



APRA

Corporate Plan

2022-23





Acknowledgment of Country

We acknowledge the Traditional Owners and Custodians of Country throughout Australia and their continuing connection to land, waters, and community. We pay our respects to them and their cultures and Elders past, present and emerging.

We recognise the ongoing connection to their land, their waters and surrounding communities and acknowledge their ancient history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and cultures.

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CHAIR'S FOREWORD

The past year has undoubtedly been one filled with challenge. The Australian community continues to battle the lingering impacts of the COVID-19 pandemic and, in more recent times, is experiencing the impacts of rising costs of living and an increasing interest rate environment. Natural disasters, especially severe rain and flooding in parts of the east coast of Australia, have been devastating for many families and communities. Globally, Russia's invasion of Ukraine in early 2022 triggered a major spike in energy prices and exacerbated already strained supply chains. Collectively, all of these events have significantly shifted the economic outlook compared to a year ago.

On a positive note, the Australian financial system has remained resilient throughout. This financial strength has been the result, in part, of the preparatory work to strengthen and build resilience in the system over many years. It has meant that financial institutions have been able to absorb and withstand a period of considerable disruption and volatility to actively support their customers throughout difficult and challenging times.

As a forward-looking prudential supervisor, dealing with uncertainty and potential risks and vulnerabilities arising from such events is at the heart of what APRA does. As Australia's prudential supervisor, APRA's purpose is to ensure Australians' financial interests are protected and the financial system is stable, competitive, and efficient. This time last year, APRA laid out its strategic priorities to deliver on its purpose. Those priorities were framed within two key themes: "protecting the Australian community today" and working to ensure that the Australian financial system is "prepared for tomorrow". These themes remain the foundation of APRA's 2022-23 Corporate Plan.



APRA's latest Corporate Plan involves building on much of its work over the past year by focusing its efforts on delivering existing strategic priorities whilst keeping a watchful eye on changes in its operating environment and responding as needed.

As the accountable authority of APRA, I present APRA's 2022-23 Corporate Plan covering the four-year period from 2022-23 to 2025-26 as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*. APRA will report on progress against this plan in its 2022-23 Annual Report.

Wayne Byres

Chair

INTRODUCTION

APRA is the financial sector's prudential supervisor. Its purpose is to ensure Australians' financial interests are protected and the financial system is stable, competitive, and efficient.

APRA undertakes its work focused on three core outcomes:

- ensuring resilient and prudently managed financial institutions;
- promoting a stable, efficient, and competitive financial system; and
- contributing to the Australian community's ability to achieve good financial outcomes, working in close partnership with key stakeholders including Government, regulatory colleagues, and industry.

APRA seeks to achieve its purpose and outcomes by employing a supervision-led approach to identifying risks and vulnerabilities within the financial system and responding to ensure those risks and vulnerabilities are mitigated. APRA seeks to be forward-looking, risk-based and outcomes-focused – addressing potential problems before they adversely impact those APRA is tasked to protect, assisting in minimising regulatory burden and facilitating competition and innovation.

Over the plan horizon, APRA aims to solidify its strong foundations through continued focus on the delivery of its existing strategic priorities: to protect the Australian community today and prepare the financial system for tomorrow.

“APRA seeks to be forward-looking, risk-based and outcomes-focused – addressing potential problems before they adversely impact those APRA is tasked to protect, assisting in minimising regulatory burden and facilitating competition and innovation.”

PROTECTED TODAY

APRA will continue to protect the Australian community today by:

- preserving the financial and operational resilience of Australia's banks, insurers, and superannuation funds;
- continuing to modernise the prudential architecture to ensure it remains fit for purpose both now and in the future; and
- better enabling data-driven decision-making by APRA and its stakeholders.

PREPARED FOR TOMORROW

APRA will continue to dedicate regulatory attention to preparing for tomorrow by:

- understanding and responding to the impact of new financial activities and participants;
- helping to find solutions to important challenges, working in close partnership with other key stakeholders including Government, regulatory colleagues, and industry; and
- adopting the latest regulatory tools, techniques, and practices to strengthen APRA's ability to continue to deliver on its purpose.

MAKING IT HAPPEN

APRA will achieve its purpose, outcomes, and strategic priorities by leveraging and building on its distinctive strengths including its *people and values*; *supervision insights*; *system-wide perspective*; and *strong suite of regulatory powers*; and continue to invest in delivering a modern and flexible working environment for its people to support hybrid working.

Further detail on APRA's plan on a page, strategic priorities and key activities is provided below.

APRA'S PLAN ON A PAGE

OUR PURPOSE: AUSTRALIA'S PRUDENTIAL SUPERVISOR

Ensuring Australians' financial interests are protected and that the financial system is stable, competitive, and efficient

We will use our strengths ...

