

ISA & AIST Joint Media Release



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FIRST CLASS RETURNS AND FIRST CLASS GOVERNANCE

Industry Super Australia (ISA) and the Australian Institute of Superannuation Trustees (AIST) will commission a review by former RBA Governor and Treasury Secretary Bernie Fraser to lead the development of a best practice governance code of conduct for not-for-profit super funds by 30 April 2016.

The review will assess global best practice pension fund governance and develop a Code of Conduct which would be mandatory for ISA and AIST member funds and complement APRA prudential standards and guidance.

Mr Fraser will lead a panel of governance experts including input from academics with specialist knowledge of global pension fund governance.

"Mr Fraser will oversee a review to formulate a rigorous governance code to ensure not-for-profit representative trustee funds continue to uphold the highest levels of governance, reflect the broad range of skills needed to retain a collaborative 'all profits to members' culture and ensure at all times that members' interests are prioritised," said David Whiteley, CEO of Industry Super Australia.

"Bernie Fraser was one of the first independent trustees of industry super funds and is uniquely placed to lead this review. He understands what makes industry super funds tick, why they outperform, and what the foundation will be for their continued success for members.

"Not-for-profit funds – including industry, government and corporate super funds – have one mission: to maximise the retirement savings of their eight million members.

"Industry super funds and other not-for-profits have led the way in realising the potential of Australia's pool of savings and transforming it into long term investment that delivers superior returns to members and drives economic growth. The investment beliefs held by representative trustees are the foundation of the success of the not-for-profit model.

"The code of conduct will preclude the need for legislation that would have dismantled the not-for-profit model of governance," said Mr Whiteley.

"The development of a best practice governance code of conduct for not-for-profit super funds will ensure our members can continue to have confidence in the way our funds are run, while avoiding heavy handed regulation that was unlikely to improve super fund governance," said Tom Garcia, CEO of AIST.

"It will mean that governance arrangements for all super funds are dealt with by industry codes.

"This code is a win for mum and dads around the country who will continue to be strongly represented and have a voice at the board level of not-for-profit super funds. Members' best interest is paramount and deeply ingrained in the culture of not-for-profit funds - the governance code will strongly embed this."

Mr Whiteley and Mr Garcia thanked cross-bench Senators Lambie, Lazarus, Madigan and Xenophon for the time they have committed to considering this important issue and providing a circuit breaker.

"This is a victory for commonsense over ideology," said Mr Whiteley.

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Industry Super Australia manages collective projects on behalf of fifteen Industry SuperFunds, which include research projects, policy development, government relations and advocacy, as well as the well-known Industry SuperFunds Joint Marketing Campaign.

AIST is the peak industry body for the \$650 billion not-for-profit super sector, which includes industry, corporate and public sector funds.



Industry super funds: Governance Review and Best Practice Code of Conduct

BACKGROUND

It is recognised that not for profit funds- like industry super funds- play an important role in the development of an adequate and comprehensive superannuation and retirement incomes system and in building a long term pool of savings that can be invested in the Australian economy, including infrastructure and business innovation through private equity on appropriate terms for members.

The superior returns of industry super funds and 'all profit to members' focus underpins their vital role as the principal vehicle for default superannuation for working Australians.

Industry super funds and other representative trustee funds have been well governed, and delivered excellent returns for members.

The representative trustee structure has underpinned these outcomes and it will continue to play a defining role into the future. However industry super funds will take proactive steps to anticipate future risks and ensure members' interests continue to be served.

GOVERNANCE REVIEW AND DEVELOPMENT OF A BEST PRACTICE CODE OF CONDUCT

Industry Super Australia and the Australian Institute of Superannuation Trustees have appointed former RBA Governor and Treasury Secretary Bernie Fraser to conduct a review of the governance of the not-for-profit super sector and develop a Best Practice Code of Conduct by 30 April 2016.

The review and resulting code would be mandatory for ISA and AIST member funds and would complement existing APRA prudential standards and guidance.

The Code will ensure that not-for-profit representative trustee funds continue to uphold the highest levels of governance, reflect the need for a broad range of skills which underpin the diverse approach needed to retain a collaborative, 'all profits to members' culture, and ensure at all times that members' interests are prioritised.

The Code would include matters such as:

- Comprehensive board appointment and renewal policies to ensure funds have the highest quality boards with the full range of skills and expertise and provision of independent directors where it is assessed they could add value;
- A principle-based definition of an independent director based on the ASX guidelines and public reporting requirement on the proportion of the board comprised of non-associated independent directors;

- Guidance to funds around circumstances where the presence of a non-associated independent director may be warranted, such as a seniors' consumer representative for members in the fund's retirement products;
- Consideration of nomination and appointment processes for independent directors including: the feasibility of direct member elections, the merits of requiring an independent Chair and the merits of the "Cooper model" of board composition;
- Comprehensive policies to disclose, manage, mitigate and avoid conflicts of interest;
- Reporting mechanisms such as:
 - disclosure to members and APRA of a fund's considerations in determining whether to appoint independent directors, and if it does not, an attestation it has the full range of skills and expertise required under APRA's SPS 510
 - disclosure of the gender balance whether they have at least 40 per cent of either gender represented on the trustee board
- Provision for annual general meetings (or equivalent member meetings), including online broadcasts;
- Require that funds conduct all related party transactions on an arms-length commercial basis and to ensure that all such transactions are in the best interests of members; and
- Provision of a compliance and enforcement regime including, where possible, integration into existing APRA supervision and reporting regimes.

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