

# Ambitious targets on governance

By [Tom Garcia](#) | 30/03/2016

For almost seven years now we have been debating the merits and meaning of independence on super fund boards. This is a worthy, if protracted, debate and one in which the Australian Institute of Superannuation Trustees (AIST) has actively participated. Getting to the nub of what true independence really means and how it relates to the different governance structures across the super industry is vitally important.

But at the same time, we mustn't ignore that there is a myriad of factors – in addition to independence – that are necessary to achieve good governance.

Achieving the right skill set across a board is one obvious factor. In the increasingly complex world of superannuation, a board made up of directors with a wide mix of skills and experience is going to be in a much better position to make the right call on tricky issues than a board with a very narrow skill set.

Diversity – be it age, gender or background – is also critical, particularly to avoid the perils of groupthink. In the aftermath of the global financial crisis, many commentators noted that corporate boards lacked diversity of thought, resulting in too few directors being prepared to speak up and challenge the so-called experts.

A genuine commitment to ongoing professional development is another key factor in good governance. Directors who think they know everything, and ignore the need to refresh or update their skills, will not have the necessary clarity around the changing environment in which they operate to be able to ask the right questions around a super fund board table.

Then there are issues concerning how directors are appointed, how long they should stay on a board, how conflicts of interest are managed ... the list goes on.

All these matters – some tangible, some less so – are currently being comprehensively reviewed as part of the development of a new code of governance for the not-for-profit super sector by the Fraser Review.

We believe this review – which was announced following the Senate's decision to block government legislation to mandate independence on the boards of not-for-profit funds – provides a timely opportunity for the not-for-profit sector to lead global standards in retirement savings governance, without the distraction of a highly pressurised and political legislative process.

AIST was the first in the industry to introduce a governance framework to guide its members' behaviour and practices. The *Fund Governance Framework for Not-for-Profit Superannuation Funds* – first published in 2011 and now in its third edition – sets the bar high on a host of governance issues affecting super fund boards. This framework complements the prudential framework set by the Australian Prudential Regulation Authority since July 2013.

Governance toolkits on a variety of topics of interest supporting the framework have also been produced to guide best practice standards for AIST's members.

**(Continued below)**



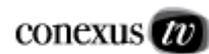
## Related Links:

[APRA expectations and focus for 2016: Helen Rowell](#)

[The future of superannuation: Kelly O'Dwyer](#)

[Black & white: David Gonski](#)

Sponsored content



## PLAYING NOW:

AIST's contribution to the governance code will build on this solid foundation. We will also draw on examples on best practice thinking from other sectors and jurisdictions, including the ASX *Corporate Governance Principles and Recommendations* which operate on a comply or explain basis. The success of the ASX principles is partly attributable to their recognition that a one-size-fits-all governance approach isn't appropriate. Similarly, for the not-for-profit superannuation sector, the code will need to recognise that funds have different structures, are of different sizes, with varying degrees of insourcing – to name but a few of the significantly different factors.

In consultation with the industry, we will set ambitious targets for our members when it comes to good governance practices, and we will continue to deliver not only a set of agreed standards, but also practical insights into how the principles of good governance are best interpreted and applied.

A new governance code is not a tick-the-box exercise. It will strengthen the governance practices that safeguard the retirement futures of the millions of Australians who put their trust in not-for-profit funds.