L2, 165 Bouverie Street
Carlton VIC 3053
tftu.org.au
T 1800 060 556
E info@tftu.org.au

APRA Governance Review - CPS 510 Governance

From: Timber, Furnishing and Textiles Union (TFTU)

To: General Manager, Policy and Frameworks, APRA

Date: 28 August 2026

About the TFTU

The Timber, Furnishing and Textiles Union represents over 8,000 workers across the timber, wood products, pulp and paper, furnishing, textiles, clothing and related industries. Our members rely on compulsory superannuation for dignity and security in retirement. The TFTU therefore has a direct interest in the governance, accountability and performance of the profit-to-member superannuation funds that hold workers' savings.

The TFTU is more than 100 years old and draws on the history and institutional memory of its predecessor organisations. Through its Pulp and Paper Workers Federation lineage, the union has more than 60 years of experience in superannuation. That experience includes the Federation's pioneering establishment of a superannuation fund for pulp and paper workers in 1975. The tradition continued through the industry funds established in the 1980s: the Furniture Industry Retirement Superannuation Trust (FIRST) and the Timber Industry Super Scheme (TISS). In July 2008, FIRST, TISS and the Pulp & Paper Workers' Superannuation Fund merged to form First Super. The union therefore brings deep experience of workers creating, supporting and governing superannuation arrangements in their members' interests.

The TFTU supports strong, accountable and appropriately skilled trustee boards, active board renewal, effective performance assessment and firm action where a director is not fit and proper or is not performing. Those objectives do not justify an automatic tenure rule that removes capable directors without evidence of individual or collective board failure.

Executive position

The TFTU rejects APRA's mandatory 12-year cap on service on the same fund board, including service carried across mergers, in paragraphs 59-62 of proposed CPS 510. APRA has not published evidence capable of scrutiny showing that directors become less effective after 12 years, that long tenure causes poorer member outcomes, or that existing governance mechanisms cannot address ineffective directors. Counting years of service is not evidence of prudential harm.

APRA is proposing to compel the removal of directors who may remain fit and proper, perform strongly and provide valuable industry, workplace and institutional knowledge. That is a major regulatory intervention. It requires a clear, transparent and persuasive evidentiary foundation. APRA has not published one capable of independent scrutiny.

The proposal confuses the existence of long tenure with proof that long tenure causes weak governance. APRA refers to supervisory experience and asserts that supervision and guidance have been ineffective, but it has not published the data, methodology, comparative analysis or member-outcomes evidence needed to test those assertions. Regulation of this significance cannot properly rest on conclusions that affected funds, nominating bodies and members are unable to scrutinise.

Unless APRA publishes a credible evidentiary case and demonstrates that less intrusive alternatives are inadequate, paragraphs 59-62 should be deleted. Board renewal should continue to be governed through renewal policies, fixed appointment terms, performance assessment, skills matrices, succession planning and fit-and-proper requirements, supported by targeted APRA supervision.

TFTU recommendations

Delete the hard cap. Delete paragraphs 59-62 and retain a principles-based obligation for each board to set, implement and justify its renewal approach, subject to APRA supervision.

Publish the evidence. Before finalising any tenure rule, publish the data, methodology, causal analysis, sector-by-sector assessment, cost-benefit analysis and member-outcomes assessment relied upon.

Do not aggregate merger service. Delete the successor-entity rule in paragraph 59 and footnote 22. Service on a predecessor board should not automatically reduce the time a director may serve on the board of a merged or successor fund.

Protect representative governance. Confirm that the equal-representation model is a legitimate legislated governance structure and that the standard does not displace the lawful role of nominating bodies.

Recognise representative skills. Require skills to be assessed collectively and expressly recognise workplace, industry, member-representation, industrial relations and superannuation compliance experience as relevant board capabilities.

Regulate actual concentrations of power. Require funds to maintain a robust balance between the board and executive management.

Remove unsupported committee restrictions. Amend paragraph 38 so appropriately qualified external members may serve on committees where non-executive directors retain effective control and accountability.

Apply genuine proportionality. Include express, operative accommodations for non-significant financial institutions (non-SFIs) and avoid compliance costs that are ultimately paid from members' retirement savings.

Protect procedural fairness. Ensure fit-and-proper assessments distinguish findings from allegations and do not treat lawful union, industrial, representative or political activity as an adverse governance indicator.

Provide proper transition. If APRA nevertheless proceeds with a cap, do not count service before commencement and provide at least three years after final guidance for orderly transition.

