nib health funds limited
Head Office
22 Honeysuckle Drive
Newcastle NSW 2300
abn 83 000 124 381

t 13 14 63
e nib@nib.com.au
w nib.com.au

General Manager
Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority

Via email: PolicyDevelopment@apra.gov.au

Submission in Response to Consultation Questions - Draft Prudential Standard CPS510

Submission by nib health funds limited (nib)

August 2026

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nib health funds limited
Head Office
22 Honeysuckle Drive
Newcastle NSW 2300
abn 83 000 124 381

t 13 14 63
e nib@nib.com.au
w nib.com.au

Executive Summary

nib welcomes the opportunity to respond to APRA's consultation on draft Prudential Standard CPS 510 (Governance). nib supports APRA's objective of strengthening governance practices across APRA-regulated entities through a clearer and more consolidated prudential framework.

In particular, nib supports the alignment of governance, fit and proper, and conflicts management requirements into a single standard, as well as measures that reduce unnecessary duplication and administrative burden, including the streamlining of Fit and Proper reporting and greater alignment with the Financial Accountability Regime (FAR).

Overall, nib considers that the proposed reforms are broadly consistent with contemporary governance practices. nib notes that its review of draft CPS 510 has not been undertaken in isolation. As an ASX-listed entity, nib is also considering the proposed updates to the *ASX Corporate Governance Principles and Recommendations*. nib believes there is a high degree of alignment between the objectives of the respective frameworks, and APRA's proposed reforms will operate alongside existing and emerging governance obligations.

Importantly, nib considers that an accompanying prudential practice guide will be critical to achieving consistent implementation across industry. Additional guidance would assist entities in areas including Board skills matrices, Board performance assessments, director independence, conflicts management requirements, management information policies, fit and proper assessments, and the interaction between CPS 510 and FAR. Greater clarity in these areas would promote consistent interpretation, reduce implementation uncertainty and minimise the risk of divergent industry approaches.

This submission reflects nib's support for APRA's governance reform agenda while identifying areas where additional guidance, flexibility and transitional support would assist regulated entities to implement the framework efficiently and effectively.

nib health funds limited
Head Office
22 Honeysuckle Drive
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w nib.com.au

Key Messages

Theme	nib position	Key Message
Reform Direction	**Support**	Consolidation of governance, fit and proper and conflicts requirements into a single CPS 510 framework.
Streamlining & FAR Alignment	**Support**	Reduced duplication, removal of routine fit and proper reporting and greater alignment with FAR.
AI Governance	**Support**	Principles-based, technology-neutral approach to AI governance.
Proportionality & Transition	**Noted**	Flexibility and transitional arrangements may be needed for entities with different sizes, structures and governance maturity levels.
Board Skills Matrix	**Further Information Requested**	Expectations regarding predicted future skills or capability gaps, future skills needs, and proficiency ratings.
Board Assessments	**Further Information Requested**	Assessment methodologies, evidence requirements and whether peer reviews are expected.
Conflicts Management	**Further Information Requested**	Reviewer independence, annual review requirements, conflicts register content and management of structural/intra-group conflicts.
Fit & Proper	**Further Information Requested**	APRA visibility of responsible persons, notification requirements and assessment of subjective concepts such as "care" and "all reasonable steps",
Management Information Policy	**Further Information Requested**	Minimum expectations and whether the policy may be incorporated into existing governance documentation.
Key Outcome Sought		Detailed Prudential Practice Guidance (CPG) to support consistent, efficient and proportionate implementation.

nib health funds limited
Head Office
22 Honeysuckle Drive
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abn 83 000 124 381

t 13 14 63
e nib@nib.com.au
w nib.com.au

1. Proportionality and transition

Do the draft CPS 510 requirements operate proportionately across different entity types, sizes and structures, and are transitional arrangements needed in specific areas to support orderly and timely implementation?

As an ASX-listed entity, nib welcomes guidance on how APRA expects the revised CPS 510 requirements to interact with existing listed entity governance disclosures, including the ASX Corporate Governance Principles and Recommendations. This would assist entities in aligning prudential governance documentation with public governance disclosures, while avoiding unnecessary duplication or inconsistent terminology across regulatory frameworks.

