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Prudential Standard CPS 510
Governance

Objectives and key requirements of this Prudential Standard

This Prudential Standard sets minimum governance requirements to support the sound and prudent management of APRA regulated entities and, where relevant, Heads of groups, in the interests of depositors, policyholders and beneficiaries.

To achieve this, it establishes clear requirements for the Board and senior managers, including that the Board is ultimately responsible for the sound and prudent management of the entity (or group). In fulfilling this responsibility, the Board must exercise independent judgement, provide effective challenge, and promote a culture of integrity, prudent risk taking and accountability.

Entities must implement governance arrangements that are fit for purpose, including a governance framework that clearly allocates roles and decision rights, supports robust information flows to the Board and its committees, and promotes effective performance.

Board composition and independence settings must enable impartial judgement and effective oversight, supported by a clear articulation of the collective skills and ~~capabilities~~ experience required, regular performance assessment (including external review for significant financial institutions), and timely action to address any gaps.

Conflicts must be identified, assessed, managed and, where appropriate, disclosed. Remuneration governance, risk governance and audit oversight must be supported by appropriately constituted Board committees.

Responsible persons must be fit and proper.

Foreign ADIs, Category C insurers and Eligible Foreign Life Insurance Companies must maintain local governance arrangements that enable effective oversight of Australian operations, including via the appointment of a senior officer outside Australia or Compliance Committee, as relevant.

~~No person is to be constrained from providing information to APRA, and specified notifications must be made within required timeframes.~~

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Authority

1. This Prudential Standard is made under:

   (a) subsection 11AF(1) of the **Banking Act**;

   (b) subsection 32(1) of the **Insurance Act**;

   (c) subsection 230A(1) of the **Life Insurance Act**;

   (d) subsection 92(1) of the **PHIPS Act**; and

   (e) subsection 34C(1) of the **SIS Act**.

Application

2. This Prudential Standard applies to regulated entities, defined as:

   (a) all **authorised deposit-taking institutions** (ADIs), including **foreign ADIs**, and **non-operating holding companies** authorised under the Banking Act (authorised banking NOHCs);

   (b) all **general insurers**, including **Category C insurers**, non-operating holding companies authorised under the Insurance Act (authorised insurance NOHCs) and **parent entities** of **Level 2 insurance groups**;

   (c) all **life companies**, including **friendly societies** and **eligible foreign life insurance companies** (EFLICs), and **registered NOHCs**;

   (d) all **private health insurers** registered under the PHIPS Act; and

   (e) all **registrable superannuation entity** licensees (**RSE licensees**) and their business operations[1]

   (each a 'regulated entity').

3. The obligations imposed by this Prudential Standard on, or in relation to, a foreign ADI, a Category C insurer or an EFLIC apply only in relation to the Australian branch operations of that regulated entity.

4. Unless APRA determines otherwise in a particular case,[2] this Prudential Standard applies to regulated entities as follows:

   (a) paragraphs 1 to 10 ~~(Part A)~~ and paragraphs 67~~6~~774 to 91~~9~~1106 (Parts B, C and D) apply to all regulated entities;

[1] An RSE licensee's business operations includes all activities of an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.
[2] This power is to be exercised under paragraph 9.

(b) paragraphs 11 to 222228, paragraphs 292935 to 323238, and paragraphs 343440 to 555562 and 666673 (Part A) apply only to locally incorporated regulated entities;

(c) paragraphs 232329 to 282834, paragraph 333339, and paragraph 64 (Part A) apply only to locally incorporated regulated entities except for RSE licensees;

(d) paragraphs 565663 to 646471 (Part A) apply only to locally incorporated regulated entities except for private health insurers and RSE licensees; and

(e) paragraphs 9292107 to 110110124 (Part E) apply only to foreign ADIs, Category C insurers or EFLICs.

5. Where a locally incorporated regulated entity, other than a private health insurer, life company, or RSE licensee, is the '**Head of a group**',[3] it must comply with a requirement of this Prudential Standard:

(a) in its capacity as a regulated entity; and

(b) on a group basis.

6. This Prudential Standard commences on 1 January 2028.

Interpretation

7. Terms that are defined in *Prudential Standard CPS 001 Defined terms* (CPS 001) appear in bold the first time they are used in this Prudential Standard.

8. For the purpose of this Prudential Standard:

(a) a reference to an Act, Regulation or prudential standard ~~Prudential Standard~~ is a reference to the Act, Regulation or prudential standard ~~Prudential Standard~~ as in force from time to time;

(b) a person is a 'responsible person' of a regulated entity if they are, in relation to the regulated entity:

(i) an Accountable Person;[4]

(ii) a Chief Risk Officer (CRO) or equivalent;[5]

(iii) an auditor;

(iv) an actuary;

(v) for RSE licensees, a secretary of the RSE licensee;

[3] Where a Level 2 group operates within a Level 3 group, a requirement expressed as applying to a Head of a group is to be read as applying to the Level 3 Head.
[4] As defined in section 10 of the *Financial Accountability Regime Act 2023* (FAR Act). This includes Accountable Persons of an accountable entity or of a significant related entity of an accountable entity.
[5] For the avoidance of doubt, a CRO may be an Accountable Person under section 10 of the FAR Act.

(vi) determined by APRA to be a responsible person where APRA is satisfied that a person makes, or participates in making, decisions that affect the whole or a substantial part of the business of the regulated entity, or has the capacity to significantly affect the entity's financial standing; or

(vii) in the case of RSE licensees, determined by APRA to be a responsible person where APRA is satisfied that a person's activities may materially impact on the interests, or reasonable expectations, of beneficiaries, or the financial position of the RSE licensee, any of its RSEs or connected entities, or any other relevant prudential matter;~~,~~

(c) a 'duty' refers to a legal or equitable duty owed by the regulated entity, or a responsible person of the regulated entity, to another person;

(d) an 'Interest' refers to any interest or benefit, whether pecuniary or non-pecuniary, vested or non-vested, directly or indirectly held (including an interest to favour or benefit a third party, such as a close family member of a responsible person of the regulated entity), ~~of a regulated entity,~~ an employee or associate of the regulated entity, or a responsible person of the regulated entity;

(e) a person is 'ordinarily resident in Australia' where, having regard to the person's circumstances, the person has been, or it is reasonable to expect that the person will be, physically present in Australia for a majority of days during a 12-month period;

~~(e) a 'close family member of a responsible person of the regulated entity' includes the following:~~

~~(i) a child, grandchild, sibling, parent, grandparent, uncle, aunt, nephew, or niece of the responsible person or of their spouse;~~

~~(ii) a spouse of the responsible person or of any other individual mentioned in paragraph 8(e)(i) above.~~

(f) a 'conflict' is a reference to:

(i) in relation to RSE licensees, a conflict between a duty or an Interest, and the interests of beneficiaries, or duties to beneficiaries; and

(ii) in relation to all regulated entities other than RSE licensees, a conflict between a duty or an Interest and the interest of, or duty to, depositors or **policyholders** as relevant;

(g) 'duties to beneficiaries' refers to legal or equitable duties owed by the RSE licensee or a responsible person of the regulated entity to beneficiaries;[6]

[6] For the purposes of this Prudential Standard, a reference to 'beneficiaries' is a reference to 'beneficiaries of an RSE within the RSE licensee's business operations' and in respect of a regulated entity that is an RSE licensee. For the purposes of this Prudential Standard, a reference to 'RSE licensee's business

~~(h)~~ ‘interests of beneficiaries’ refers to any interests of beneficiaries in relation to the RSE;

(h)

(i) unless otherwise expressly stated in this Prudential Standard, a reference to an auditor is taken to be a reference to a person holding any of the following positions:

(i) **appointed auditor** in relation to all regulated entities other than an authorised insurance NOHC or a registered NOHC;

(ii) **an individual RSE auditor** or **lead auditor** of an RSE licensee; or

(iii) **responsible auditor** in relation to an authorised insurance NOHC or a registered NOHC; and

(j) unless otherwise expressly stated in this Prudential Standard, a reference to an actuary is taken to be a reference to a person holding any of the following positions:

(i) **appointed actuary** in relation to all regulated entities other than ADIs and authorised banking NOHCs; or

(ii) **RSE actuary**, in relation to RSE licensees.