1. APRA has not published the evidentiary case for compulsory tenure

The decisive defect in the proposal is the absence of published evidence capable of scrutiny. APRA's consultation paper states that a hard tenure limit is necessary and that supervision and guidance alone have been ineffective. It also refers to APRA's supervisory experience. Those statements may explain APRA's concern, but they do not provide the evidence necessary to test the causal proposition on which a compulsory tenure rule depends.

APRA has not published material demonstrating any of the following:

- a causal relationship between an individual director serving more than 12 years and weaker prudential governance, investment performance or member outcomes;
- that a director's effectiveness falls at a fixed point in time, regardless of performance, capability, board composition or the circumstances of the fund;
- boards combining newer and longer-serving directors perform worse than boards from which every director is removed at 12 years;
- existing annual performance assessments, fit-and-proper assessments, renewal policies, skills matrices and succession planning have failed across the superannuation sector;
- observations from banking, insurance or mutual-bank reviews can properly be applied to profit-to-member superannuation funds with representative governance;
- automatic removal will improve member outcomes or that its benefits exceed the loss of experience, continuity and institutional knowledge; or
- a 12-year cap, a 13-year maximum in exceptional cases and aggregation of successor-fund service are the least intrusive and most effective responses to the risk APRA says it has identified.

The burden is on APRA. It is APRA that proposes to override the judgement of boards, remove otherwise capable directors and constrain representative governance. APRA should not reverse that burden and require each fund or nominating body to prove why an experienced director should be permitted to remain.

APRA routinely expects trustees to support important decisions with evidence, documented reasoning, measurable outcomes and cost-benefit analysis. APRA should meet the same standard when it proposes a major intervention into trustee governance. On the material presently published, it has not done so.

Existing guidance does not justify an automatic rule

APRA's existing Prudential Practice Guide SPG 510 already addresses long tenure. It states APRA's view that long periods of tenure can affect a person's capacity to exercise independent judgement, that circumstances in which maximum tenure exceeds 12 years should be limited, and that service on a predecessor RSE licensee should be considered when assessing reappointment to a merged or successor entity.

That existing guidance is important context, but it does not answer the question raised by the present proposal. Prudential practice guides express APRA's view of sound practice and do not themselves create enforceable requirements. SPG

510 also preserves board judgement: it contemplates individual assessment at the end of a term or maximum tenure period and recognises exceptional reappointment.

Proposed CPS 510 would take a materially different step. Paragraph 59 would convert a supervisory expectation into an enforceable prohibition on service beyond 12 years, subject only to the limited 12-month extension in paragraph 60, and would automatically aggregate service across successor entities. The issue is therefore not whether APRA has previously expressed concern about long tenure. It is whether APRA has published a sufficient evidentiary basis for converting flexible, case-by-case guidance into a compulsory rule of general application, including across mergers. It has not.

APRA's FOI refusal compounds the transparency problem

On 17 July 2026, the TFTU lodged an application under the Freedom of Information Act seeking final documents concerning the proposed rule that counts service on predecessor or successor fund boards following a merger. The request expressly sought documents explaining the policy rationale, evidentiary basis, regulatory justification or intended operation of that rule, including relevant research, benchmarking, options, risk and impact assessments. At APRA's request, the TFTU refined the scope on 27 July 2026.

In its decision dated 14 August 2026, APRA stated that, after all reasonable searches, it had identified seven relevant documents. APRA nevertheless refused access under sections 47C and 47E(d) of the Freedom of Information Act, including on the basis that the documents contained interwoven deliberative analysis and that disclosure could prejudice policy development.

The FOI decision does not establish that APRA holds no evidence. It establishes that, when the TFTU sought the material necessary to test APRA's case for merger-tenure aggregation, APRA refused to disclose it. APRA should not rely on unpublished analysis to justify a compulsory rule while withholding the documents that would allow funds, unions and members to scrutinise that analysis. This refusal is inconsistent with a genuinely transparent and informed consultation process.

2. A hard cap is a crude substitute for effective supervision

The TFTU supports active board renewal. Renewal, however, is not the same as compulsory retirement. A board should be judged by whether it remains effective, appropriately skilled, independent in judgement and capable of challenging management - not by whether every director falls below an arbitrary service limit.

Proposed CPS 510 already contains an extensive governance framework: board and committee performance assessments, measurable skills matrices, annual fit-and-proper validation, renewal policies, renewal plans, succession planning and APRA's power to require reassessment. APRA has not explained why those mechanisms, properly supervised and enforced, are insufficient.

