance benefit. IIML as Trustee has assessed and agreed the IOOF MultiMix Conservative Trust is the most appropriate option for the ERF product.

16.1. Additional governance requirements specific to the ERF

Similar to the IOOF *MySuper* option, the Trustee is required to complete an annual review of the investment strategy and objectives of the underlying investment option of the ERF to ensure the IOOF MultiMix Conservative Trust remains the most appropriate investment option for the ERF. The annual review should consider the following elements of the ERF:

- Membership demographic;
- Diversification;
- Cash flow;
- Risk and return;
- Liquidity needs
- Valuation reliability;
- Ability to discharge liabilities;
- Investment fees; and
- Tax philosophy.

The Product team is responsible for ensuring the specific governance requirements for the ERF are met. The Product team is to liaise with the OST on all ERF related proposals prior to the proposal being submitted to the Trustee for approval.

17. Defined benefit sub-plans

For the defined benefit sub-plans, the investment objective is to manage the risk and likely return from investments, the diversification of those investments, liquidity requirements and the ability of the sub-plans to discharge their liabilities.

The Trustee ensures that liquidity and cash flow requirements are considered when determining the strategy for each investment option for defined benefit sub-plans and on an annual basis ensures that adequate policies are in place. The Trustee has delegated investment oversight for each defined benefit sub-plan and the annual review process to the PIC.

The funding levels of defined benefit plans are monitored and reported at each Board meeting. A defined benefit sub-committee monitors employer contributions and compliance with the plan's actuarial plan and actuary's recommendations. Further requirements are set out in the ***Defined Benefit Sub-Plan Investment Review Policy***.

18. Policy governance

18.1. Breach and incident reporting

Incidents, breaches or potential breaches of this Policy, or procedures supporting this policy will be recorded in Risk Vision and managed in accordance with the IOOF Incidents and Breaches Policy. Summaries of significant breaches including rectification plans and remediation of breaches is tabled at each IIML Risk and Compliance Committee (**RCC**) meeting for the relevant reporting period.

18.2. Risk Management Framework

The Risk Management Framework (**RMF**) at IOOF is defined as the totality of systems, structures, policies, procedures and people to identify, measure, evaluate, monitor, report, control and mitigate internal and external risks. The Group Risk Management Policy outlines the tools, processes and methodology

undertaken to identify and evaluate risks and controls, communicate employee roles and responsibilities as they relate to risk management, and to promote a proactive risk culture.

A key component of the RMF is the Risk Management Strategy (**RMS**) for APRA Regulated Entities. The objective of IIML's RMS is to outline both IIML's strategy for managing risk and the key elements of the RMF that IIML has implemented that give effect to this strategy. The owner and key contact for IIML RMS is the Chief Risk Officer, with the RMS reviewed by the IIML RCC and approved by the IIML Board.

IIML's approach to managing investment risk includes Board approved policies relating to investment activities, and includes this Policy. In IIML's RMS, investment risk is defined as the risk that threatens the ability of IIML to manage its investments to adequately protect the interests, and meet the reasonable expectations, of members and beneficiaries. Investment risk includes the following sub-categories: Investment Governance, (Market, Credit and Liquidity Risks), Portfolio Management and Investment Performance.

18.3. Policy review and revision

The Head of Research, in consultation with the OST will review this Framework annually and recommend changes to the Trustee Board for consideration and approval. Any material changes to IIML operations or the environment in which it operates will prompt a further review of the Framework to ensure it remains accurate and up to date.

The Trustee's Internal Auditor will conduct a review on the effectiveness of implementation of the framework within one year of approval and then at least once every three years.

In addition to this external review, the Framework will be reviewed by the IOOF Enterprise Risk and Compliance team on an annual basis and recommendations made if required.

18.4. Interaction with other policies

The following policies, which are stored on the intranet should be read in conjunction with this policy:

- IIML Superannuation Asset Valuation Policy
- IIML Superannuation Liquidity Policy
- IOOF Compliance Policy
- IOOF Breach and Incident Policy
- IOOF Group Risk Management Policy
- IIML Risk Management Strategy
- IOOF Shared Costs Allocation policy
- IOOF MySuper Scale Policy
- IOOF Defined Benefit Sub-Plan Investment Review Policy
- IOOF Stress Testing Policy.
- IOOF Equities Research Policy
- IOOF Managed Funds Research Policy.
- IOOF Vendor Management and Outsourcing Policy
- IOOF Conflicts of Interest Management Policy
- IOOF Code of Conduct
- IOOF Research Policy
- IOOF Group Securities Trading Policy

19. Approval and review of Framework

19.1. Approval

The IIML Trustee Board is responsible for approving this Framework, ensuring it is adequate and effective in order to meet the fiduciary responsibilities of the Trustee to Members. The CEO may approve non-material amendments under delegated authority from the Trustee Board.