Leverage



Our people and values



Our supervision insights



Our system-wide perspective



Our strong suite of regulatory powers

... to enhance our operations in core areas today ...

Enhance



Preserving the resilience of banks, insurers and superannuation funds



Modernising our prudential architecture



Enabling data-driven decision-making



Delivering a modern and flexible working environment

... and prepare for tomorrow ...

Innovate



Helping find solutions to important challenges



Understanding the impact of new financial activities and participants



Adopting the latest regulatory tools, techniques, and practices

... so we continue to deliver key outcomes for the Australian community.

Deliver



We ensure resilient and prudently managed financial institutions



We promote financial system stability



We contribute to the community's ability to achieve good financial outcomes

OUR STRATEGY

OUR VISION: PROTECTED TODAY, PREPARED FOR TOMORROW



STRATEGIC PRIORITIES AND KEY ACTIVITIES

PROTECTED TODAY

PRESERVE THE RESILIENCE OF BANKS, INSURERS, AND SUPERANNUATION FUNDS

APRA will continue to direct the majority of its time and resources to its core role of preserving the financial and operational resilience of Australia's banks, insurers, and superannuation funds, so that Australians' financial interests are **protected today**. To achieve this, APRA will continue to target its supervisory and policy activities in the areas outlined below, using its strong suite of regulatory powers where necessary to achieve desired outcomes.



Banking

- Ensure the ongoing resilience of banks through the delivery of core supervisory activities, with heightened vigilance on flow-through effects from COVID-19, geopolitical tensions, rising inflation and increasing interest rates.
- Embed key prudential reforms including "unquestionably strong" capital ratios, Basel III requirements and Prudential Standard *CPS 511 Remuneration*.
- Embed good governance, risk culture, remuneration and accountability (GCRA) practices across the banking industry, and share exploratory learnings from the climate vulnerability assessment.
- Upgrade the business continuity and contingency practices of banks with a focus on recovery planning, operational resilience, and critical function resolvability.

Strengthening banking system resilience

In recent years, APRA has taken a range of steps to strengthen the resilience of the banking system including finalising a new capital framework designed to preserve and formalise unquestionably strong levels of capital, which will come into effect in January 2023.



Insurance

- Strengthen governance, risk management and business strategy practices, including addressing deficiencies identified in self-assessments undertaken by general insurers and embedding new capital requirements for private health insurers.
- Maintain focus on promoting the sustainability of insurance products for the long-term benefit of consumers, including heightened attention on specific business lines where needed.
- Align the prudential framework with Australian Accounting Standard *AASB17 Insurance Contracts*, including implementing renewed data collections.
- Improve resilience and reduce the risk and impact of a disorderly exit of an insurer by ensuring effective continuity, recovery and resolution plans are in place.



Superannuation

- Continue to rectify sub-standard practices through robust supervision, strengthening prudential standards and reinforcing minimum expectations in regard to:
 - fund expenditure including trustees' practices as they relate to their 'best financial interests duty' (BFID) obligations;
 - investment governance, successor fund transfers and financial resilience; and
 - strategic planning and business performance review practices, insights and actions.
- Maintain momentum on eradicating unacceptable product performance by intensifying pressure on trustees to cease offering high-fee, poor performing products, and scrutinising choice products by:
 - conducting annual legislated performance tests;
 - continuing to publish MySuper and Choice heatmaps to support improved transparency, accountability and decision-making;
 - heightened supervision of trustees of products that fail the performance test or otherwise demonstrate poor performance; and
 - using prudential powers to take action against trustees where warranted.
- Accelerate beneficial industry consolidation to establish viable and durable business models across the superannuation sector.

Improving superannuation performance

APRA has focused on trustees improving outcomes for members, including eradicating unacceptable performance and reducing fees and costs. This has been driven, in part, by the transparency provided by the MySuper and Choice heatmaps and the first annual performance test. Of the 13 MySuper products that failed the first annual performance test, ten have either merged, exited, or committed to transfer their members to a better performing fund.

Strengthen cyber resilience across the Australian financial system

APRA will continue its heightened focus on operational and technological resilience across Australia's financial system by delivering on its cyber security strategy involving:

- embedding Prudential Standard *CPS 234 Information Security* by independently assessing compliance;
- increasing data-driven supervision scrutiny and intensity by sharing aggregated data insights with industry for benchmarking and self-assessment; and
- continuing to work closely with the Council of Financial Regulators (CFR) and New Zealand authorities to improve coordination and response mechanisms, and collaborate with the Department of Home Affairs, Australian Cyber Security Centre, other Government agencies and industry bodies to improve cyber resilience across the Australian financial system.