Adjustments and exclusions

9. APRA may adjust or exclude a specific requirement in this Prudential Standard in relation to a regulated entity.

Previous exercise of discretion

10. A regulated entity must contact APRA if it seeks to place reliance, for the purposes of complying with this Prudential Standard, on a previous exemption or other exercise of discretion by APRA under a previous version of this Prudential Standard ~~standard~~ or any of the following prudential standards:

(a) *Prudential Standard SPS 510 Governance;*

(b) *Prudential Standard CPS 520 Fit and Proper;*

(c) *Prudential Standard SPS 520 Fit and Proper;* or

(d) *Prudential Standard SPS 521 Conflicts of Interest*.

operations’ includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.

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Part A – Board governance for locally incorporated regulated entities

Governance framework

11. A locally incorporated regulated entity must have an effective governance framework. A governance framework comprises the rules, processes, roles, and practices that define and guide how a regulated entity is directed, controlled, and held accountable.

12. A locally incorporated regulated entity's governance framework must, at a minimum, include:

    (a) documented delegation of authority;

    (b) formal charters that set out the roles, responsibilities and objectives of the **Board** and Board committees; and

    (c) the Board's policies and processes as required by this Prudential Standard.

The Board and delegation of authority

13. The Board is responsible for overseeing the sound and prudent management of the locally incorporated regulated entity. ~~The Board's prudential responsibilities that cannot be delegated are to~~This includes, but is not limited to:

    (a) setting and monitoring the strategic objectives, business plan and risk appetite of the regulated entity;

    (b) overseeing the culture, including risk culture, and values of the entity ~~and set a clear tone from the top~~;

    (c) overseeing governance, remuneration and **risk management frameworks**, and making ~~make~~ the annual **risk management declaration**;[7]

    (d) for RSE licensees, overseeing the investment governance framework;[8]

    (e) overseeing financial and operational resilience;

    (f) setting and monitoring Board, Board committee and director performance objectives;

    (g) taking reasonable steps to ensure that **directors** and **senior managers** of the institution collectively have the skills needed for the effective and prudent operation of the regulated entity; and

[7] As required in *Prudential Standard CPS 220 Risk Management* (CPS 220) and *Prudential Standard SPS 220 Risk Management* (SPS 220) as relevant.
[8] As required in *Prudential Standard SPS 530 Investment Governance*.

(h) constructively challengingchallenge senior managers.

~~14. A locally incorporated regulated entity must ensure that its directors and senior managers are available to meet with APRA on request.~~

~~Delegation of authority~~

~~15.~~14. ~~Subject to paragraph 13,~~ Wwhere a prudential standard imposes an obligation on the Board ~~other than those set out in paragraphs 13(a) to 13(h)~~, the authority to fulfill the obligation may, to the extent not prohibited ~~permitted~~ by any applicable legislation~~law~~, be delegated ~~to a Board committee or senior managers of the entity~~.

~~16.~~ The Board remains responsible for overseeing obligations that are delegated ~~to a Board committee or senior managers~~.

~~17.~~15. In delegating any authority, the Board must ensure that:

(a) the delegation, including any limitations, is clearly documented ~~and consistent with Board and Board committee charters and accountability frameworks~~;

~~(b) the delegation is risk-based and in line with the Board's risk appetite;~~

~~(c)~~(b) there are mechanisms in place for monitoring the proper ~~and effective~~ exercise of delegated authority, and for reporting to the Board any material issues or changes; and

~~(d)~~(c) conflicts arising from, or in connection with, a delegation are identified and appropriately managed.~~; and~~

~~(e) the delegation is regularly reviewed by the Board to ensure it remains appropriate.~~

Senior managers and management information

~~18. Senior managers of a locally incorporated regulated entity are responsible for carrying out and managing the regulated entity's activities in a manner consistent with:~~

~~(a) the regulated entity's strategic objectives, business plan and risk appetite as set out in paragraph 13(a);~~

~~(b) the regulated entity's culture and values as set out in paragraph 13(b);~~

~~(c) frameworks and policies approved by the Board; and~~

~~(d) all legal duties and obligations of the regulated entity, including, for RSE licensees, the duty to act in the best financial interests of beneficiaries.~~

~~19. Senior managers of a locally incorporated regulated entity are responsible for implementing business strategies, risk management systems, risk culture,~~

~~processes and controls for managing the risks to which the regulated entity is exposed.~~

~~20. A locally incorporated regulated entity must have a policy setting out the Board's expectations in relation to the reporting of management information. This policy must include expected content, quality and frequency to support the Board's informed and risk-based decision-making.~~

~~21.~~16. A locally incorporated regulated entity must have processes in place to ensure management information, being the locally incorporated regulated entity's strategy, risk appetite, conflicts and the best financial interests of beneficiaries (for RSE licensees) are considered and recorded in ~~all~~ relevant decision-making.

~~22.~~17. A locally incorporated regulated entity must take reasonable steps to ensure that its senior ~~Senior~~ managers ~~of a locally incorporated regulated entity must~~ deal with the Board in a clear, timely and transparent manner~~. They must brief the Board effectively, with succinct and relevant information~~ to support decision making.

~~23.~~18. ~~S~~Senior managers of a locally incorporated regulated entity, with responsibilities relating to the business in Australia, must be ordinarily resident in Australia.

~~24.~~19. The Board must provide the auditor[9] and the actuary of the regulated entity, as relevant, with the opportunity to raise matters directly with the Board.

Board composition and independence

Board composition

~~25.~~20. Subject to paragraph 21~~2126~~ of this Prudential Standard, the Board of a locally incorporated regulated entity must always have a minimum of five directors.

~~26.~~21. Where:

~~(a) an RSE licensee is subject to the basic equal representation rules contained in Part 9 of the SIS Act; and~~

~~(b)~~(a) a vacancy in the membership of the ~~b~~Board of a locally incorporated regulated entity ~~that RSE licensee~~ occurs and causes the ~~b~~Board ~~of the RSE licensee~~ to comprise of fewer than five directors; and

~~(c)~~(b) the vacancy is filled within 90 days after it occurred,

the locally incorporated regulated entity ~~RSE licensee~~ is taken to comply with paragraph 20~~25~~ of this Prudential Standard during the period of the vacancy.

[9] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.

~~27. APRA may exempt a regulated entity from the requirements of paragraph 25 of this Prudential Standard if a temporary vacancy arises resulting in the number of directors on the Board being fewer than five directors.~~

~~28.~~22. The Board of a locally incorporated regulated entity must have a majority of directors that are ordinarily resident in Australia.

Independent and non-executive *directors (locally incorporated regulated entities other than RSE licensees)*[10]

~~29.~~23. The Board of a regulated entity must:

(a) have a majority of independent directors at all times;

(b) have a chair that is an independent director; and

(c) ensure a majority of directors present and eligible to vote at all Board meetings are **non-executive directors**.

~~30.~~24. An independent director is a non-executive director who is free of any interest, position or relationship that might ~~influence~~affect, or reasonably be perceived to ~~influence~~affect, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board~~ and to act in the best interests of the regulated entity as a whole rather than in the interests of any other party~~.

~~31.~~25. Where a director also serves on the Board of a parent or other entity within the same group, independence must be assessed with specific regard to any potential or actual conflicts arising from, or associated with, intra-group arrangements, such as structural, funding or remuneration relationships.

~~32.~~26. A director is not independent if they:

(a) have, either directly or through an associate, an interest in voting shares of the regulated entity that carry 10 per cent or more of the total number of votes attached to all voting shares in the regulated entity~~are a substantial shareholder~~[11]~~ or substantial security holder of the regulated entity~~;

(b) are employed, or have previously been employed in an executive capacity by the regulated entity or another member of the group, and there has not been a period of at least three years between ceasing this employment and serving on the Board;

(c) have within the last three years been a principal of a material professional adviser or a material consultant to the regulated entity or another member of the group, or an employee materially associated with the service provided;

[10] Paragraphs 23~~23~~~~29~~ to 28~~28~~~~34~~ apply to all regulated entities other than RSE licensees.

[11] ~~For the purpose of this Prudential Standard, a 'substantial shareholder' is a person with a substantial holding, as defined in section 9 of the *Corporations Act 2001*.~~

(d) are a material supplier or customer of the regulated entity or another member of the group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or

(e) have a material contractual relationship with the regulated entity or another member of the group other than as a director.