19.2. Review

The Head of Research, in consultation with the Office of the Superannuation Trustee will review this Framework annually and recommend changes to the Trustee Board for consideration and approval. Any material changes to IIML operations or the environment in which it operates will prompt a further review of the Framework to ensure it remains accurate and up to date.

The Internal Auditor will conduct a review on the effectiveness of implementation of the framework within one year of approval and then at least once every three years.

In addition to this external review, the Framework will be reviewed by the IOOF Enterprise Risk and Compliance team on an annual basis and recommendations made if required.

Glossary

In this Policy, defined terms are capitalised, those terms have the meaning given to them below.

Term	Definition
ADI	Means Authorised Deposit Taking Institution
ASX	Means the Australian Stock Exchange
APC	Means the Approved Product Committee, a committee formed to manage the APL and to make determinations in relation to the products that will be added to, or removed from, the APL.
APL	The APL is a list of products and investment options that best reflects the needs of the Advice Businesses.
APRA	Means the Australian Prudential Regulation Authority
Business Unit	A business unit of IOOF, irrespective of the location(s) in which that part of IOOF operates.
ERC	Means the IOOF Enterprise Risk and Compliance Team
Funds	Means any Superannuation Fund, and or Registrable Superannuation Entity (including Small APRA Funds) where IOOF Investment Management Limited acts as the Trustee.
IIML	Means IOOF Investment Management Limited, ABN 53 006 695 021, RSE Licence No. L0000406, and part of the IOOF Group.
OST	The Office of the Superannuation Trustee
PIC	Means the Product Investment Committee, being a Trustee Board sub-committee, which has been delegated responsibility by the Board for monitoring and recommending changes to the investment menu of the Funds.
PDS	Means the Product Disclosure Statement
Policy	Refers to this document, or another IOOF Group policy where it has been mentioned by name.
RCC	Means the Risk & Compliance Committee.
Related IOOF Group Entity	Means Australian Executor Trustees Limited, IOOF Investment Services Limited, IOOF Ltd.
RE	Means Responsible Entity of the Registered Managed Investment Scheme
RMF	Means the Risk Management Framework.
RMS	Means the Risk Management Strategy for APRA Regulated Entities.
RSE	Means Registrable Superannuation Entity.
SAF	Means Small APRA Fund. A SAF is a self-managed super fund with a professional trustee and it regulated by APRA.
SIS Act	Means the <i>Superannuation Industry (Supervision) Act 1993</i> .
Trustee	Means the Registrable Superannuation Entity (RSE) Licensee – IOOF Investment Management Limited.

Document information

Title	IIML Investment Governance Framework V7.0
Owner	Enterprise Risk and Compliance
Approved by	IOOF Investment Management Limited Board
Hierarchy level	Level 1 – Board policies
Effective date	19 March 2020
Last reviewed	3 June 2019
Current review	19 March 2020

Version	Revision Date	Author(s)	Revision Notes
1.0	25/03/2013	David Kilmer	
2.0	11/06/2013	Thomas Robertson	Update following APRA feedback
2.1	30/07/2013	Maria Arkrivou	Update following approval of the IMC/PIC & feedback from CIO, HoR & GM – Distribution
3.0	15/08/2015	Julie O'Neil	Simplified previous IGF, referring to other policies, separating requirements for RE from requirements for RSE
4.0	28/03/2017	Julie O'Neil	Updated the IGF to reflect recommendations from PwC Internal Audit review and clarify the monitoring arrangements in place for the platforms and APLs
5.0	22/03/2018	Julie O'Neil	Updated the IGF to reflect recommendations from PwC in relation to Conflicts of Interest and monitoring controls
6.0	13/12/2018	Julie O'Neil	Updated the IGF to reflect the recommendations from the EY independent review which recommended the IGF be a standalone document for the RSE.
7.0	3/06/2019	Julie O'Neil	Updated to address findings in the EY Independent Review of IOOFs Conflicts of Interest.
8.0	19/03/2020	Brenton Fahey and Michael Neate	Updated to incorporate the IIML Small APRA Fund Investment Government Framework, and address findings in the EY Independent review dated August 2019.