Proportionality

nib is not in a position to comment on the appropriateness of the draft requirements across the diverse range of APRA-regulated entity types, sizes and structures. However, nib acknowledges that governance and risk management maturity will vary across entities, often reflecting their scale, complexity and organisational design. This is further reiterated in the *ASX Corporate Governance Principles and Recommendations: "The 'if not, why not' approach recognises that there is no single model of good governance for every listed entity. Appropriate governance practices will vary with an entity's size, ownership, stage of development and circumstances".*[1]

Further guidance would also assist corporate groups with multiple regulated and non-regulated entities in applying CPS 510 consistently across group governance arrangements. This is particularly relevant where directors hold roles across multiple entities, where Board and Committee structures operate at different levels of the group, or where governance frameworks are designed to support both APRA-regulated and listed entity obligations. Clarification on how proportionality applies within complex group structures would support consistent implementation without unnecessary duplication across entities.

Transitional arrangements

nib supports APRA's intention to apply a clearer and more consistent governance framework across APRA-regulated entities. nib acknowledges the benefit of consolidating requirements currently spread across CPS 510, CPS 520 and conflicts-related obligations into a single prudential standard. This should assist regulated entities to manage obligations more consistently and reduce fragmentation across governance, fit and proper and conflicts frameworks.

However, some elements of the draft standard are more prescriptive than the current prudential framework and will require implementation planning and coordination. These areas may benefit from a staged approach to implementation. As an example, matters relevant to Board succession planning and responsible person assessment processes, and fit and proper requirements may benefit from a phased approach.

nib considers that it would be helpful for transitional arrangements to recognise the practical sequencing required to support effective Board oversight. Boards will need sufficient time to consider revised governance documentation, approve or endorse updated policies and frameworks, and receive appropriate assurance that implementation activities have been completed. Clear transitional expectations would assist entities in scheduling Board and Board

[1] ASX Corporate Governance Principles and Recommendations Draft 5th Edition Consultation Paper

nib health funds limited
Head Office
22 Honeysuckle Drive
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t 13 14 63
e nib@nib.com.au
w nib.com.au

Committee approvals in an orderly way and reduce the risk of compressed approval timelines compromising governance quality.

2. Reviews and assessments

Are the reviews and assessments required by the draft standard appropriately scoped, and do the mechanics provide sufficient flexibility to allow reviews to be combined where this supports efficiency and effectiveness?

The proposed requirements introduce a more detailed and structured assessment regime than the current standard. nib considers that it would be helpful for regulated entities to be able to combine related assessments where this supports effectiveness and avoids duplication. For example, there may be practical benefit in integrating the Board skills matrix review, Board performance assessment and Board succession/renewal planning into a single annual governance process, provided the required outcomes are clearly addressed and evidenced. Similarly, there would be benefit in the proposed annual review of the Conflicts Management Policy and Fit and Proper Policy being incorporated into existing governance, risk management or Board effectiveness review processes, as appropriate. This would support operational and governance efficiency while ensuring policies remain current, effective and compliant with the standard.

3. Fit and proper streamlining and FAR alignment

Do the proposed changes appropriately reduce duplication, including the removal of routine reporting and the narrowing of the responsible person cohort? Are there any risks or unintended consequences APRA should consider?

Assessment overlap

nib supports APRA's objective of reducing duplication between the FAR and the Fit and Proper framework, including the removal of routine fit and proper reporting to streamline regulatory administration. The current external reporting process can involve internal governance steps, Committee review and Executive notification activities, and efficiencies are likely where APRA no longer requires routine notifications for each fit and proper assessment.

However, overlap appears in the evidentiary considerations relevant to both regimes. Further clarification from APRA would assist in understanding whether entities may adopt a single integrated assessment process for accountable persons who are also responsible persons under CPS 510. From our reading it appears that there may be overlap between:

- CPS 510 assessments of competence, capability, conduct and character; and
- FAR assessments of how an executive has discharged their accountabilities and taken reasonable steps.

A single integrated approach would reduce administrative burden, improve consistency of outcomes and allow greater focus on substantive oversight and assurance activities, while still producing distinct conclusions regarding fitness and propriety and FAR accountability obligations.

nib health funds limited
Head Office
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t 13 14 63
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Reasonable Steps vs All Reasonable Steps

nib considers that further clarification from APRA would assist in understanding how the "reasonable steps" expectations under FAR interact with the "all reasonable steps" formulation in draft CPS 510. Guidance would assist in determining the level of evidence required for key executives and responsible persons who are subject to both regimes.