Embed good GCRA practices across banks, insurers, and superannuation trustees

APRA will continue to deliver on its governance, risk culture, remuneration and accountability (GCRA) work program by dedicating supervisory and regulatory attention to the following areas.

Governance

- Update Prudential Standards *CPS 220 Risk Management*; *CPS 510 Governance*; and *CPS 520 Fit and Proper* and related guidance, to ensure they are, amongst other things, reflective of current practices and aligned with the proposed new Financial Accountability Regime (FAR).
- Work with relevant financial institutions to close issues resulting in existing capital overlays or Court Enforceable Undertakings.

Risk culture

- Extend the use of APRA's risk culture survey to assess, benchmark and provide insights across financial institutions including identifying blind spots and areas for improvement.

Remuneration

- Embed compliance with Prudential Standard *CPS 511: Remuneration* and related guidance, including conducting reviews on the role of boards and the use of non-financial measures in incentive plan design, consequence management and remuneration adjustments.

Accountability

- Work with Treasury and the Australian Securities and Investments Commission (ASIC) to implement the FAR across the insurance and superannuation sectors once enabling legislation is passed.

Laying the foundations

Over recent years, APRA has established the foundational elements of its program to transform governance, risk culture, remuneration and accountability (GCRA) practices. A central tenet was the release of Prudential Standard *CPS 511 Remuneration* in 2021 aimed at ensuring financial institutions have remuneration arrangements that appropriately incentivise individuals to prudently manage risks they are responsible for, and there are consequences for poor risk outcomes. Importantly, this work also addressed a number of related recommendations from the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*. In 2021, APRA also commenced rolling out a risk culture survey to employees from selected financial institutions to provide insights on perceived risk behaviours and the effectiveness of risk management structures.

“Modernising the prudential architecture is a multi-year program to build a fit-for-future framework to cater for the risks of today and tomorrow”

MODERNISE THE PRUDENTIAL ARCHITECTURE

Last year, APRA began a new strategic priority to modernise the prudential architecture. This is a multi-year program to build a fit-for-future prudential framework. APRA is adopting an agile approach and will be working closely with stakeholders to test and explore new approaches and ideas.

There has been an acceleration of change within the financial sector; communication and payments are increasingly being digitised and business models are evolving in response to technological innovation and consumer expectation. Against this backdrop, modernising the prudential architecture has three key objectives:

- Better regulation: seeking to ensure that the existing prudential standards and guidance, which have built up over time, are easier to find, navigate, understand, and comply with;
- A digital first approach: enabling emerging technologies such as supotech, regtech and Artificial Intelligence (AI) to support better regulation and operational efficiency; and
- New risks, new rules: developing regulation to cater for new risks in a way that does not add complexity to the current framework.

APRA has begun scoping the program of work by consulting with domestic and international regulators who face similar challenges and undertaking analysis of the existing prudential framework to identify complexities. Over the year ahead, APRA proposes to:

- develop a handbook for board directors to support them in better understanding their obligations;
- establish an advisory panel to provide external perspective on initiatives as they are shaped and progress, particularly in regard to digitalisation;

- engage with regulated firms and other stakeholders through a survey and targeted workshops to better understand any limitations of the current framework and to identify opportunities for improvement;
- streamline existing standards and guidance wherever possible;
- explore how to digitalise APRA's standards, guidance, information papers, industry letters and FAQs - creating a navigable digital rulebook;
- progress policy development on emerging issues such as crypto-assets and changes in group structures; and
- map out a longer-term strategy for responding to emerging risks.

ENABLE BETTER DATA-DRIVEN DECISIONS BY STAKEHOLDERS

APRA will continue its multi-year program to invest in and embed data as a core enabler of more informed data-driven decisions by internal and external stakeholders. Following delivery of its new data collections system “APRA Connect” in 2021, APRA will focus on three key themes in the next phase: Collect, Curate and Convey.

Collect

APRA will collaborate with industry and other key stakeholders to develop richer, deeper data collections and migrate them to APRA Connect to support early risk identification; improve data sharing with the public and other Government agencies; and reduce the long-term reporting burden on industry. In the short-term, APRA will finalise its roadmap for new data collections, continue migrating all collections to APRA Connect and develop a targeted data strategy for the insurance sector. Over the longer-term, APRA aims to complete the migration of data collections to APRA Connect by the end of 2027.

Curate

APRA will continue to invest in uplifting its data analytics capability by:

- delivering fit-for-purpose data infrastructure and tools including integrating APRA Connect into its existing data environment and significantly enhancing the data architecture;
- strengthening staff analytical skills by establishing a “Centre of Excellence” and enhancing internal training programs; and
- evolving APRA's data governance frameworks.