If APRA has identified particular entities with entrenched, ineffective or poorly renewed boards, it should address those entities using risk-based supervision and its existing powers. A universal compulsory cap imposed on every fund is not a substitute for targeted regulatory judgement.

3. Representative governance and worker experience must be protected

Equal representation is a legislated feature of the superannuation system, not a governance defect or a concession to be narrowed through prudential standards. It gives workers a meaningful voice in the stewardship of deferred wages and brings direct knowledge of members, workplaces and the industries in which contributions are earned.

The consultation paper says the proposals are not intended to change equal representation. The combined operation of tenure limits, individual performance assessment, skills matrices and appointment processes nevertheless risks changing it indirectly.

The TFTU does not contend that a representative director is entitled to remain regardless of performance or fitness and propriety. Every director must make an effective contribution and discharge the same statutory duties. But the board's skills matrix should remain a collective governance tool. It should not be converted into a prescriptive scoring mechanism that requires every director to possess the same professional profile or enables the board to displace nominating bodies beyond what the law and governing documents permit.

The final standard and guidance should state expressly that:

the equal-representation model is a legitimate governance structure established by legislation, not a risk factor to be corrected;

board capability is assessed collectively, while each director must meet a reasonable baseline of competence, performance and fitness and propriety;

workplace, industry and member-representation experience, including knowledge of collective bargaining, contribution compliance and workers' retirement needs, are relevant and verifiable board capabilities; and

nominating bodies retain their lawful role, subject to candidates meeting fit-and-proper requirements and the board considering its collective skills needs.

4. The proposal can weaken rather than strengthen governance

Long-serving directors can provide institutional knowledge developed across investment cycles, changes in management, mergers, operational incidents and regulatory reforms. That knowledge can improve challenge because experienced directors are better placed to test management claims against the fund's history and to recognise repeated failures.

The TFTU's own history illustrates the value of continuity. The union is more than 100 years old and, through its Pulp and Paper Workers Federation lineage, carries more than 60 years of corporate memory and practical experience in superannuation. That history includes the Federation's pioneering establishment of a superannuation fund for pulp and paper workers in 1975; the establishment of FIRST and TISS in the 1980s; and the 2008 merger of those funds to create First Super. That experience is not a substitute for renewal or performance assessment, but it demonstrates why long institutional memory can strengthen stewardship, accountability and understanding of members' interests.

The proposal may also create an imbalance between boards and management. Directors responsible for scrutinising senior executives would be compulsorily removed after a fixed period, while no equivalent rule applies to the executives

they oversee. APRA has not published evidence that the tenure of experienced non-executive directors poses a greater governance risk than excessive concentration of knowledge and influence within management.

Strong governance requires a robust balance of authority and accountability between the board and executive management. The board must be capable of independently challenging management.

A fixed tenure cap is a poor proxy for this risk and may make the imbalance worse by removing experienced directors who are capable of holding management to account.

Good boards deliberately combine renewal with continuity. A universal individual cap may reduce the board's ability to manage that balance, particularly for smaller funds and during strategic change, market stress, succession or merger implementation.

5. Merger-tenure aggregation is particularly unjustified

Paragraph 59 counts service on an entity and its successor, and footnote 22 extends successor status to an acquiring entity in a merger and to the RSE licensee of a successor fund. APRA has published no separate evidence justifying that automatic aggregation rule.

A merger creates a materially different governance task: a different membership, asset base, strategy, operating model, management structure and risk profile. A director who has served a predecessor fund may be precisely the person needed to protect transferring members, preserve accountability for merger commitments and provide continuity while systems and cultures are integrated.

Automatic aggregation can penalise prudent mergers and deprive the successor board of the experience needed to implement them safely. It will bear particularly on representative profit-to-member funds that have consolidated through merger. Treating service on a materially different predecessor entity as though nothing has changed is not defensible without published evidence capable of scrutiny.

The successor-entity rule should be deleted. If APRA has concerns in an individual merger, those concerns should be addressed through the merger and supervisory process, not through a universal deeming rule.

6. Committee membership and genuine proportionality

Paragraph 38 requires every member of the Audit, Risk and Remuneration Committees to be a non-executive director. APRA has not published evidence that appropriately qualified external committee members weaken governance. For smaller entities, external members may add specialist capability without unnecessarily increasing board size and cost.