Visibility

nib would find it beneficial if further guidance was provided as to how Fit and Proper persons who are not Accountable Persons will be treated under the proposed framework. While APRA may have visibility of many senior individuals through the FAR regime, there may be Fit and Proper persons who are not Accountable Persons. Clarification on how APRA expects entities to maintain regulatory transparency over this broader cohort would support consistent implementation and reduce uncertainty regarding supervisory expectations.

Common documentation

Lastly, further guidance would be helpful on the interaction between draft CPS 510 governance documentation requirements and existing FAR Accountability Maps and Accountability Statements. Clarifying whether FAR artefacts can be used to demonstrate compliance with CPS 510 would help organisations avoid duplication and support efficient implementation.

4. Areas where further detail in guidance would assist

APRA will release a prudential practice guidance to accompany the final governance standard CPS 510. What further information would assist entities to confidently implement the standard?

nib considers that detailed prudential practice guidance will be important to support consistent and proportionate implementation of CPS 510. The draft standard introduces a number of enhanced or new requirements that will materially affect governance frameworks, Board practices, responsible person assessments and documentation standards.

nib also welcomes guidance on whether the revised CPS 510 expectations are intended to require amendments to existing Board and Committee charters, or whether entities may demonstrate compliance by mapping existing governance documents to the new requirements. This would help avoid unnecessary wholesale charter rewrites where current governance documents already address the substance of the proposed obligations.

Guidance would be particularly useful in the following areas:

nib health funds limited
Head Office
22 Honeysuckle Drive
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t 13 14 63
e nib@nib.com.au
w nib.com.au

Board skills matrix

- **Future skill and capability deficiencies -** nib supports APRA's objective of encouraging Boards to take a forward-looking approach to succession planning. Further guidance would be beneficial regarding the requirement to document how future skill and capability deficiencies will be addressed, particularly in circumstances where future requirements may be linked to strategic priorities that are not yet publicly announced or formally approved**,** or where documentation could disclose commercially sensitive strategic matters, such as growth opportunities, M&A or technology investments. Accordingly, it would be helpful for APRA to clarify whether future capability assessments may be documented at a high level without disclosing the underlying commercial drivers.

Board performance assessments

- **Expectations for annual assessments** - further guidance would assist entities in understanding APRA's expectations regarding assessment methodology, evidence standards and action tracking. In particular, clarification would be beneficial on how Board, Board Committee and individual director effectiveness should be measured, the evidence required to support assessment outcomes, the requirement to document actions arising from assessments, and the level of action tracking expected to demonstrate progress.

- **Individual Director effectiveness** - nib notes that the draft CPS 510 standard requires regulated entities to assess the effectiveness of individual directors and, for SFIs, to undertake independent performance assessments that consider the quality of engagement and constructive challenge between directors. However, the draft standard does not specify whether APRA expects these assessments to incorporate peer reviews/assessments, self-assessments, gathering of evidence to support assessments, or other specific evaluation methodologies. Further guidance on APRA's expectations regarding acceptable assessment approaches and evidentiary sources would support more consistent implementation across industry and reduce the risk of divergent practices developing in the absence of clear guidance.

Independence assessments

- **Actual and perceived independence -** Guidance would be beneficial on what constitutes actual and perceived independence, particularly for entities with a larger/more complex structure, whereby directors serve across group entities or intra-group arrangements exist. nib seeks clarification on APRA's expectations regarding the frequency of independence assessments, the criteria to be assessed, and circumstances that trigger reassessment – i.e. only at appointment, annually as part of Board effectiveness reviews, or whenever material group arrangements change.

Conflicts management

- **Operationally independent, appropriately trained and competent persons** - the draft CPS 510 introduces an annual effectiveness review of the Conflict Management Policy to be performed by "operationally independent, appropriately trained and competent persons", however the draft standard does not provide guidance on the level of independence expected, whether second line functions (in the three lines of accountability model) satisfy the requirement, whether external review is contemplated, or

nib health funds limited
Head Office
22 Honeysuckle Drive
Newcastle NSW 2300
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t 13 14 63
e nib@nib.com.au
w nib.com.au

what qualifications and experience reviewers are expected to possess. Additional guidance in the accompanying CPG would assist entities in implementing a consistent and proportionate approach.