Convey

APRA will use richer and deeper data and insights to enhance supervisory outcomes, in addition to sharing data with stakeholders and the public, focusing initially on:

- driving the transformation and transparency of superannuation industry data;
- enhancing APRA's Supervisory Risk and Intensity (SRI) model through increased data enablement; and
- continuing pilot activities to use and evolve APRA's data science capabilities.

APRA's new data collections system goes live

APRA's new data collection system, APRA Connect, went live in September 2021. APRA also released its “Direction for Data Collections” discussion paper in March 2022 focused on delivering deeper, richer data to both APRA and its stakeholders, and providing a plan for the decommissioning of legacy technology. Over 600 participants from industry attended the related webinar and roundtable events, demonstrating the impact and importance of APRA's data program.



PREPARED FOR TOMORROW

Over the 2022–2026 plan horizon, APRA will seek to ensure the Australian financial system is prepared for tomorrow by:

- dedicating regulatory and supervisory attention to the evolving financial landscape in Australia including responding to the impact of new financial activities and participants;
- helping to find solutions to important challenges such as superannuation retirement income products, retirement income longevity solutions, insurance accessibility and affordability for Australians, and the financial risks associated with climate change; and
- adopting the latest regulatory tools, techniques, and practices.

RESPONDING TO NEW FINANCIAL ACTIVITIES AND PARTICIPANTS

The global financial landscape is evolving at an increasing pace. New business models are emerging, new technology is being developed and deployed, and the digitisation of finance and increased reliance on unregulated third-party service providers is accelerating. These changes are testing traditional regulatory approaches worldwide.

Last year, APRA continued to devote resources to understanding and monitoring the impact of new financial activities and participants. This involved gathering information from industry participants and stakeholders and working in partnership with the CFR, the international regulatory community, and other stakeholders to assess the impact and respond to emerging risks and issues.

In co-ordination with Government and the CFR, APRA is reviewing the regulatory framework for several payment-related matters including stored-value facilities, stablecoins and crypto assets. APRA will continue its work on these and other emerging areas over the plan horizon.

HELP TO FIND SOLUTIONS TO IMPORTANT CHALLENGES

Superannuation retirement income products

APRA will continue to work with other Commonwealth agencies to oversee the new requirement for a trustee to have a retirement income strategy that meets the needs of their members in retirement. APRA's focus on retirement income strategies will support the new retirement income covenant and examine how the covenant can be integrated into the superannuation prudential framework. This work will include a review and benchmarking of a sample of retirement income strategies to identify best practice and improvement opportunities across the industry.

Retirement income longevity solutions

In support of APRA's work on superannuation retirement income strategies, APRA will also consider the implications for the life insurance industry, including setting appropriate standards for managing the risks of retirement income products within the life insurance market.

Availability and affordability of insurance for Australians

APRA will continue to work with stakeholders across Government, regulatory agencies, industry and consumer groups to build trust and confidence that accessible, affordable, and well-designed insurance will be available in times of need. In doing so, APRA seeks to sustain the overall financial health of insurers as well as maintain a viable and competitive insurance sector.

APRA will partner with ASIC to gather market intelligence and enhance data sets in areas of common interest, including products with affordability or availability concerns and influencing product design and distribution to meet the needs of the community.

APRA's process in the event of further natural catastrophes is to establish a coordination group to monitor and assess impacts, to ensure effective engagement with industry and other agencies and to guide any appropriate regulatory response. APRA is also providing ongoing advice to the Treasury on the Cyclone Reinsurance Pool.

Financial risks associated with climate change

APRA will continue to ensure regulated institutions are well-prepared for the risks and opportunities presented by climate change. This includes continuing to conduct the climate vulnerability assessment and self-assessment survey; identifying and sharing insights on climate risk management practices; continuing to work closely with CFR agencies, industry bodies, research organisations and global regulatory peers; and embedding climate risk considerations into APRA's supervisory activities.

ADOPTING THE LATEST REGULATORY TOOLS, TECHNIQUES, AND PRACTICES

As a forward-looking and agile prudential regulator, APRA seeks to adopt the latest regulatory tools, techniques, and practices to influence and enable the achievement of prudential outcomes. As an example, APRA has initiated an innovation program to enable more efficient use of data to assess risks. APRA is testing natural language processing tools to derive key sentiments from large volumes of documents and exploring the application of more automated approaches used by international regulatory agencies to assess financial and non-financial risks.

Raising awareness and preparedness

In 2021, APRA released Prudential Practice Guide CPG 229 - Climate Change Financial Risks to assist entities to manage the financial risks and opportunities of climate change and the transition to a lower emissions economy. APRA also continued its work with the five largest banks on the Climate Vulnerability Assessment, the results of which will be published in the coming months.



MAKING IT HAPPEN

APRA will achieve its purpose, outcomes, and strategic priorities by leveraging and building on its distinctive strengths including its people and values; supervision insights; system-wide perspectives; and strong suite of regulatory powers. APRA will maintain a high-calibre workforce, underpinned by APRA's Values (Integrity, Collaboration, Accountability, Respect and Excellence) and its renewed performance and capability framework.

MODERN AND FLEXIBLE ENVIRONMENT

APRA will continue to deliver a modern and flexible working environment. Our focus includes: inclusion and diversity; investing in enabling modern collaboration tools and techniques to support hybrid working; and enabling strategy execution through operational excellence and effective management of funding and resources to deliver optimal regulatory outcomes.

Inclusion and diversity

Over the plan horizon, APRA leaders will drive the implementation of APRA's Inclusion and Diversity strategy by:

- continuing momentum across existing networks Gender; Generations; Culturally and Linguistically Diverse (CALD); Aboriginal and Torres Strait Islander (ATSI); and Lesbian, Gay, Bisexual, Trans and gender diverse, Intersex and Queer (LGBTIQ+); and

- targeting new focus areas including Inclusive Leadership; Accessibility; Age Diversity; Talent Diversification; and Data and Demographics.

APRA will deliver on implementation plans for each dedicated network and focus area overseen by APRA's Inclusion & Diversity Council.

Modern collaboration

In addition to ongoing work to reconfigure APRA's office spaces, APRA will invest in enabling modern collaboration tools and techniques by continuing to roll out its Collaboration Technology Roadmap initiatives using Cloud technologies. This includes modern messaging services, improved records and information management solutions, ongoing enhancements to its intranet platform (APRAnet), and release of new features in Microsoft Teams and other collaboration services.

Enable strategy execution

APRA will continue to focus on enabling the successful execution of its strategy by improving its operational effectiveness including undertaking a program of end-to-end key process reviews and implementation of improvement solutions. APRA will also look to optimise and digitise workflows to measure and promote enhanced productivity and improve operational data to enhance data-enabled resource and capacity management decisions.

Modernising APRA's working environment

APRA has invested in modernising its working environment by introducing a new intranet platform, redesigning part of its Sydney office and rolling out new technologies to promote collaboration and support APRA's hybrid workforce.

Stronger together

APRA is committed to providing an environment where its people belong, are valued and respected, APRA refreshed its Inclusion and Diversity (I&D) strategy with over 50 APRA leaders now engaged to support execution including a rolling schedule of I&D events to promote a strong sense of belonging for everyone in APRA.





APRA'S OPERATING CONTEXT

APRA has taken the following external and internal environmental factors and cooperation elements into consideration in setting its 2022–23 Corporate Plan, together with key risks outlined below.

EXTERNAL ENVIRONMENTAL FACTORS

COMMUNITY EXPECTATIONS

- Ensure Australians' financial interests are protected and the financial system is stable, competitive, and efficient.
- Provide expert advice and work collaboratively with Government, other Commonwealth agencies and industry stakeholders to address shared issues in the public interest.

GOVERNMENT EXPECTATIONS

- Commit and deliver on APRA's Statement of Expectations¹ and Statement of Intent².
- Advise on changes to the prudential framework that APRA considers would overcome problems identified in the course of its work.
- Support its broader agenda and independent reviews conducted by the Financial Regulation Assessment Authority (FRAA).

POLITICAL, MACRO-ECONOMIC AND SOCIAL CONSIDERATIONS

- Rising inflation and interest rates are creating cost pressures for businesses and households, which could slow the economy and negatively impact asset prices.
- Escalating geopolitical issues are impacting commodity prices, global supply chains and trade. These are likely to slow global economic growth, at least in the short-to-medium term.
- Australian consumers and businesses are continuing to recover from the financial, economic, and social impacts of the COVID-19 pandemic.

FINANCIAL SYSTEM CONSIDERATIONS

- New forms of digital currencies (such as stable coins), wallets, stored value and payment methods are challenging the role of financial institutions as intermediaries. Consumers are empowered with greater choice and increasingly prefer digital modes of delivery and consumption of financial services.
- New entrants, platforms, channels, products and services are gaining considerable momentum and evolving the competitive landscape as alternatives to traditional offerings.
- Data transformation continues to accelerate with greater use of AI and technology enabling quicker, more automated and assisted decision-making.

¹ [Statement of Expectations - September 2018 | APRA](#)

² [Statement of Intent - September 2018 | APRA](#)

INDUSTRY-SPECIFIC CONSIDERATIONS

Cross industry

- Increasing frequency and sophistication of cyber-attacks (exacerbated by large-scale digitisation) and increasing reliance on unregulated service providers.
- Higher community and investor expectations regarding environmental, social and governance factors.
- Financial institutions are facing growing scrutiny from investors and other stakeholders to adapt their corporate strategies, practices, and disclosures regarding climate change.