The rule should be amended so that each committee is chaired by a non-executive director and has a majority of non-executive directors, while allowing appropriately qualified external members. The board would remain accountable for the committee and its delegated authority.

More broadly, the proposed standard contains limited operational proportionality for non-SFIs. New management-information policies, committee requirements, detailed skills matrices, performance processes, renewal plans and

expanded documentation will create implementation and ongoing costs. Those costs are ultimately borne by members through reduced retirement savings.

APRA should specify which obligations may be combined, scaled or met through existing processes by non-SFIs. General statements that implementation may be proportionate are inadequate if the operative provisions remain prescriptive.

7. Fit and proper, conflicts and procedural fairness

The TFTU supports removal of routine fit-and-proper reporting, better alignment with the Financial Accountability Regime and effective management of actual and potential conflicts. These reforms should reduce duplication rather than create parallel processes with different terminology and evidentiary requirements.

The final standard and guidance should clarify that professional references and findings of courts, tribunals, regulators and other bodies are considered according to relevance, recency, seriousness and procedural fairness. A finding should not produce an automatic adverse outcome, and a mere allegation should not be treated as a finding.

Lawful industrial activity, union office, political participation, advocacy for members and disagreement with an employer, regulator or government are not evidence that a person lacks fitness, propriety or sound judgement. The framework must not create a route by which representative directors are screened out because they have performed their representative role robustly.

Any requirement to collect sensitive information must be confined to information reasonably necessary and proportionate to a genuine fit-and-proper assessment. Guidance should address privacy, retention, procedural fairness and the treatment of contested findings.

Response to APRA's consultation questions

Question	TFTU response
1. Proportionality and transition	No. The proposal is not proportionate for non-SFIs and the proposed standard contains no adequate transition for directors whose accrued service approaches or exceeds the proposed cap. If the cap is retained, service before 1 January 2028 should not count and entities should receive at least three years after final guidance to implement orderly succession.
2. Reviews and assessments	The processes overlap. APRA should permit annual board performance, fit-and-proper validation, conflicts-policy review and skills assessment to be conducted through one integrated process. Guidance should prevent duplicate reports and duplicated assurance.

3. Fit and proper streamlining and FAR alignment	Removing routine reporting is supported. The final design must avoid re-creating reporting burden through broad information collection, reassessment and notification expectations, and must protect procedural fairness.
4. Further guidance	Guidance is needed on proportionality for non-SFIs, collective versus individual skills, representative governance, nominating-body processes, integrated reviews, procedural fairness, lawful representative activity, sensitive information, committee experts and transition.
5. Compliance costs and net impact	APRA's aggregate assertion of broadly neutral cost is not supported by fund-level evidence in the consultation paper. APRA should publish its assumptions and separately assess implementation and ongoing costs for non-SFI RSE licensees, including the effect on members' retirement savings.
6. Artificial intelligence governance	The existing obligations concerning strategy, risk, capability, management information, delegation and oversight are capable of applying to AI. APRA should issue principles-based guidance rather than insert technology-specific prescription into the standard.

Conclusion

APRA has not established, through published evidence capable of scrutiny, that a mandatory 12-year cap is necessary, proportionate or likely to improve member outcomes. It has asserted a problem, selected a blunt solution and left the underlying evidence unpublished. That is not an adequate basis for compulsory removal of experienced directors or restriction of representative governance.

The TFTU therefore calls on APRA to delete paragraphs 59-62 and retain a principles-based board-renewal framework. If APRA intends to proceed regardless, it should first publish the evidence, subject the proposal to transparent cost-benefit and member-outcomes analysis, remove merger-tenure aggregation and provide genuine proportionality and transition.

The final standard should strengthen governance by focusing on board effectiveness, a robust balance between the board and executive management, member outcomes and material prudential risk. APRA should address actual concentrations of power directly. It should not substitute an arbitrary number for evidence, judgement and effective supervision, or weaken workers' voice in the governance of their retirement savings.

Sources and consultation material

- APRA, Governance Review Consultation Paper, 16 June 2026
- APRA, proposed Prudential Standard CPS 510 Governance, June 2026
- APRA, Proposed changes to governance - consultation page
- APRA, Prudential Practice Guide SPG 510 Governance, current from 1 January 2024
- APRA, Prudential Standard SPS 510 Governance
- Australian Government Statement of Expectations and APRA Statement of Intent, July 2026
- APRA, FOI 27-5 - Notice of Decision, 14 August 2026

First Super, Our history and industries