Appendix 1 – SAF Model Investment Strategies

In relation to Small APRA Funds, the Trustee has established the following defined investment menus along with a list of acceptable and unacceptable investments that members can invest in:

Asset Type	Investment menu
ASX Listed direct securities	ASX300
Hybrids	Trustee non - ASX300 approved list
Listed Investment Companies (LICs)	Trustee non - ASX300 approved list
Exchange Traded Funds (ETs)	Trustee non - ASX300 approved list
Managed Funds	AET Wholesale Access Fund Product List
Fixed Interest	Approved term deposits, approved Australian government and semi government bonds.

Acceptable Investments	Unacceptable Investments
Fixed interest investments including term deposits, bank bills, corporate fixed interest (e.g. debentures, unsecured notes)	Shares listed on international exchanges
ASX 300 listed direct securities including direct shares, Trustee approved exchange traded funds, hybrid securities and listed property trusts	In house assets greater than 5% of the value of your Fund
Managed funds	Businesses, alone or in partnership
Direct property (including income producing property and vacant land)	Property development, direct or via another entity (e.g. private unit trust)
Commonwealth loans	Overseas direct property
Semi government loans	Futures and forwards
Shares in private companies	Written call and put options including covered calls
Units in private unit trusts	Investments in jointly owned assets
Art and collectables	Crypto currency
	Structured products
	Registered first mortgages

The Trustee has further subdivided the acceptable list of assets as either:

- Income investments include cash, Australian fixed interest and international fixed interest,
- Growth investments include Australian shares, international shares, property and others.

Members of a Small APRA Fund may allocate income and growth investments, according to the allowable percentages set for their strategy.

Investment Strategy	Conservative	Moderately conservative	Balanced	Balanced to moderate growth	Growth
Income investments	80 – 100%	55 – 85%	35 – 65%	15 – 45%	1 – 25%
Growth investments	0 -20%	15 – 45%	35 – 65%	55 – 85%	75 -99%

Within each investment strategy there are maximum allowable allocations in any one investment that depend on the investment rating of that investment.

Maximum allocation in any one investment					
Investment rating	Strategy 1	Strategy 2	Strategy 3	Strategy 4	Strategy 5
Highly Speculative	0%	0%	0%	0%	0%
Speculative	5%	5%	5%	10%	10%
Cautious	10%	10%	10%	10%	10%
Non-Speculative	25%	25%	25%	25%	25%
Property	0%	0%	0%	0%	70%

Within each investment strategy, there are maximum percentages allowable for speculative investments that are outlined in the table below:

Maximum allocation in account					
Investment Allocation	Strategy 1	Strategy 2	Strategy 3	Strategy 4	Strategy 5
Speculative Investments	0%	5%	15%	25%	25%
Cautious Investments	10%	10%	10%	10%	10%

Appendix 2 – Matrix of responsibilities

Whilst the IIML Board is ultimately responsible for the Investment Governance of the Trustee, it has also delegated certain functions to the following business units and committees within the IOOF Group. These business units and committees are responsible for implementing or overseeing various parts of the Investment Governance Framework. Please refer to the following tables that illustrates each parties role and responsibilities.

Legend:	
Approve	Making the decisions
Generate	Reporting and preparing recommendation for decision / noting
Input	Contributing to the report / recommendation
Note	Being aware of actions being undertaken
Implement	Implementing the decision
Review	Checking the action
Submit	Approving the submission
Restricted	Restricted from performing role for independence reasons

Legend	Roles
	RSE focused role
	Advisor Group focused role
	RE focused role
	External Research House
	Group shared services

Investment Policy

		IIML Board (as RSE)	Office of Trustee	PIC	Approved Product Committee	Product Team	Research Team	External Advisor to RSE	Investment Team	External Research House	Group Finance	ERC
1	Investment strategy - IGF											
	- Determination of investment categories	Approve	Review	Submit		Input	Input		Note			Note
	- Investment objectives (risk/return)	Approve	Review	Submit		Input	Input		Note			Note
2	Annual Review of Strategy											
	- Review/update IGF	Approve	Review	Note		Input	Input		Input			Input
	- Stress testing	Note	Review	Review		Input	Input	Input	Input			Note
	- Liquidity	Note	Review	Review		Input	Input	Input	Input			Note
3	Compliance with IGF Policy	Note	Note	Note	Note	Note	Note		Note			Review

Investment Implementation

Externally managed options on Approved Product List (APL)