Banking

- The Australian banking industry continues to be resilient. Authorised deposit-taking institutions (ADIs) are well capitalised and funded. In aggregate, profitability and asset quality is sound and stable.
- APRA and other members of the CFR continue to monitor key risk factors, including conditions in the housing market, household debt and lending standards.
- Innovation, digitisation and new entrants are driving sustainability challenges for some ADIs that have more traditional business models.

Insurance

General insurance

- Despite the impacts of significant weather-related events, the Australian general insurance industry remains well capitalised. However, there are increasing challenges with sourcing insurance for certain risks and ongoing pressure on margins from rising reinsurance and operating costs.

- Supply chain disruptions, skills shortages, inflationary pressures and cyber risks are posing challenges within the general insurance sector.
- Given their lack of access to affordable insurance cover, sections of the Australian community are financially exposed to adverse events. APRA continues to engage a broad range of stakeholders and provide specialist advice and support on access and affordability issues, including the Cyclone Reinsurance Pool.

Life insurance and friendly societies

- The Australian life insurance industry remains resilient from a capital perspective although the industry continues to be challenged by poor profitability as a result of product sustainability issues and persistent adverse claims experience.
- Rising claims from mental health and long COVID-19 related conditions are expected to continue to apply pressure on profitability.
- A number of Government reforms and initiatives present challenges and opportunities for the life industry in the areas of distribution, legacy products and new product offerings, for example in the retirement income space.

Private health insurance

- The Australian private health insurance industry remains well capitalised. APRA continues to work with insurers on updating the capital prudential framework.
- Despite recent favourable experience in profitability and hospital membership, systemic issues such as rising inflation, the longer-term decline in younger members and growing health claims costs are continuing to pose affordability and sustainability challenges for policyholders and the industry.

- COVID-19 has presented ongoing challenges. Insurers have sought to maintain adequate reserves and set appropriate premium levels to reflect expected future claims costs, while also making returns to policyholders for health services unable to be accessed.

Superannuation

- The domestic economy has picked-up after the easing of COVID-19 restrictions, with strong jobs growth and low unemployment. However, rising inflation has increased volatility and the risk of asset price shocks. Returns to members, which have been supported by extremely low interest rates in recent years, are likely to be lower.
- Increased transparency on fees, costs and returns to members via APRA's Heatmaps, the Your Future, Your Super (YFYS) performance test and the ATO Super Comparison Tool have driven trustees to make improvements that will translate into better performance for members' savings. This has resulted in beneficial consolidation and product rationalisation within the superannuation industry.
- Regulatory changes have strengthened trustee focus on member outcomes. These include the best financial interest duty impacting trustee expenditure decisions, and the retirement income covenant driving more attention to the retirement phase given the ageing population and a greater number of people transitioning to retirement.

INTERNAL ENVIRONMENTAL FACTORS

RESOURCES AND FUNDING

- APRA is funded largely through levies on the entities it regulates. A small number of activities are not levy-funded. These activities are recovered by user charges or Government appropriations.
- APRA developed its 2022-23 Corporate Plan based on the approved funding in the most recent Portfolio Budget Statement (PBS)³. APRA's budgeted average staffing level will increase very marginally from 829 in financial year 2021/22 to 831 for 2022-23.

WORKFORCE

- APRA strives to provide a flexible, adaptive, and inclusive workplace for its employees.
- APRA has refreshed its performance, remuneration and capability frameworks to reflect APRA's renewed Enterprise Agreement and empower its employees to perform at their very best.

TECHNOLOGY AND INFRASTRUCTURE

- APRA continues to invest in information and communications technology to support and enable its employees in a hybrid environment and strengthen its cyber resilience.
- APRA is modernising its workspaces in all offices to support hybrid working arrangements by its employees and optimise productivity and collaboration.

COOPERATION WITH OTHERS

Within its broader efforts to promote a stable, efficient, and competitive financial system, APRA continues to contribute to whole-of-Government response activities. APRA is a member of the CFR, the primary coordinating body for Australia's main financial sector authorities. The CFR includes the Reserve Bank of Australia (RBA), ASIC and the Treasury.

APRA works collaboratively with other domestic and international regulators by contributing to shared regulatory outcomes, minimising duplication of activities, mitigating risks and regulatory burden.

APRA has established Memoranda of Understanding (MoU) and Letters of Arrangement with many domestic and international agencies to provide a formal framework of cooperation and exchange of information⁴.

³ <https://treasury.gov.au/publication/portfolio-budget-statements-2022-23>

⁴ MoU's are available on APRA's website: [Memoranda of understanding and letters of arrangement | APRA](#)



RISK MANAGEMENT

The delivery of APRA's purpose, outcomes and strategic priorities relies on effective risk management underpinned by a strong risk culture, clear governance and accountability mechanisms, and sustainable integration of risk management practices embedded across the organisation. APRA's system of risk oversight, management and internal controls are aligned with Section 16 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), including the Commonwealth Risk Management Policy. APRA continues to evolve and mature its risk management framework and seeks opportunities for improvement where needed.