Shareholder representation (locally incorporated regulated entities other than RSE licensees)

~~33.~~27. Board representation must be consistent with a person's shareholding in the regulated entity. Where a person's shareholding constitutes not more than 20 per cent of the regulated entity's voting shares, there must not be more than:

(a) one Board member who is an associate of the shareholder where the Board has up to six directors; and

(b) two Board members who are associates of the shareholder where the Board has seven or more directors.[12]

~~34.~~28. Where an individual shareholding is greater than 20 per cent, as approved under the *Financial Sector (Shareholdings) Act 1998*, the Board representation of that shareholding may be greater than allowed in paragraph 272~~733~~, although it must remain broadly proportionate to the shareholding concerned.

Board committees

~~35.~~29. A regulated entity must ensure that each ~~For any~~ Board committee with ~~delegated~~ authority to fulfil~~l~~ a B~~b~~oard obligation under a ~~APRA's~~ prudential standard~~s, it must~~:

(a) ~~have~~ has a written charter that outline~~s~~ its authority, objectives, respective roles and responsibilities, and terms of operation;

(b) ~~be~~ is appropriately composed to enable it to exercise competent and independent judgement when fulfilling its role;

(c) ~~have~~ has sufficient powers to enable it to fulfil~~l~~ its role;

(d) ~~take all reasonable steps to~~ has access to ~~all~~ necessary information ~~necessary~~, including access to other Board committees, senior managers, risk and financial control personnel and other relevant parties in fulfilling its role; and

[12] A director is taken to be an associate of a shareholder for the purposes of this Prudential Standard if the director is an associate of the shareholder, or the shareholder is an associate of the director, according to the definition of associate in clause 4 of Schedule 1 of the *Financial Sector (Shareholdings) Act 1998*. That definition is to be applied for the purposes of this Prudential Standard as if subparagraph (1)(l) of that definition were omitted.

~~(e) if choosing to engage third-party experts, have the power to do so in a manner that ensures that the engagement, including any advice received, is independent of the Board.; and~~

~~(f)~~(e) ~~provide~~ constructively challenges ~~to~~ senior managers.

~~36.~~30. A locally incorporated regulated entity must maintain a Board:

(a) Audit Committee;

(b) Risk Committee; and

(c) Remuneration Committee, where the regulated entity is a **significant financial institution**.

~~37.~~31. Significant financial institutions must maintain separate Audit and Risk Committees. A n~~N~~**on-significant financial institution**~~s~~ may combine the Audit and Risk Committees.

~~38.~~32. Board Audit, Risk and Remuneration Committees must have at least three members on the Committee. All members of each committee must be non-executive directors of the regulated entity.

~~39.~~33. For all regulated entities other than RSE licensees, the Audit, Risk and Remuneration Committees must have:

(a) a majority of independent directors as members of the committee; and

(b) an independent director as the chair of the committee.

~~40.~~34. The chair of the Board may not chair either of the Audit or Risk Committees.

Board Audit Committee

~~41.~~35. A Board Audit Committee must, as applicable:

(a) assist the Board by providing objective non-executive oversight of the regulated entity's financial resilience, financial reporting and the adequacy of assurance over the risk management frameworks;

(b) oversee:

(i) compliance with all APRA reporting requirements;

(ii) compliance with other financial reporting requirements;

(iii) compliance with professional accounting requirements; and

(iv) internal and external audit;

(c) endorse and oversee the appointment and removal of the regulated entity's auditor[13] and Head of Internal Audit;[14]

(d) if the regulated entity's auditor or Head of Internal Audit ~~are~~ is removed from their position, ensure reasons for removal are communicated to APRA within 10 **business days** after the Committee's endorsement;

(e) review the auditor[15] engagement annually, including making an assessment of auditor independence against the requirements of APES 110 Code of Ethics for Professional Accountants,[16] and the independence requirements set out in Attachment A to this Prudential Standard;

(f) regularly review the internal and external audit plans to ensure material risks and financial reporting requirements and associated internal control systems are in scope;

(g) regularly review audit findings and ensure that issues are being managed and rectified in an appropriate and timely manner;

(h) review the results of the annual and triennial risk management framework reviews as relevant to the objectives of the Committee;[17]

(i) oversee the adequacy and independence of both the internal and external audit functions;

(j) ensure the internal auditor has a functional reporting line and unfettered access to the Board Audit Committee;

(k) to the extent practical, take steps to satisfy itself that there is no conflict of interest situation,[18] circumstance or arrangement that could compromise, or be seen to compromise, the independence of the auditor;[19]

(l) meet regularly with auditors without senior managers present; and

(m) invite the auditor and the actuary, as applicable, to meetings of the Committee.

[13] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.
[14] For RSE licensees, refer to section 331AK of the Corporations Act for requirements relating to the removal of RSE auditors.
[15] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.
[16] *APES 110 Code of Ethics for Professional Accountants* was issued by the Accounting Professional and Ethical Standards Board in December 2025~~10~~.
[17] As required under CPS 220 and SPS 220.
[18] A 'conflict of interest situation' has the meaning given in paragraph 3 of Attachment A to this Prudential Standard.
[19] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.

Internal audit

~~42.~~36. A locally incorporated regulated entity must have an independent and adequately resourced internal audit function. The internal audit function must evaluate the adequacy and effectiveness of the governance, risk management, and control processes~~financial and risk management frameworks~~ of the entity.

~~43.~~37. The internal audit function must, at all times, have unfettered access to the regulated entity's business lines and support functions.

~~44.~~38. If a regulated entity does not believe it is necessary to have a dedicated internal audit function, it may propose alternative arrangements to APRA. A proposal for alternative arrangements must set out the details of and reasons for the proposed alternative arrangement. APRA may approve alternative arrangements for the regulated entity if satisfied that those arrangements will, in APRA's opinion, achieve the objectives of this Prudential Standard.

Board Risk Committee

~~45.~~39. A Board Risk Committee must:

(a) assist the Board in~~by~~ providing objective non-executive oversight of the implementation, ~~and~~ operation and effectiveness of the regulated entity's risk management framework and internal control systems;

(b) advise the Board on the regulated entity's overall current and future risk appetite and risk management strategy;

(c) monitor the regulated entity's current and future risk position relative to its risk appetite;

(d) monitor and advise the Board on the regulated entity's risk culture;

(e) monitor and advise the Board on senior manager implementation of the risk management strategy;

(f) advise the Board in its preparation of the annual risk management declaration;

(g) review the results of the annual and triennial risk management framework reviews as relevant to the objectives of the Committee;[20]

(h) review the performance and set the objectives of the regulated entity's CRO or equivalent, and ensure the CRO or equivalent has unfettered access to the Board and the Risk Committee;

(i) oversee and endorse the appointment and removal of the regulated entity's CRO or equivalent;

[20] As required under CPS 220 and SPS 220.

(j) if the CRO or equivalent is removed from their position, ensure reasons for the removal of the CRO are communicated to APRA within 10 business days, after the Committee's endorsement; and

(k) invite the CRO, internal auditor, and actuary to attend all relevant sections of meetings of the Risk Committee.

Board Remuneration Committee

~~46.~~40. A Board Remuneration Committee must:

(a) oversee the design and implementation of the remuneration framework and monitor its operation;

(b) consult the Risk Committee and CRO or equivalent, to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in specified roles. This consultation must follow a documented process;

(c) obtain comprehensive reporting that will allow it to determine whether remuneration outcomes of all remuneration arrangements align with requirements in *Prudential Standard CPS 511 Remuneration* (CPS 511) and~~/or~~ the FAR Act;

(d) provide clear guidance to senior managers on its expectations in determining the appropriate level and timing of risk adjustment to the variable remuneration outcomes for persons in specified roles as set out in CPS 511; and

(e) make annual recommendations to the Board on the remuneration arrangements and variable remuneration outcomes for persons in specified roles in accordance with CPS 511.

Board skills and capability

41. The Board must take reasonable steps to ensure it:

(a) has the collective skills and experience it needs to effectively perform its role; and

(b) can demonstrate how it is actively addressing any current or future skill ~~and~~or capability deficiencies.

~~47.~~42. A locally incorporated regulated entity must document in a skills matrix the collective skills~~,~~ and experience ~~and behavioural attributes~~ required for the Board and its committees to perform effectively (Board skills matrix), having regard to:

(a) the entity's size, complexity, risk profile and business model~~strategy, business mix, risk appetite and complexity~~; and

(b) the likely future skills needs of the Board and its committees.

~~48. The Board skills matrix must include clear assessment criteria and rating scales of proficiency that can be measured and verified.~~

~~49. The Board must take all reasonable steps to ensure it:~~

~~(a) has the skills, experience and behavioural attributes it needs to effectively perform its role; and~~

~~(b) can demonstrate how it is actively addressing any current or future skill and capability deficiencies.~~

Board, committee and director performance

~~50.~~43. A locally incorporated regulated entity must assess the performance of the Board, Board committees and individual directors against their respective objectives at least annually (annual performance assessment) and document its findings in an annual performance assessment report.

~~51. The annual performance assessment must evaluate, at a minimum:~~

~~(a) Board and Board committee performance measured against their respective objectives;~~

~~(b) the appropriateness of the Board skills matrix, having regard to plans for Board renewal and the regulated entity's strategic objectives, risk profile, size, business mix and complexity;~~

~~(c) the effectiveness of individual directors measured against the directors' performance objectives and the Board skills matrix; and~~

~~(d) the effectiveness and appropriateness of the governance framework, having regard to the regulated entity's strategic objectives, risk profile, size, business mix and complexity.~~

~~52.~~44. The Board must consider the annual performance assessment report and any recommendations arising out of that~~e~~ assessment. The regulated entity must be able to demonstrate to APRA progress against accepted recommendations from the annual performance assessment report.

~~53.~~45. The Board of a significant financial institution must engage an external, independent expert to conduct a comprehensive assessment of Board, Board committees and directors' performance at least every three years (independent performance assessment) and document its findings in an independent performance assessment report. In the year of this assessment, this exercise may replace the annual performance assessment.

~~54.~~46. The independent performance assessment must evaluate, at a minimum:

(a) the appropriateness of the Board skills matrix, having regard to plans for Board renewal and the regulated entity's strategic objectives, risk profile, size, business mix and complexity;

~~(a) the items identified in paragraph 51;~~

(b) the level and quality of engagement and constructive challenge between directors; and between directors, the Chief Executive Officer (CEO) or equivalent and senior managers;

(c) the effectiveness of the chair of the Board and Board committee chairs;

(d) the appropriateness of the Board and Board committee workloads and meeting cadence;

(e) the quality of management information to enable informed, risk-based decision making and oversight;

(f) the appropriateness and effectiveness of Board delegations; and

(g) progress made on implementing accepted recommendations from the previous independent performance assessment.

~~55.~~47. The independent performance assessment must use a robust, structured and evidence-based methodology. It must be informed by a range of perspectives and have regard to contemporary governance practice.

~~56.~~48. The Board must consider the independent performance assessment report and any ~~actions~~ recommendations arising out of that~~e~~ assessment. The regulated entity must be able to demonstrate to APRA progress against accepted recommendations from the independent performance assessment report.

Board renewal and non-executive director tenure

~~57.~~49. A locally incorporated regulated entity must maintain a Board renewal policy. At a minimum, the Board renewal policy must include:

(a) the length of the term for which directors are appointed to the Board and the tenure limits for individual directors. This tenure limit must not exceed the limit set in paragraph 51~~51~~59 for non-executive directors;

(b) the Board's approach to renewal, including how it will maintain necessary skills and experience having regard to the regulated entity's Board skills matrix;

(c) how vacancies will be managed, including compliance with any legislative or constitutional requirements relating to director elections;[21] and

(d) the process (including voting rights) to identify, nominate, appoint, elect, reappoint, remove and assess the independence of directors, and how any disputes will be managed.

[21] For RSE licensees, this includes compliance with the vacancy rules in Part 9 of the SIS Act.

~~58.~~50. A locally incorporated regulated entity must maintain a Board renewal plan that includes anticipated director retirements and a plan for individual director succession ~~plans~~ having regard to the Board skills matrix.

51. A non-executive director of a locally incorporated regulated entity must not be a non-executive director of that entity ~~or its successor~~[22] for more than 12 years in total. In calculating the 12-year limit under this paragraph, the period the person was a non-executive director of the predecessor[23] of the entity must be included.

~~59.~~52. In exceptional circumstances, an extension beyond the 12 years of up to an additional 12 months may be approved by the Board if the following conditions are satisfied:

(a) the Board approves this extension before the elapse of the 12 years, having regard to the interests of the regulated entity, depositors, policyholders or beneficiaries as relevant; and

(b) the regulated entity notifies APRA in writing of the extension within 10 days of Board approval.

53. Paragraph 51 of this Prudential Standard does not apply in respect of a non-executive director of a locally incorporated regulated entity that is a non-significant financial institution, whose term commenced prior to 26 November 2026, until the earlier of:

(a) the end of that term; and

(b) 1 January 2030.

~~60.~~54. For the purposes of calculating tenure under paragraph 51~~51~~~~59~~, the time an alternate director acts in the capacity as a non-executive director must be included.

~~61.~~55. A regulated entity may apply in writing to APRA for an exemption from, or adjustment to, the requirement of paragraph 54~~61~~, setting out reasons for the request. APRA may approve the entity's request if satisfied that the exemption or adjustment will achieve the objectives of this Prudential Standard.

Group governance

~~62.~~56. The Head of a group must maintain governance arrangements for the group.

~~[22] For the purposes of this paragraph, a reference to 'successor entity' includes the acquiring entity in a merger or other similar corporate restructure, or the RSE licensee of a successor fund. Successor fund has the meaning given by regulation 1.03(1) of the *Superannuation Industry (Supervision) Regulations 1994*.~~

[23] For the purposes of this paragraph, a reference to 'predecessor of the entity' means an APRA-regulated entity that existed prior to, and became part of the entity as a result of, a merger or other similar corporate restructure, or a successor fund transfer. Successor fund has the meaning given by regulation 1.03(1) of the *Superannuation Industry (Supervision) Regulations 1994*.

~~63.~~57. The Head of a group must ensure that, in relation to the governance of each regulated entity within the group, arrangements are in place that support the Board of that entity to exercise independent judgement in practice in overseeing the prudential matters of the entity.

~~64.~~58. Without limiting paragraph 57~~57~~~~64~~, the arrangements must be designed to:

(a) support the flow of timely and appropriate information to and from the Boards of each of the regulated entities and the Board of the Head of the group;

(b) support the identification and management of actual or potential conflicts arising from intra-group roles, reporting lines or other group arrangements; and

(c) enable the escalation, consideration and resolution of matters raised by the ~~b~~Board of the regulated entity, including where those matters relate to group-wide decisions or activities.

~~65.~~59. In meeting the requirements of this Prudential Standard on a group basis, the Head of a group must maintain a group internal audit function that meets the requirements of paragraphs 36~~36~~~~42~~ and 38~~38~~~~44~~ on a group basis.

~~66.~~60. The Board of the Head of a group is ultimately responsible for oversight of the sound and prudent management of the group and must also have the following committees for the group:

(a) a group Board Audit Committee that meets the requirements of paragraph 35~~35~~~~41~~ and that assists the Board by providing an objective non-executive review of the effectiveness of the group's financial reporting and group risk management framework;

(b) a group Board Risk Committee that meets the requirements of paragraph 39~~39~~~~45~~ and that assists the Board by providing an objective non-executive oversight of the implementation and operation of the group risk management framework; and

(c) where the regulated entity is a significant financial institution, a group Board Remuneration Committee that oversees the design, operation and monitoring of the remuneration framework; is appropriately composed to enable it to exercise competent and independent judgement; and has the powers necessary to perform its functions.

~~67.~~61. The Board of a Head of a group must ensure that directors and senior managers of the Head of the group, collectively, have the full range of skills needed for the effective oversight and prudent management, respectively, of the group. This does not lessen the responsibility of each of the individual Boards of the entities within the group for their entities.

~~68.~~62. Where an institution within the group that is not a regulated entity engages in business activities that may pose a material risk to the group, the Head of the

group must ensure that such business activities are undertaken in a way that complies with the group governance arrangements.

~~69.~~63. The Head of a group must maintain a group fit and proper policy (refer to paragraph 85~~8593~~).

~~70.~~64. For the purposes of this Prudential Standard, a locally incorporated regulated entity that operates as a joint venture can be considered as part of the group of each parent entity.

~~71.~~65. Where a regulated entity is part of a group, or **corporate group** in the case of a private health insurer, the Board of the regulated entity may use a group Board Remuneration Committee as the Board Remuneration Committee for the regulated entity, provided that:

(a) the requirements set out in this Prudential Standard are met;

(b) all members of the group Board Remuneration Committee are non-executive directors of the Head of the group in the context of an ADI, general insurer or life company; and

(c) the Board of the regulated entity has free and unfettered access to the group Board Remuneration Committee.

~~72.~~66. Where a locally incorporated regulated entity uses group policies or functions, the Board must approve the use of group policies and functions and must ensure that these policies and functions give appropriate regard to the regulated entity's business and its specific requirements.

Part B – Conflicts management

~~73.~~67. A regulated entity must:

(a) identify and assess all actual and potential conflicts in connection to the business operations of the regulated entity, including those arising from structural, funding or remuneration arrangements (including intra-group arrangements);[24]

(b) implement appropriate controls to effectively identify, manage and monitor conflicts having regard to the associated risks and potential impacts on the interests of, or duties owed to its policyholders, depositors or beneficiaries;

[24] For RSE licensees, ensure that any actual conflicts are managed in accordance with the requirements to give priority to the duties to, and interests of, beneficiaries as set out in sections 52(2)(d) and 52A(2)(d) of the SIS Act.

(c) avoid conflicts where required by law, or where the regulated entity reasonably concludes that the conflict cannot be effectively managed to protect the interests of depositors, policyholders or beneficiaries;[25]

(d) take reasonable steps to ensure that responsible persons and employees understand their obligations under the conflicts management policy required by paragraph 686875;

(e) assess and monitor the effectiveness of controls implemented to identify and manage conflicts and take steps to remediate controls where the risks or impact of a conflict change;

(f) maintain a current register of potential and actual conflicts, including the Interests and duties that could reasonably be considered to give rise to or have the potential to give rise to a conflict, and the associated controls to monitor and manage those conflicts;[26]

~~(g) record in the minutes of the Board, Board committees and other relevant meetings, details of conflicts disclosed at the respective meeting and the action taken to avoid or manage those conflicts;~~

~~(h)~~(g) for RSE licensees, where an actual conflict exists, demonstrate through written records how the RSE licensee has managed the conflict in accordance with the requirements to give priority to the duties to beneficiaries and interests of beneficiaries in sections 52(2)(d) and 52A(2)(d) of the SIS Act;

~~(i)~~(h) monitor compliance with the conflicts management policy; and

~~(j)~~(i) ensure that the appropriateness and effectiveness of its conflicts management policy is reviewed by operationally independent, appropriately trained and competent persons at least ~~annually~~every three years. This review may be incorporated into a regulated entity's board annual performance assessment, independent performance assessment or, for all regulated entities other than RSE licensees, review of the risk management framework.

~~74.~~68. A regulated entity must have a conflicts management policy that applies to the regulated entity, all responsible persons and all employees, and at a minimum:

(a) defines roles, responsibilities and resources for conflicts management and oversight;

(b) documents processes, systems and controls to fulfil the obligations set out in paragraph 676~~774~~; and

[25] Nothing in this prudential standard authorises a person to manage a conflict if the general law requires the person to avoid it.

[26] ~~For the purposes of regulated entities that are RSE licensees, this prudential requirement can be complied with through compliance with the requirement to keep and maintain the registers required under paragraph 76 of this Prudential Standard and to also include associated controls to monitor and manage the actual or potential conflicts resulting from the relevant duties and relevant interests.~~

(c) is proportionate to and consistent with the regulated entity's strategic objectives, risk profile, size, business mix and complexity.

~~75.~~69. An RSE licensee must keep and maintain an up-to-date register of relevant duties and an up-to-date register of relevant interests. For the purpose of this paragraph:

(a) a 'relevant duty' is a duty specified in paragraph 8(c)~~(c)8(c)~~ or a duty to beneficiaries specified in paragraph 8(g)~~8(g)8(g)~~ of this Prudential Standard; or

(b) a 'relevant interest' is any interest or benefit, whether pecuniary or non-pecuniary, vested or non-vested, directly or indirectly held (including an interest to favour or benefit a third party, such as a close family member of a responsible person of the regulated entity) of:

(i) an RSE licensee;

(ii) an associate of the RSE licensee; or

(iii) a responsible person of the RSE licensee,

that might reasonably be considered to have the potential to have a real or substantial impact on the capacity of the RSE licensee, the associate of the RSE licensee, or the responsible person of the RSE licensee with the relevant duty, or holding the relevant interest, to act in a way that:

(iv) is consistent with duties to beneficiaries;

(v) does not adversely affect the interests of beneficiaries; and

(vi) gives priority~~ies~~ to duties to beneficiaries and the interests of beneficiaries over other duties and Interests (as defined in paragraphs 8(c)~~(c)8(c)~~ and 8(d) of this Prudential Standard).

Part C – Fit and proper

~~76.~~70. A regulated entity must take ~~all~~ reasonable steps to ensure ~~their~~ its responsible persons are fit and proper to perform properly the duties and responsibilities of their responsible person position.

Fit and proper assessment

~~77.~~71. A regulated entity must complete a fit and proper assessment for a person before appointment to a responsible person position, except in cases set out in paragraphs 72~~72~~79 and 73~~73~~80.

~~78.~~72. A regulated entity must complete a fit and proper assessment for a person within 30 days of them becoming a responsible person in the case where the person holds a responsible person position because:

(a) for a locally incorporated regulated entity~~ies,~~ of a resolution of members of the regulated entity; or

(b) APRA has determined that the person is a responsible person under paragraph 8(b)(vi) or 8(b)(vii).

~~79.~~73. If a regulated entity makes an interim appointment to a responsible person position, the regulated entity must complete a fit and proper assessment for the appointed person either:

(a) within 90 days of appointment; or

(b) before converting any interim appointment to a permanent appointment,

whichever is earlier.

~~80.~~74. A regulated entity must validate a responsible person's fitness and propriety at least annually following their appointment to a responsible person position. ~~For responsible persons who are directors, annual validation of fitness and propriety must have regard to directors' performance objectives and the Board skills matrix and may be done as part of the annual performance assessment.~~

Fit and proper criteria

~~81. A regulated entity must clearly define and document the competencies required for each responsible person position.~~

~~82.~~75. Paragraphs 76~~76~~84 to 78~~78~~86 set out the criteria for fitness and propriety referred to in the **Prudential Acts**.[27]

~~83.~~76. To determine if a person is fit and proper, a regulated entity must be satisfied that it would be prudent to conclude that:[28]

(a) the person possesses the skill, character~~, care~~, diligence, honesty, integrity and judgement to properly perform ~~properly~~ the duties of the responsible person position;

(b) the person's education, technical qualifications and experience are suitable to the duties and responsibilities of the position; and

(c) for a director role or **senior officer outside Australia** (SOOA) role, the person has the time and capacity to properly perform the duties of the role.

[27] Banking Act s 17(2)(b), s 21(1), s 21(3)(b) s 23(2)(b); SIS Act s 126H(6A); Insurance Act s 25A(3)(b), s 27(2)(b), s 44(1)(a)(ii), s 49R(3)(b); Life Insurance Act s 245A(3)(b); and PHIPS Act s 120(3)(a).
[28] Auditors and actuaries are subject to additional criteria in Attachment B to this Prudential Standard.

~~84.~~77. A person is not fit and proper if the person:

(a) is disqualified under the Prudential Acts or FAR Act from holding the position; or

(b) has failed to manage a conflict that ~~a prudent regulated entity~~ would ~~consider will~~ create a material risk of the person not properly fulfilling the responsibilities of their position.

~~85.~~78. In assessing a person's fitness and propriety, a regulated entity must consider:

(a) for a director role of a locally incorporated regulated entity, the Board's skills needed~~s~~ under the Board skills matrix;

(b) professional references; and

(c) the findings of any court, tribunal, regulator, board, arbitrator, public inquiry or other relevant body that ~~whose responsibility it is to make~~ has made findings relating to~~of the relevant kind that~~ the person ~~has been subject to~~.