- **"At least annually"** - nib seeks clarification on the requirement for the appropriateness and effectiveness of the conflicts management policy to be reviewed by operationally independent, appropriately trained and competent persons "at least annually." The inclusion of the words "at least" suggests APRA may envisage circumstances where reviews are expected to occur more frequently than annually; however, the draft standard does not identify the triggers or risk indicators that would necessitate additional reviews. Further clarification on the circumstances in which more frequent assessments are required would provide clearer expectations to entities.

- **Minimum expectations for conflicts register content -** while nib supports APRA's intention to strengthen conflicts management practices, further guidance would assist entities in understanding APRA's minimum expectations for conflicts register content. Paragraph 74(f) specifies that entities must maintain a current register of actual and potential conflicts, relevant interests and duties, and associated controls used to monitor and manage those conflicts. As APRA is moving from a largely principles-based conflicts framework to a more structured and documented approach, guidance in the accompanying Prudential Practice Guide, including example register content or minimum data fields, would support consistent implementation across industry and reduce the risk of divergent interpretations.

- **Manage conflicts arising from structural, funding, remuneration and intra-group arrangements** – the draft CPS 510 standard introduces an expanded obligation to identify and manage conflicts arising from structural, funding, remuneration and intra-group arrangements. While nib supports APRA's focus on these broader sources of conflict, further guidance would assist entities in understanding APRA's expectations in practice. Clarification would be beneficial on whether APRA expects these arrangements to be formally recorded in conflicts registers, the nature of controls that may be appropriate, and the evidence expected to demonstrate effective oversight and management. Without additional guidance, there is a risk that entities adopt materially different approaches to identifying and documenting these conflicts, resulting in inconsistent implementation across industry.

Management information

- nib supports APRA's objective of ensuring Boards and senior management receive timely, relevant and reliable information to discharge their oversight responsibilities. Further guidance would assist entities in understanding APRA's expectations regarding the content and operation of a Management Information Policy, whether it is required to be a standalone policy or may be incorporated into an existing policy or document. Further guidance on whether it is required to be a Board-approved policy, or a management statement or procedure, would also be useful. Given this is a new requirement with no direct equivalent in the current prudential framework, illustrative guidance or examples within the accompanying prudential practice guide would support consistent implementation across industry while allowing entities flexibility to tailor arrangements to their size, complexity and governance structure.

- For new or enhanced documentation requirements, including the Management Information Policy, guidance on expected ownership, approval pathways and review frequency would be beneficial. In

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Head Office
22 Honeysuckle Drive
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t 13 14 63
e nib@nib.com.au
w nib.com.au

particular, clarification would assist on whether relevant documents are expected to be Board-approved, Board-noted, approved by senior management, or incorporated into existing governance frameworks. This would assist entities in allocating clear accountability and avoiding unnecessary escalation of operational documents to the Board where management approval would be more appropriate.

Fit and proper assessments

- **"All reasonable steps"** - nib notes that the draft standard introduces an obligation for regulated entities to take "all reasonable steps" to ensure responsible persons are fit and proper. While this concept is familiar within the FAR framework, the draft standard does not provide equivalent guidance regarding which actions, enquiries, verification activities or evidentiary standards APRA expects entities to undertake in order to satisfy this obligation. Further guidance would assist regulated entities in understanding APRA's expectations, particularly for individuals who are subject to both FAR accountability assessments and CPS 520 fit and proper assessments. Clarification would also assist in avoiding duplication, given many of the governance, oversight and evidentiary activities supporting FAR reasonable steps obligations may overlap with the information relied upon for fit and proper assessments.

- **APRA Visibility of Responsible Persons -** while nib supports APRA's proposal to remove routine fit and proper reporting requirements, further clarification would be beneficial regarding how APRA intends to maintain visibility of responsible persons under the revised framework. It may be inferred that APRA will have visibility of a significant proportion of responsible persons through the FAR, given Accountable Persons are captured within the definition of 'responsible person'. However, the responsible person population under the draft CPS 510 standard appears broader than the FAR population, extending to roles such as auditors and actuaries, which are not necessarily Accountable Persons. The draft standard does not clearly specify whether any periodic reporting, responsible person register, appointment notification or other mechanism is contemplated to provide APRA with visibility of these individuals.

- **Ceasing to be a Fit and Proper Person** - further guidance would assist entities in understanding APRA's expectations where a responsible person ceases to be fit and proper (where a person resigns, retires or moves to another role). Clarification would be beneficial on the circumstances that trigger notification to APRA, the information expected to be provided, and the applicable reporting timeframes.