From January 2021, APRA came under the jurisdiction of the Australian Commission for Law Enforcement Integrity (ACLEI), which supports the Integrity Commissioner to provide independent assurance to government about the integrity of Australian Government law enforcement agencies and their staff members. APRA has worked closely with ACLEI to ensure it operates in a manner consistent with ACLEI expectations.

GOVERNANCE

- APRA's enterprise risk profile is primarily overseen by the following governance committees:
 - Executive Board (EB);
 - Executive Committee (ExCo); and
 - Audit and Risk Committee (ARC).
- EB reviews, approves, and oversees the operation of APRA's Enterprise Risk Management Framework (ERMF), and monitors APRA's risk profile to ensure that risks are being managed within APRA's stated risk appetite, or measures are being taken to bring risks back within appetite.
- ExCo discusses and provides direction on the operational elements relating to APRA's enterprise risk profile and ensures sufficient management attention is given to APRA's higher-rated risks, including monitoring the progress of remedial actions.
- ARC provides an independent lens on the operation of APRA's ERMF, including the oversight provided by the EB.
- APRA's Director of Strategy and Chief Risk Officer provides regular reporting to APRA's EB, ExCo and ARC regarding APRA's key risks (including risks outside of appetite), material breaches or incidents and non-compliance with, or material deviation from, APRA's ERMF.

FRAMEWORK

- The Enterprise Risk Management Framework (ERMF) enables APRA to appropriately identify, assess, manage and report the key risks relating to the delivery of APRA's purpose and strategic objectives.
- The ERMF comprises a Risk Appetite Statement (RAS); Risk Management Strategy; Enterprise Risk Management Policy; Reportable Incident & Escalation Standards; Compliance Management Policy; Business Continuity Management Framework; and Fraud and Public Interest Disclosure Policies.
- In addition to APRA's centralised Risk Management and Compliance team that administers the ERMF, APRA's Internal Audit function independently evaluates the effectiveness of internal controls, risk management and governance processes throughout APRA. Internal Audit also provides independent challenge and escalation where required.

KEY RISKS

A description of APRA's key risks and mitigating actions is outlined below, together with their connection with APRA's core functions, capabilities, and strategic priorities. The key risks broadly align with APRA's Risk Appetite Statement (RAS).

Key risk focus	Mitigating actions	APRA's core function, capability, strategic priority
Risk of a weak or poorly designed prudential framework	<ul style="list-style-type: none"> Robust prudential framework of legislation, standards and guidance that is subject to regular review to ensure it is fit for purpose. Extensive stakeholder engagement on proposed new prudential policy, preparation of Regulatory Impact Statements where required and consistency with Office of Best Practice Regulation requirements. 	Policy (<i>function</i>); Modernise the prudential architecture (<i>strategic priority</i>)
Risk of inadequate supervisory practices	<ul style="list-style-type: none"> Active program of prudential supervision and quality assurance. Risk-based supervision approach designed to identify and assess areas of greatest risk and direct resources accordingly. Ability to use the full suite of actions in APRA's toolkit to address identified risks/issues. 	Supervision (<i>function</i>); Preserve the resilience of banks, insurers, and superannuation funds (<i>strategic priority</i>)
Risk of inadequate resolution capability	<ul style="list-style-type: none"> Allocating additional resources to resolution activities. Testing APRA's readiness to resolve failures and near failures including administration of the Financial Claims Scheme. Sharing information and co-operating with other regulators on resolution preparedness. 	Resolution (<i>function; and strategic priority in APRA's previous Corporate Plans</i>)
Risk of failing to maintain strong analytical capabilities and structured frameworks for decision-making	<ul style="list-style-type: none"> Using available data and specialist expertise to support well-founded, risk-based decisions within structured frameworks and review processes. Timely and relevant data collected from financial institutions and regular review of other information sources to draw insights and support decision-making. 	Risk intelligence and frameworks (<i>capability</i>); Enabling data-driven decision-making (<i>strategic priority</i>)
Risk of inadequate skills, expertise, experience or organisational culture	<ul style="list-style-type: none"> Capability framework based on assessing performance outcomes and desired behaviours. 	People and culture (<i>capability</i>);
	<ul style="list-style-type: none"> Broad range of opportunities for the reward, recognition, and professional and personal development of APRA's people. 	Delivering a modern and flexible working environment (<i>strategic priority</i>)
Risk of failing to maintain robust and efficient practices, systems, and premises	<ul style="list-style-type: none"> APRA's practices, premises and systems are regularly reviewed by the Australian National Audit Office (ANAO) and Internal Audit. APRA adopts contemporary practices that meet the spirit and intent of relevant government policies and frameworks. 	Organisational Effectiveness and Infrastructure (<i>capability</i>); Delivering a modern and flexible working environment (<i>strategic priority</i>)

PERFORMANCE MEASURES

Performance measurement at APRA takes into consideration the *Public Governance, Performance and Accountability Act 2013*, the associated PGPA Rule and guidance together with the Regulator Performance Guide (RPG) outlining the principles of best practice that underpin the Government's expectations of regulators and their performance.