~~86.~~79. In applying the fit and proper criteria, a regulated entity must be able to demonstrate that it has undertaken a rigorous process and verified information as appropriate. This includes making ~~all~~ reasonable enquiries to obtain information~~, including collecting sensitive information as defined in the *Privacy Act 1988* (Privacy Act),~~ that the regulated entity believes may be relevant to an assessment of whether the person is fit and proper to be a responsible person. This may include information about an individual's criminal record, membership of a professional or trade association, membership of a political association ~~and~~or membership of a trade union.[29]

Reassessment of fitness and propriety

~~87.~~80. Where a regulated entity becomes aware of information that may result in a responsible person no longer meeting the fit and proper criteria, it must, ~~within~~in a timely manner, take ~~all~~ reasonable steps, including collecting ~~sensitive~~ information ~~as defined in the *Privacy Act* if relevant~~ about an individual's criminal record, membership of a professional or trade association, membership of a political association ~~and~~or membership of a trade union, to determine if a material fitness and propriety concern exists ~~within a timely manner~~. Where a material concern exists, a fit and proper reassessment must be conducted.

~~88.~~81. At a minimum, a regulated entity must reassess a responsible person's fitness and propriety where the regulated entity has reasonable grounds to believe that the ~~individual~~person:

(a) may no~~t~~ longer possess the skill, character, diligence, honesty, integrity and judgement to perform properly the duties and responsibilities of the

[29] This information is considered sensitive information as defined in the *Privacy Act 1988*.

responsible person position ~~be meeting minimum fitness or propriety expectations~~;

(b) is the subject of credible allegations of misconduct or has behaved in a manner inconsistent with the regulated entity's code of conduct or other similar requirements; or

(c) has been subject to adverse findings in criminal, civil or professional proceedings.

~~89.~~82. APRA may require a regulated entity to conduct a reassessment in cases where APRA's concerns about a responsible person's fitness and propriety are not addressed in a timely manner or in the case where APRA forms the view that the process has not been undertaken in accordance with paragraph 78 and 79~~79~~87.

Consequences of adverse assessments

~~90.~~83. Where a regulated entity has determined that a person is not fit and proper, or a reasonable person in the regulated entity's position would make that assessment, the regulated entity must take ~~all~~ reasonable steps to ensure that the person:[30]

(a) is not appointed to; or

(b) for an existing responsible person, does not continue to hold,

the responsible person position.

~~91.~~84. A regulated entity must notify APRA within 10 business days if it assesses that a responsible person is not fit and proper. If the person remains in the responsible person position, the notification must state the reason for this and the action that is being taken.

Fit and proper policy

~~92.~~85. A regulated entity must maintain a fit and proper policy that includes, at a minimum:

(a) roles and responsibilities, timelines and decision-making processes to be followed;

(b) fit and proper requirements as set out in paragraphs 76~~82~~ to 78~~78~~86 and any other matters the regulated entity will consider before determining a person is fit and proper;

(c) the type of information the regulated entity will collect in assessing fitness and propriety, the process for obtaining consent required for the collection and use

[30] Including the actions outlined in the fit and proper policy in accordance with paragraph 85(f)85(f)~~85(f)~~93~~(f)~~.

of any information and information retention procedures in relation to the regulated entity's current and former responsible persons;

(d) for directors, how the Board skills matrix will be considered in assessing fitness and propriety;

(e) the circumstances in which the regulated entity will reassess a responsible person's fitness and propriety, in accordance with paragraphs 808~~088~~ and 818~~189~~;

(f) the actions the regulated entity will take where a responsible person is assessed as not being fit and proper; and

(g) the processes, systems and controls to:

(i) encourage any person to disclose information that may be relevant to a fit and proper assessment to the regulated entity or to APRA; and

(ii) fulfil the obligations set out in paragraph 86~~8694~~.~~; and~~

~~(iii) maintain compliance with APRA engagement and non-constraint requirements under paragraphs 8595 to 91101.~~

~~93.~~86. A regulated entity must:

(a) take ~~all~~ reasonable steps to ensure that responsible persons and employees understand their obligations under the fit and proper policy;

(b) provide a copy of the fit and proper policy and conflicts management policy to any person before an assessment of their fitness and propriety is conducted;

(c) monitor compliance with the fit and proper policy; and

(d) ~~annually~~ review the appropriateness and effectiveness of the fit and proper policy at least every three years. This may form part of the annual performance assessment or the independent performance assessment.

~~**APRA engagement and non-constraint**~~

~~94. A regulated entity must allow persons to provide information to the entity or APRA if they have information that a responsible person may not be fit and proper.~~

~~95. A regulated entity must allow persons to provide information to the entity or APRA if they have information that an entity may not have complied with this Prudential Standard.~~

~~96. A regulated entity must allow persons to provide information to the entity or APRA if they have concerns about accounting, internal control, compliance or audit matters.~~

~~97. A regulated entity must not, and must ensure that its subsidiaries do not, prohibit any person who held a responsible person position from disclosing information or providing documents to APRA relating to their reasons for resignation, retirement or removal.~~

~~98. A regulated entity must not, and must ensure that its subsidiaries do not, constrain, impede, restrict or discourage, whether by confidentiality clauses, policies or other means, any person from disclosing information or providing documents to APRA about matters referred to in paragraphs 8595 to 8696.~~

~~99. No prospective, current or former officer, employee or contractor (including professional service provider) of a regulated entity may be constrained or impeded, whether by confidentiality clauses or other means, from disclosing information to APRA, from discussing issues with APRA of relevance to the management and prudential supervision of the regulated entity or from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of the entity. Such persons are not to be constrained or impeded from providing information to, as applicable, auditors, the actuary and others, who have statutory responsibilities in relation to the regulated entity.~~

~~100. A regulated entity must ensure that its internal policy and contractual arrangements do not explicitly or implicitly restrict or discourage auditors or other parties from communicating with APRA.~~

Part D – Appointments

~~101.~~87. The chair of the Board cannot have been the ~~Chief Executive Officer (~~CEO~~)~~ of the regulated entity at any time during the previous three years. If the position of the CEO is unexpectedly vacated, the chair may serve as an interim CEO for a period of up to 90 days. The regulated entity must seek APRA's prior approval for any interim appointment of the ~~C~~chair as CEO that exceeds 90 days.

~~102.~~88. A person who was a member of an audit firm or a director of an audit company, or in the case of an RSE licensee an individual RSE auditor, who served in a professional capacity in the audit of a regulated entity in relation to the Prudential Acts, prudential standards or reporting standards, cannot be appointed to the role of director of that regulated entity until at least two years have passed since they served in that professional capacity.

~~103.~~89. A person who was an employee of an audit company, other than a director of that company, and who acted as the **lead auditor** or **review auditor** in the audit of a regulated entity in relation to the Prudential Acts, prudential standards or reporting standards, cannot be appointed to the role of director or senior manager of that regulated entity until at least two years have passed since they acted as the lead auditor or review auditor.

~~104.~~90. A person cannot be appointed as a director or senior manager of a regulated entity if:

(a) the person was, or is, a director of the audit company or a member of the audit firm that was, or is, responsible for the audit of the regulated entity in relation to the Prudential Acts, prudential standards or reporting standards; and

(b) there is already another person appointed or employed as a director or senior manager of the regulated entity who was a director of the audit company or a member of the audit firm, at a time when the audit company or audit firm undertook an audit of the regulated entity at any time during the previous two years.

~~105.~~91. Where relevant, the auditor[31] and actuary cannot both be employed by the same body corporate or **related body corporate**, or by the same firm or **related firms**.

Part E – Special provisions for foreign ADIs, Category C insurers, Eligible Foreign Life Insurance Companies

~~106.~~92. The Board of a foreign ADI, Category C insurer or EFLIC is ultimately responsible for overseeing the sound and prudent management of the regulated entity, including its Australian operations.

Senior officers outside Australia and corporate agents

~~107.~~93. Foreign ADIs or Category C insurers must appoint a senior officer outside Australia, or SOOA, responsible for overseeing the sound and prudent management of the entity's Australian operations. The SOOA must be appointed with formal delegated authority from, and have access to, the Board.

~~108.~~94. The SOOA's prudential responsibilities ~~that cannot be delegated are to~~include, but are not limited to:

(a) setting and monitoring the strategic objectives, business plan and risk appetite;

(b) overseeing the culture, including risk culture, and values ~~and set a clear tone from the top~~;

(c) overseeing the local application of group governance, remuneration and risk management frameworks, and making ~~make~~ the annual risk management declaration (as set out in CPS 220);

(d) overseeing financial and operational resilience; and

(e) constructively challenging senior managers.

~~109.~~95. ~~Subject to paragraph 109,~~ W~~w~~here a prudential standard imposes any ~~other~~ obligation on the SOOA of a regulated entity, that obligation may, to the extent

[31] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.

not prohibited ~~permitted~~ by applicable legislation~~law~~, be delegated ~~to senior managers who are ordinarily resident in Australia~~.

~~110.~~96. In delegating any authority, the SOOA must ensure that:

~~(a)~~ the delegation, including any limitations, ~~are~~ is clearly documented ~~and consistent with charters and accountability frameworks;~~

~~(b)~~(a) ~~the delegation is risk-based and in line with the entity's risk appetite;~~

~~(c)~~(b) there are mechanisms in place for monitoring the ~~proper and effective~~ exercise of delegated authority, and for reporting to the Board any material issues or changes; and

~~(d)~~ conflicts arising from or in connection with a delegation are identified and appropriately managed.~~; and~~

~~(e)~~(c) ~~they continue to oversee the obligation and regularly review the appropriateness of the delegation.~~

~~111.~~97. For a foreign ADI, there must ~~also~~ be a senior manager in Australia responsible for the local operation who is ordinarily resident in Australia.[32] ~~Where a Category C insurer has appointed a corporate agent in Australia, the agent must have a senior manager.~~

~~112.~~98. The SOOA and senior managers of a foreign ADI, or the **agent in Australia** or the SOOA of a Category C insurer, must be available to meet with APRA on request.

99. Senior managers of the local operation of a foreign ADI or the agent in Australia ~~or the SOOA~~ of a Category C insurer must deal with the SOOA in a clear, timely and transparent manner~~. It must brief the SOOA effectively, with succinct and relevant information~~ to support decision making.

~~113.~~

~~114.~~100. A Category C insurer that appoints a **corporate agent** as its agent in Australia must additionally ensure that:

(a) the Board of the corporate agent has a minimum of three directors at all times; and

(b) a majority of the directors of the Board of the corporate agent are ordinarily resident in Australia.

~~115.~~101. Senior managers for the Australian operations of a foreign ADI ~~or Category C insurer~~ must be ordinarily resident in Australia.

[32] ~~For a Category C insurer, the Agent in Australia may fulfil this requirement.~~

~~116. Senior managers for the Australian operations of a foreign ADI or Category C insurer are responsible for carrying out and managing the regulated entity's activities in a manner consistent with:~~

~~(a) the regulated entity's strategic objectives, business plan and risk appetite;~~

~~(b) the regulated entity's culture and values;~~

~~(c) frameworks and policies approved by the Board; and~~

~~(d) all legal duties and obligations of the regulated entity, including, for RSE licensees, the duty to act in the best financial interests of beneficiaries.~~

~~117. Senior managers for the Australian operations of a foreign ADI or Category C insurer are responsible for implementing business strategies, risk management systems, risk culture, processes and controls for managing the risks to which the regulated entity is exposed.~~

EFLIC Compliance Committee

~~118.~~102. An EFLIC must establish a **Compliance Committee** with sufficient powers to enable its members to ensure that the company complies with its obligations under the Life Insurance Act. Requirements relating to the Compliance Committee are set out in Attachment C.

~~119.~~103. The Compliance Committee of an EFLIC must be available to meet with APRA on request.

Remuneration obligations

~~120.~~104. Consistent with requirements in CPS 511, the SOOA or Compliance Committee, as relevant, must:

(a) oversee the design, operation and monitoring of the remuneration framework;

(b) obtain comprehensive reporting that will allow it to determine whether remuneration outcomes of all remuneration arrangements align with requirements in CPS 511;

(c) provide clear guidance to senior managers on its expectations in determining the appropriate level and timing of risk adjustment to the variable remuneration outcomes for persons in specified roles;

(d) have free and unfettered access to other committees;

(e) have free and unfettered access to risk and financial control personnel and other relevant parties (internal and external); and

(f) if choosing to engage third-party experts, have the power to do so in a manner that ensures that the engagement, including any advice received, is independent.

OFFICIAL: Sensitive

Audit

105. A foreign ADI, Category C insurer or EFLIC must have an independent and adequately resourced internal audit function. The internal audit function must evaluate the adequacy and effectiveness of the governance, risk management, and control processes of the regulated entity.

106. The internal audit function must, at all times, have unfettered access to the regulated entity's business lines and support functions.

107. If a foreign ADI, Category C insurer or EFLIC does not believe it is necessary to have a dedicated internal audit function, it may propose alternative arrangements to APRA. A proposal for alternative arrangements must set out the details of and reasons for the proposed alternative arrangement. APRA may approve alternative arrangements for the regulated entity if satisfied that those arrangements will, in APRA's opinion, achieve the objectives of this Prudential Standard.

~~*Audit*~~

~~121.~~108. The SOOA or Compliance Committee of an EFLIC, as relevant, must provide the external auditor of the regulated entity with the opportunity to raise matters directly with them.

~~122.~~109. The SOOA for a foreign ADI or Category C insurer, or Compliance Committee for an EFLIC, must review the auditor engagement annually, including making an assessment against the Audit Independence tests set out in APES 110 Code of Ethics for Professional Accountants and independence requirements set out in this Prudential Standard.

~~123.~~110. For a foreign ADI, a Category C insurer and an EFLIC, the auditor of the local operation must have direct access to the Head Office audit function.

OFFICIAL: Sensitive

Attachment A – Auditor independence test

1. A regulated entity must take ~~all~~ reasonable steps to satisfy itself that:

   (a) the auditor[33] is independent of the regulated entity; and

   (b) there is no conflict of interest situation that could compromise, or be seen to compromise, the independence of the auditor.

2. As part of meeting the requirement in paragraph 1 of Attachment A, a regulated entity must obtain a declaration from the auditor to the effect that:

   (a) the auditor is independent, both in appearance and in fact;

   (b) the auditor has no conflict of interest situation; and

   (c) there is nothing to the auditor's knowledge (either in relation to the individual auditor or any audit firm or audit company of which the auditor is a member or director) that could compromise that independence.

3. For the purposes of this Prudential Standard, a conflict of interest situation exists in relation to a regulated entity at a particular time, if because of circumstances that exist at that time:

   (a) the auditor is not capable of exercising objective and impartial judgement in relation to the conduct of the work that is undertaken for the regulated entity in relation to the Prudential Acts, prudential standards or reporting standards; or

   (b) a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the auditor is not capable of exercising objective and impartial judgement in relation to undertaking the work for the regulated entity for the purposes of the Prudential Acts, prudential standards or reporting standards.[34]

[33] For the purpose of this paragraph of this Prudential Standard, a reference to 'auditor' for an RSE licensee means an RSE auditor.

[34] Refer to section 324CD of the Corporations Act, which describes the circumstances under which a conflict of interest situation exists in relation to an auditor. Without limiting paragraphs 3(a) and 3(b) of Attachment A, the relationships set out in subsection 324CD(2) of the Corporations Act are to be taken into consideration in the context of paragraph 1(b) of Attachment A.

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4. Subject to paragraph 5 of Attachment A, an individual who plays a significant role[35] in the audit of:

   (a) an RSE, in relation to **RSE licensee law**; or

   (b) where the regulated entity is not an RSE licensee: the regulated entity, in relation to the Prudential Acts, prudential standards or reporting standards,

   for five successive years, or for more than five years out of seven successive years, cannot continue to play a significant role in the audit until at least a further two years have passed, except with an exemption from APRA. APRA may grant exemption from this requirement if:

   (c) the individual provides specialist services that are otherwise not readily available; or

   (d) there are no other registered company auditors available to provide satisfactory services to the regulated entity.

5. Paragraph 4 of Attachment A applies to RSE licensees until 1 July 2028.[36]

[35] For the purpose of this paragraph ~~of this Prudential Standard~~, an individual plays 'a significant role' in the audit of:

(a) an RSE, in relation to RSE licensee law if (i) the person is appointed as an individual RSE auditor and acts as the auditor in respect of any of the requirements of RSE licensee law; or (ii) an audit company or audit firm is appointed as RSE auditor and the person acts, on behalf of the company or firm, as a lead auditor, or a review auditor, in respect of any of the requirements of RSE licensee law; or

(b) the regulated entity, other than an RSE licensee, if the person is an individual auditor who acts as the auditor in respect of any of the requirements of Prudential Acts, prudential standards or reporting standards, or the lead or review auditor where such audit work is performed by an audit company or audit firm.

[36] From 1 July 2028, the limited term for eligibility to play a significant role in the audit of an RSE will be assessed solely in accordance with section 324DA of the *Corporations Act 2001*.

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Attachment B – Additional fit and proper criteria for auditors and actuaries

Auditors

1. The criteria for fitness and propriety of an auditor for the purposes of the Prudential Acts are set out in paragraphs 767684 to 787886 of this Prudential Standard and paragraph 2 of Attachment B.

2. The additional criteria that must be met for an auditor to be fit and proper are that the person:

   (a) is a registered company auditor under the *Corporations Act 2001* or is the Auditor-General (or a delegate of the Auditor-General) of the Commonwealth, a State or Territory;

   (b) has a minimum of five years' relevant experience in the audit of a regulated entity in the industry within which they are working;

   (c) is neither the ~~Chief Executive Officer (~~CEO~~)~~ nor a director of the regulated entity nor of a related body corporate;

   (d) for RSE licensees, is not the CEO or a director or employee of:

      (i) the RSE licensee, or

      (ii) a connected entity;

   (e) has experience relating to ADIs, general insurers, life companies, private health insurers or the business operations of RSE licensees (as relevant) that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the audit of that type of regulated entity;

   (f) for an auditor of a general insurer or authorised insurance NOHC, is not:

      (i) for the Appointed Auditor of a general insurer, the Appointed Actuary of the general insurer or, for the responsible auditor of an authorised insurance NOHC, the Appointed Actuary of a general insurer that is a subsidiary of the authorised insurance NOHC;

      (ii) an employee or director of a body corporate, statutory body, partnership, trust or commercial or professional enterprise of any kind of which that Appointed Actuary is an employee or director; or a partner of that Appointed Actuary;

   (g) for an auditor of a life company or a registered life NOHC, is not:

      (i) the Appointed Actuary of the life company or of a life company that is a subsidiary of the registered life NOHC; an employee or director of a body corporate, statutory body, partnership, trust or commercial or

professional enterprise of any kind of which that Appointed Actuary is an employee or director; or

(ii) a partner of that Appointed Actuary;

(h) for an auditor of an RSE licensee, is not:

(i) the RSE actuary of an RSE within the RSE licensee's business operations;

(ii) an employee or director of a body corporate, statutory body, partnership, trust or commercial or professional enterprise of any kind of which the RSE actuary is an employee or director; or

(iii) a partner of the RSE actuary;

(i) is a member of a recognised professional body; and

(j) is ordinarily resident in Australia.

3. The criteria in paragraph 2 of Attachment B do not apply if the following conditions are met:

(a) the regulated entity reasonably considers that there are exceptional circumstances;

(b) the regulated entity has promptly notified APRA of the eligibility criteria that are not satisfied and of the exceptional circumstances as to why they do not apply; and

(c) APRA has notified the regulated entity that APRA has no objections to the person holding the position in question.

Actuaries

4. The criteria for fitness and propriety of an actuary of a general insurer, life company, private health insurer or RSE licensee for the purposes of the Insurance Act, Life Insurance Act, PHIPS Act and SIS Act (as relevant) are set out in paragraphs 767~~684~~ to 787~~886~~ of this Prudential Standard and paragraph 5 of Attachment B.

5. The additional criteria that must be met for a person to be fit and proper to act as an actuary of a general insurer, a life company, a private health insurer or an RSE are that the person:

(a) has appropriate formal qualifications;

(b) is not the CEO or a director of the general insurer or life company, as applicable, or of a related body corporate (except when that related body corporate is a subsidiary of the general insurer or life company, as applicable);

(c) for RSE licensees, is not the CEO or a director or employee of:

(i) the RSE licensee, or

(ii) a connected entity;

(d) is not:

(i) the Appointed Auditor or Auditor, as applicable;

(ii) the auditor of the RSE licensee;

(iii) the RSE auditor of an RSE within the RSE licensee's business operations;

(iv) for an Appointed Actuary, an employee or director of an entity of which the auditor is an employee or director; or

(v) for an Appointed Actuary, a partner of the Appointed Auditor or Auditor, as applicable;

(e) has a minimum of five years' relevant experience in the provision of actuarial services to, as relevant, entities carrying on **insurance business** (for a general insurer), **life business** (for a life company) or private health insurance (for a private health insurer), or to RSE licensees and RSEs or in superannuation more generally;

(f) has experience relating to, as relevant, general insurers, life companies, private health insurers or RSE licensees, that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the provision of actuarial services to the regulated entity (the business operations of RSE licensees);

(g) is a Fellow or Accredited Member of the Institute of Actuaries of Australia; and

(h) is ordinarily resident in Australia.

6. The criterion in paragraph 5(h)~~5(h)10(h)~~ of Attachment B does not apply to the Appointed Actuary of a Category B insurer and a Category C insurer if:

(a) the Appointed Actuary is responsible for providing actuarial services to the corporate group, as a whole, to which the insurer belongs; and

(b) the Appointed Actuary meets the criteria in paragraphs 5(a)~~5(a)5(a)~~ to 5(g)~~5(g)5(g)~~ of Attachment B.

7. The criteria in paragraph 5 of Attachment B do not apply while:

(a) the regulated entity reasonably considers that there are exceptional circumstances;

(b) the regulated entity has promptly notified APRA of the eligibility criteria that are not satisfied and of the exceptional circumstances as to why they do not apply; and

(c) APRA has notified the regulated entity in writing that APRA has no objections to the person holding the position.

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Attachment C – EFLIC Compliance Committee

Purpose of the Compliance Committee

1. The purpose of the Compliance Committee (referred to in this Attachment as 'the Committee') is to ensure the eligible foreign life insurance company (EFLIC) meets its obligations under the Life Insurance Act. As required by subsections 16ZF(1) and (4) of the Life Insurance Act, the Committee must have sufficient powers of management to enable it to discharge the EFLIC's responsibilities under the Life Insurance Act.

Continuing responsibility of the Board

2. The Board of an EFLIC must:

   a) have the power to appoint and remove, at its discretion, members of the Committee; and
   b) establish adequate procedures for monitoring and supervising the operation of the Committee, as well as assessing its performance.

Composition and residency status of Committee members

3. The Committee must comprise at least five members appointed by the Board. Those members must include:

   (a) the Principal Executive Officer (PEO) appointed by the EFLIC for its Australian branch under either subsections 20(2) or 246(4) of the Life Insurance Act; and

   (b) at least two independent members.

4. At least three of the Committee members, including the PEO and the independent members, must ordinarily be resident in Australia.

Application for a modified Committee composition

5. APRA may, on application from an EFLIC, adjust the composition requirements of the Committee but only where to do so will not detract from the Committee's capacity to ensure the Company's compliance with the Life Insurance Act.

Appointment and removal of Committee members

6. Each member of the Committee must be fit and proper for the role in accordance with the requirements for fitness and propriety as set out in this Prudential Standard.

7. Notwithstanding the Board's power to appoint and remove members, APRA may, under section 230B of the Life Insurance Act, direct an EFLIC to remove a member of the Committee. It may do so to ensure the Committee's members

possess sufficient skills and experience to discharge the EFLIC's obligations under the Life Insurance Act or to resolve conflicts.

Processes of the Committee

8. The Committee must meet on a regular basis and not less than six times a year to monitor and ensure the EFLIC's continuing compliance with the Life Insurance Act.

9. The Committee must ensure that the Appointed Actuary has reasonable notice of any meeting of the Committee and has a standing invitation to attend such meetings and be heard on matters that relate to the functions and duties of the actuary.