		IIML Board (as RSE)	Office of Trustee	PIC	Approved Product Committee	Product Team	Research Team	External Advisor to RSE	Investment Team	External Research House	Group Finance	ERC
1	Option Selection and Changes											
	- Allocation (removal) of product to (from) investment menu	Approve	Review	Submit	Submit	Note/ Implement	Generate					Note
	- Allocation of product to IGF investment category	Approve	Review	Submit	Note	Note	Generate					Note
	- Review of APL composition	Approve	Review	Submit	Note	Note	Generate					Input
2	Monitoring and Reporting											
	- Performance monitoring	Note	Review	Review	Note	Note	Input	Generate			Generate	Note
	- Ongoing due diligence of manager/product	Note	Review	Note			Generate					Note
	- Research rating	Note	Review	Note		Review	Generate	Generate		Generate		Note
	- Review of suitability for APL- flagging options for further review	Note	Review	Review	Note	Input	Generate					Note

Investment Implementation - continued

Externally managed options on investment menu (outside of APL)

		IIML Board (as RSE)	Office of Trustee	PIC	Approved Product Committee	Product Team	Research Team	External Advisor to RSE	Investment Team	External Research House	Group Finance	ERC
1	Option Selection and Changes											
-	Allocation (removal) of product to (from) investment menu	Approve	Review	Submit		Generate/Implement	Note					Note
-	Allocation of product to IGF investment category	Approve	Review	Submit		Generate	Note					Note
-	Review of investment menu composition (outside of APL)	Approve	Review	Submit		Generate	Note					Note
2	Monitoring and Reporting											
-	Performance monitoring	Note	Review	Review		Input	Note	Generate			Generate	Note
-	Ongoing due diligence of manager/product		Review									Note
-	Research rating	Note	Review	Note		Review	Note	Generate		Generate		Note
-	Review of suitability for investment menu - flagging options for further review	Note	Review	Review		Generate	Note					Note

Investment Implementation - continued

MySuper option

		IIML Board (as RSE)	Office of Trustee	PIC	Approved Product Committee	Product Team	Research Team	External Advisor to RSE	Investment Team	External Research House	Group Finance	ERC
1	Option Selection and Changes											
	- Selection of underlying investment product (IOOF Balanced Investor Trust)	Approve	Review	Submit	Note	Generate			Note			Note
	- Allocation of product to IGF investment category	Approve	Review	Submit	Note	Input			Note			Note
2	Portfolio Construction and Changes (IOOF Balanced Investor Trust)											
	- SAA	Note	Review	Note	Note	Note	Note		Generate			
	- TAA	Note	Review	Note	Note	Note	Note		Generate			
	- Underlying manager selection	Note	Review	Note	Note	Note	Note		Generate			Note
3	Monitoring and Reporting											
	- Performance monitoring	Review	Review			Generate	Restricted		Input (IBIT)		Generate	Note
	- Ongoing due diligence of manager/product		Review				Restricted					Note
	- Research rating	Note	Review	Note		Review	Restricted	Restricted		Generate		Note
	- Review of suitability for MySuper	Approve	Review	Submit		Generate	Restricted					Note
4	Annual Scale Assessment	Approve	Review	Submit	Note	Generate	Input					Note

Investment Implementation - continued

Eligible Rollover Fund

		IIML Board (as RSE)	Office of Trustee	PIC	Approved Product Committee	Product Team	Research Team	External Advisor to RSE	Investment Team	External Research House	Group Finance	ERC
1	Option Selection and Changes											
	- Selection of underlying investment product (Multi-Mix Conservative Option)	Approve	Review	Submit	Note	Generate	Input	Input	Input	Input		Note
	- Allocation of product to IGF investment category	Approve	Review	Submit	Note	Input			Input	Input		Note
2	Portfolio Construction and Changes (Multi-Mix Conservative Option)											
	- SAA	Note	Review	Note	Note	Note	Input		Generate			Note
	- TAA	Note	Review	Note	Note	Note	Input		Generate			Note
	- Underlying manager selection	Note	Review	Note	Note	Note	Input		Generate			Note
3	Monitoring and Reporting											
	- Performance monitoring	Review	Review			Generate	Restricted		Input	Review	Generate	Note
	- Ongoing due diligence of manager/product		Review				Restricted		Input	Input		Note
	- Research rating	Note	Review	Note		Review	Restricted			Generate		Note
	- Review of suitability for ERF	Approve	Review	Submit		Generate	Restricted					Note
4	Annual Scale Assessment	Approve	Review	Submit	Note	Generate	Input					Note