APRA is evolving from evaluating its performance based on activities and outputs to the measurement of outcomes, including establishing performance targets where appropriate. APRA's performance against its 2022–23 Corporate Plan, including the key performance measures outlined below, will be reported in APRA's 2022–23 Annual Report. A mix of qualitative and quantitative performance measures are used and will be supplemented by relevant narrative, case examples and other quantitative information to provide a holistic picture of performance.

Key performance measure	Performance target ⁵	Methodology and data sources
Strategic priorities		
Performing Entity Ratio; Money Protection Ratio	Low incidence of failure ⁶	Methodology: Outlined in APRA's internal procedures. Data source: APRA's management information systems.
Capital ratios for authorised deposit-taking institutions (ADIs) and insurers	Above minimum prudential requirements	Methodology: Described in APRA's reporting standards and related guidance. Data sources: Reporting forms submitted by ADIs and insurers; and APRA's management information systems.
Reduction in the number of: <ul style="list-style-type: none"> • superannuation members exposed to unsustainable funds; • funds with sub-standard practices; and • MySuper and Choice superannuation members in high fee, poor performing offerings. 	Reduction during the reporting period	Methodology: Outlined in APRA's internal records; manual compilation. Data sources: Superannuation heatmaps; outcomes of business performance tests for superannuation; and APRA's management information systems.
Key deliverables achieved in line with APRA's strategic programs of work	Key deliverables achieved within planned timeframes	Methodology: Progress against plans and defined criteria. Data source: APRA's internal performance reports (quarterly).

⁵ Performance targets apply to each year of the four-year period covered by APRA's 2022-2023 Corporate Plan.

⁶ APRA seeks to maintain a low incidence of failure of financial institutions while not unnecessarily hindering efficiency, competition or otherwise impeding the competitive neutrality or contestability of the financial system. APRA aims to identify likely failures early enough so that corrective action can be promptly initiated, or orderly exit achieved.

Continuous improvement and building trust		
Recommendations from independent reviews addressed during the reporting period	Closure within approved timeframes	Methodology: Assessment against approved timeframes. Data sources: APRA's management information systems and internal performance reports (quarterly).
Number of changes made to the prudential framework and level of compliance with Office of Best Practice Requirements (OBPR)	100% OBPR compliance during the reporting period	Methodology: Manual compilation. Data source: APRA's management information systems.
Services are delivered in line with APRA's Service Charter ⁷ which sets out APRA's commitment to its stakeholders	Achievement of KPI targets outlined in APRA's Service Charter	Methodology: Outlined in APRA's Service Charter; manual compilation. Data sources: APRA's management information systems.
Risk-based and data driven		
APRA's supervision and policy priorities are transparent, and well known in advance by relevant stakeholders	At least annual publication of APRA's supervision and policy priorities	Methodology and data source: Annual publication of supervision and policy priorities on APRA's website.
APRA's supervision activities are primarily risk-based.	>=80% of APRA's stakeholders "agree" or "strongly agree"	Methodology: Survey of APRA's key stakeholders.
The amount of statistical data collected and published by APRA is balanced and reliable.	>=80% of APRA's stakeholders say "about right" and "very reliable" or above	Data source: Responses and data from APRA's biennial stakeholder survey.
Collaboration and engagement		
Dealings with APRA staff are in line with APRA Values including Collaboration.	>=80% of APRA's stakeholders say "demonstrate to a significant extent" or above	Methodology: Survey of APRA's key stakeholders.
APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material.	>=80% of APRA's stakeholders "agree" or "strongly agree"	Data source: Responses and data from APRA's biennial stakeholder survey.
APRA is consultative in its supervision.	>=80% of APRA's stakeholders "agree" or "strongly agree"	
APRA is open and responsive to requests from regulated entities regarding the operation of the regulatory framework and approaches implemented by APRA.	>=80% of APRA's stakeholders "agree" or "strongly agree"	
Operational efficiency		
Actual versus budget for the reporting period	Within budget	Methodology: Actuals versus budget for the reporting period. Data sources: APRA's Portfolio Budget Statement and Financial Statements.

⁷ [APRA Service Charter](#)



APRA