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General Manager

Policy and Frameworks

Policy and Advice Division

Australian Prudential Regulation Authority

28 August, 2026

Submission to respond to APRA CPS 510 Governance Draft,

With a small Governance advisory team, I am attaching our comments

As appropriate, I am available to respond to any requests for clarification

I am attaching a redacted copy confirming all my personal details are to be redacted, prior to public posting, with the exception of "Founder, esgmidomsolutions" - address, email address, name

[redacted]

Founder, esgmidomsolutions

Overview

APRA's statement of purpose is to provide Australia with a safe and stable financial system.

This concise representation provides APRA with an expansive and challenging remit.

Governments revisit Expectations of APRA regularly to refresh it's

objectives (refer below).

Financial Institutions (FIs) operate on the oxygen of trust and confidence - once forfeited, history evidences it is nigh impossible to resurrect.

2.2 of the recent Statement of Expectations requires regulatory direction and impost to balance the objectives of financial safety, efficiency and competition, contestability and competitive neutrality in maintaining the confidence of stakeholders.

As a key contributory engendering confidence is the capacity of FIs to sustain long term value creation for its stakeholders, it falls within the same regulatory auspices, and also merits inclusion within any Board Governance rules, authorities and responsibilities.

Comments

-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."

There is no articulation within the draft on what is Governance - an attribution of good Governance is premised on substantively more than this framework, which is an enabling structure for Governance.

There is also no articulation as to the purpose of Governance - "to what end?

There are 000's of articulations of Governance -

ISO37000 presents an enhanced articulation "Governance is a "human - based" system in which an organisation is directed, overseen and held accountable for achieving its defined organisational purpose and values. "

A qualifying, unattributed articulation within a Board lens, comprises "The framework assigning rules, authorities and responsibilities, deploying resources, systems processes and controls, enabling objectives, conduct, assurance and strategy settings, **to oversee and deliver organisational performance and values."**

An expanded articulation of Governance merits consideration.

-The Treasury recently issued a Statement of Expectations of APRA, embracing an approach to Growth and Regulation -

2.3. "Support strong, sustainable economic growth, including through its approach to regulation and by facilitating the flow of finance in a way that

promotes dynamism, innovation and competition, without compromising prudential objectives"

APRA responded with a follow up commitment - Balanced Mandate, Proportionate Rules, Prudent Lending and International Alignment

APRA also acknowledged, within a preface to the current Governance draft

"Regulated entities have consistently provided feedback that their boards spend too much time on varied compliance matters, which takes focus away from their key responsibilities-

Boards to focus on strategy, risk, culture, oversight and challenge"

13 (a) references the Board "to set and monitor the strategic objectives, business plan and risk appetite of the regulated entity; with

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

However, there remains a heavy framing on Risk and Compliance responsibilities of Boards, (40+ references) within Governance, with no reference throughout discerned, within Board responsibilities and authorities, to contribute to enterprise long term value creation - growth, Innovation, opportunity.

A prestigious Board Governance Research entity, Board Intelligence, recently published a report on global Board effectiveness, which highlighted- "Only 18% of directors globally say their board strongly enables innovation, and 37% describe their board as an essential tool for value creation."

The ASX Governance Principles draft, currently out for comment, references the contribution to long term value creation within Board Governance responsibilities -growth, innovation and opportunity.

This merits consideration for further referencing within APRA Governance standards and requirements.

- APRA places considerable focus on "constructive challenge" in its representation of Board Governance authorities and responsibilities.

This risks compromising Board behaviours and introduces avoidable tension into Board / management engagements-, essentially inciting disputation of a management position as an initial stance.

“Constructive engagement” represents expected behaviour, with challenge to follow, as justified, and merits consideration to replace “constructive challenge.”

Further comments

-13 (a) “set and monitor the strategic objectives, business plan and risk appetite of the regulated entity;13 b”

The appointment of a new CEO is a standing Board responsibility?

-17(b) - “the delegation is risk-based?”

Why? - “the delegation is to a credentialled manager”

-20 “risk-based decision making” - performance based?

- 21 rewards/ performance/ outcomes?

-45 (b) “advise the Board on the regulated entity’s overall current and future risk appetite and risk management strategy;”

Is it realistic for the Board members of a complex Bank to advise? - “report to the Board?”

-45(d); monitor and advise the Board on the regulated entity’s risk culture;

What is risk culture - delivering performance reward outcomes substantially ahead of risk capital allocation, minimal instances of breaches of risk mandates? Why risk culture solely?

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

My understanding is the latest draft of ASX Governance Principles has taken a contrary position and rejected a Skills Matrix for Boards - “identify skills needs, review if in place, augment if not and engage and inform stakeholders.”

The case for APRA to adopt a different approach is acknowledged

-51. The annual performance assessment must evaluate, at a minimum - board contribution to value creation = innovation, opportunity, enterprise?

-46. A Board Remuneration Committee to maintain incentive, reward and performance programs and practices in line with conduct and professed standards?

“Show me the incentives and I’ll show you the behaviours “Charlie Munger”