- **Subjective wording –** nib notes that paragraph 84(a) requires entities to assess whether a responsible person possesses the necessary "skill, character, ***care***, diligence, honesty, integrity and judgement" to perform their role. While a number of these criteria can be supported through objective evidence, "care" is inherently subjective and may be interpreted differently across entities. Further guidance on APRA's expectations, including appropriate criteria, indicators and evidence sources, would support more consistent and objective fit and proper assessments across industry.

- **Integration of assessment -** as abovementioned, further clarity would be beneficial on whether entities may adopt a single integrated assessment process for accountable persons who are also responsible persons under CPS 510. Our reading of the draft standard identifies overlap between:

    - CPS 510 assessments of competence, capability, conduct and character; and

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- FAR assessments of how an accountable person has discharged their accountabilities and taken reasonable steps.

5. Compliance costs and net impact

What are the expected compliance costs and benefits of the proposed changes, including the net impact once reductions from consolidation and streamlining are considered?

Costs

APRA has sought to streamline and consolidate a number of existing governance requirements. However, implementation of the proposed CPS 510 reforms is likely to result in additional compliance and operational costs across the industry. Many regulated entities are likely to experience similar impacts as they assess Board composition and committee structures, update governance frameworks, review Board and Committee Charters, and uplift supporting policies, procedures and assessment methodologies.

Costs are likely to be incurred across Boards, Company Secretariat, Legal, Risk, Compliance and Human Resources functions as entities review Board capability requirements, succession planning processes, Fit and Proper frameworks, conflicts management arrangements and governance documentation. For some entities, the proposals may also necessitate Board or committee restructuring, changes to director composition, and updates to existing governance oversight and reporting mechanisms.

nib also considers that it would be helpful for guidance to recognise the documentary burden associated with evidencing compliance with the revised standard. While appropriate evidence is important, overly prescriptive expectations could result in lengthy Board and Committee papers that obscure key matters requiring director attention. A proportionate approach would help preserve clear, decision-useful Board reporting while ensuring that entities can demonstrate compliance with CPS 510 requirements.

Benefits

One of the more tangible benefits of the proposed reforms for entities is the removal of routine Fit and Proper reporting requirements. For many entities, these notifications trigger administrative processes involving the preparation of briefing papers, internal approvals and committee reporting for each appointment or change, creating a significant time commitment across multiple teams and stakeholders. The proposed removal of routine notifications provides an opportunity to reduce this administrative burden and associated compliance costs, while allowing entities to adopt a more streamlined and risk-based approach to Fit and Proper oversight. Resources currently dedicated to preparing lodgements and governance papers could instead be redirected towards more meaningful assurance, monitoring and ongoing assessment activities, enhancing the effectiveness of the Fit and Proper framework rather than focusing on procedural reporting requirements.

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t 13 14 63
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w nib.com.au

6. Artificial intelligence governance

Do the draft CPS 510 requirements adequately support the oversight and use of AI and related technologies? Are there areas where additional expectations or guidance would assist?

APRA's consultation materials acknowledge the growing importance of AI and emerging technologies and specifically seek feedback on whether the draft CPS 510 standard adequately supports their oversight and use. nib notes that the draft standard does not appear to introduce detailed or prescriptive requirements directed specifically at AI governance, oversight, accountability or risk management. It may be beneficial for APRA to consider whether principles-based guidance on how CPS 510 governance expectations apply to AI and emerging technology oversight, including Board accountability, risk appetite, management information, technology capability and escalation of material AI risks.

However, nib does not consider it necessary for CPS 510 to prescribe specific AI governance requirements at this time. Given the pace of technological development and the rapidly evolving nature of AI, highly prescriptive obligations may become outdated and could inadvertently constrain innovation or the adoption of appropriate governance practices. A principles-based approach is more appropriate, as it provides sufficient flexibility for regulated entities to implement governance arrangements that are proportionate to their size, complexity, risk profile and use of AI. APRA's existing governance framework already establishes clear expectations regarding Board oversight, risk management, accountability and prudent decision-making, which can be applied to emerging technologies, including AI. Any further guidance would be better provided through a prudential practice guide or non-binding guidance that can evolve alongside technological developments.

Contact

If you would like to discuss any aspect of this response to the consultation, please contact either:

