28/08/2026

General Manager
Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority (APRA)

Via email to: **PolicyDevelopment@apra.gov.au**

Dear General Manager,

AustralianSuper submission on proposed changes to governance requirements

AustralianSuper welcomes the opportunity to provide a written submission in relation to APRA's proposed changes to its governance and fit and proper requirements.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. AustralianSuper manages over $430 billion on behalf of over 3.6 million members.

AustralianSuper's vision is to be Australia's leading superannuation fund, in the world's best system for members. AustralianSuper recognises the critical role strong governance plays in delivering our purpose. We believe that the success of AustralianSuper can be directly linked to the quality of the Fund's governance over an extended period. AustralianSuper supports the objective of refining governance standards while encouraging proportionality, flexibility and evidence-based application of principles.

We welcome several refinements made by APRA following the 2025 consultation process. A key positive step is the clarification that the board skills matrix of a regulated entity should focus on the skills needs of the overall board rather than each director role. This change recognises that the effectiveness of a board lies in its collective capability, not only in individual skills. Additionally, we welcome APRA's decision to address 'perceived conflicts' in guidance rather than in Prudential Standard CPS 510 Governance (CPS 510). This will reinforce entities' need to focus on actual and potential conflicts rather than considerations which are more subjective and potentially politicised.

AustralianSuper acknowledges APRA's decision to extend the proposed tenure limit from 10 to 12 years to better align with appointment cycles and existing guidance. We maintain that APRA should not impose prescriptive director tenure limits for superannuation fund boards. AustralianSuper is of the view that boards are best placed to determine the appropriate balance of renewal, experience and continuity, having regard to the fund's circumstances, the best interests of members and robust policies and frameworks for board renewal. This is consistent with our **2025 submission**.

We support APRA's proposal to provide flexibility for boards to extend the tenure limit of a director in exceptional circumstances. This flexibility should extend to circumstances where funds sponsoring shareholders consider it important to continue appointing their senior office holders to the board. AustralianSuper does not believe the duration of a board member's extension should be limited to 12 months.

We are also of the view that several elements of draft CPS 510 introduce a degree of prescription that may not improve tangible governance outcomes. This submission highlights opportunities to simplify and streamline certain elements of draft CPS 510, while maintaining strong, principles-based governance standards. Our priorities include

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narrowing the focus of annual review requirements as well as other areas of unnecessary prescription, which would necessitate considerable implementation effort by funds and additional Board focus.

Specific feedback on elements of draft CPS 510 is attached.

We would be pleased to provide additional information or to discuss this submission in further detail. If that would be of assistance, please do not hesitate to contact me or [redacted]

Regards

[redacted]

[redacted]

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Attachment: Detailed feedback

Director tenure and board renewal

Tenure limits

Draft CPS 510 introduces a default tenure limit of 12 years for non-executive directors, supported by board renewal and succession planning requirements. The proposal would permit boards to approve extensions of up to 12 months in exceptional circumstances.

AustralianSuper notes APRA's revised approach and supports the direction of changes to the proposals made following consultation in 2025. We acknowledge APRA's decision to increase the proposed tenure limit from 10 years to 12 years and to allow boards, rather than APRA, to determine whether exceptional circumstances justify an extension. These changes provide boards with greater flexibility to manage succession planning and maintain effective governance.

Notwithstanding these improvements, AustralianSuper continues to hold the position outlined in our 2025 submission that APRA should not impose prescriptive non-executive director tenure limits. While board renewal is an important element of effective governance, boards are best placed to determine the appropriate balance of renewal, experience and continuity having regard to the fund's circumstances and the best interests of members. We remain of the view that mandatory tenure limits are a blunt mechanism that focuses on the tenure of individual directors rather than the overall performance, composition and effectiveness of the Board.

A particular circumstance we highlight is the reappointment of a senior office holder of one of the two AustralianSuper shareholders, the Australian Industry Group and the Australian Council of Trade Unions (ACTU). Much of this close and very supportive link between AustralianSuper and the two sponsoring shareholders has come from the practice of having the senior officer holders of the two bodies sit on the AustralianSuper board. Losing the senior office holders from the AustralianSuper board due to tenure limits runs the risk of weakening the sense of responsibility that the two shareholders feel for the ongoing success of AustralianSuper, which would be to the detriment of the fund and the members.

If APRA proceeds with a mandatory tenure framework, AustralianSuper continues to support a tenure limit of no less than 12 years. A 12 year limit is more consistent with common appointment cycles and APRA's existing guidance in *SPG 510 Governance*. Additionally, if there is to be a tenure limit, AustralianSuper supports APRA's proposal to allow extensions in exceptional circumstances. In our view, 'exceptional circumstances' for AustralianSuper should capture the need to reappoint senior Australian Industry Group and ACTU appointees. In exceptional circumstances, AustralianSuper does not believe the duration of an extension granted by the board should be limited to 12 months.

Tenure at predecessor funds

AustralianSuper also maintains the view that tenure on predecessor entities should not automatically count toward a maximum tenure period. Funds should be able to take a considered approach that reflects the circumstances of mergers and successor fund transfers, recognising that service on a predecessor Board will not necessarily impair a director's independence on the current Board.

If APRA proceeds with the implementation of a tenure limit, we consider that APRA should provide funds with discretion in certain circumstances to determine whether tenure on the Board of a predecessor entity should be counted towards the limit.

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Annual review requirements

Paragraph 51 of draft CPS 510 includes that 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.

However, APRA's initial discussion paper noted that "given the anticipated rigour of the triennial review, APRA expects to narrow the scope of annual performance assessments for SFIs (to focus on progress on recommendations from the independent assessment)". Consistent with this principle, AustralianSuper considers that the requirements in paragraph 51 could be streamlined.

AustralianSuper is of the view that the annual performance assessment should be limited to assessing:

- The performance of the Board and Board committees against their respective objectives;
- The effectiveness of individual directors; and
- Progress made in addressing recommendations and findings from the most recent triennial independent review.

While AustralianSuper supports annual assessment of director skills against the Board skills matrix, we do not consider it necessary to include this as a mandatory component of the annual performance assessment. The primary purpose of the annual assessment should be to evaluate the effectiveness of the Board and individual directors.

In addition, unless there has been a material change to an entity's strategy, risk profile or operating environment, an annual review of the appropriateness of the Board skills matrix is unlikely to be necessary. Board skills matrices are intended to reflect the Board's future capability requirements and would not typically require annual revision in the absence of significant strategic change.

Similarly, AustralianSuper considers that annual reviews of the effectiveness and appropriateness of the governance framework under paragraph 51(d), the Fit and Proper Policy under paragraph 94(d), and the Conflicts Management Policy under paragraph 74(j) are unnecessary unless there has been a material change in the entity's circumstances. Requiring these reviews annually would impose additional administrative burden on superannuation funds and their boards, particularly where there have been no material changes to the entity's circumstances, and it is unclear that the incremental benefits of annual review would justify that burden.

Unnecessary prescription

Draft CPS 510 includes several requirements that would necessitate considerable implementation effort by funds and additional Board focus. AustralianSuper encourages APRA to carefully consider whether the expected governance benefits of these requirements are proportionate to their implementation and ongoing compliance costs.

Reporting of management information

Paragraph 20 of draft CPS 510 includes a requirement for a regulated entity to maintain a policy setting out the Board's expectations in relation to the reporting of management information.

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AustralianSuper does not support this requirement. The Board already has responsibility for determining, and is appropriately empowered to communicate, its expectations regarding the content, quality, frequency and timeliness of management information.

In our view, requiring a formal policy is unlikely to materially improve governance outcomes and may instead consume valuable Board and Director time. The nature, format and frequency of reporting necessarily differs depending on the content and the forum in which it is considered, including whether information is being provided to the Board or a Board committee.

Accordingly, it would be difficult to develop a policy that is sufficiently concise to remain useful while also being sufficiently prescriptive to provide meaningful direction. Boards should retain flexibility to communicate to management and adjust their reporting expectations as circumstances, risks and organisational priorities evolve.

The inclusion of behavioural attributes in the Board skills matrix

Paragraph 47 of draft CPS 510 requires a locally incorporated regulated entity to document in a skills matrix the skills, experience and behavioural attributes required for the Board and its committees to perform effectively.

The inclusion of behavioural attributes in any Board skills matrix is problematic. While skills and experience can generally be identified and assessed against objective criteria, behavioural attributes are inherently more subjective and dependent on context. Assessments against a skills matrix are likely to involve a degree of self-assessment and calibration, making it difficult to consistently and objectively assess individual directors against prescribed behavioural attributes.

In our view, a director's contribution to the Board is more appropriately assessed through the annual performance assessment process. This enables behavioural factors to be considered in the context of overall Board dynamics and effectiveness rather than through a skills matrix primarily designed to assess skills, knowledge and experience.

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