

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 121

Topic: Corporate Governance Arrangements

Hansard:E 125

Senator Corman asked:

Senator CORMANN—Mr Cooper made a number of recommendations in relation to corporate governance arrangements. I am particularly interested in three recommendations. One is the recommendation to ensure that, where a superannuation trustee board does not have equal representation, the trustee must have a majority of non-associated or independent directors, and another is the one where the trustee board must have equal representation and no less than one-third of total directors must be non-associated and no less than one-third of employer representatives must be non-associated. Why has the government not supported those two recommendations?

Mr Rollings—My understanding of that particular area of the SIS Act, with a rather detailed set of provisions on it, is that, whilst equal representation at the moment is mandatory in a limited number of circumstances, in a lot of cases funds opt to have equal representation on their board of their own volition. The government's response in this area essentially reflects that they think the current arrangements should remain the same.

Senator CORMANN—Cooper would have had a reason to make a recommendation. From his point of view it was an important way to improve the corporate governance structure of superannuation funds. You say the government decided that it should remain. I guess I am looking for an explanation of policy. Why does the government think that it should remain?

Mr Rollings—I am not a particular expert on the details. I would be happy to take the detailed question on notice.

Senator CORMANN—Yes, please take it on notice. Can you also explain why the government has only noted and not supported the recommendation that directors wanting to sit on more than one board must attest to APRA that at the time of appointment there is no reasonably foreseeable conflict of interest. I would have thought that ensuring that corporate governance arrangements help avoid foreseeable conflicts of interest would have been a good thing. The talk on the street is that the minister may be a bit too focused on a certain bias towards a certain section of the superannuation industry rather than acting in the broader public interest, so I am interested in your answer to the question on notice.

Senator Wong—Do you want him to answer that last assertion?

Senator CORMANN—I would like the department to answer why the government is not supporting the recommendation that directors wanting to sit on more than one superannuation board must attest to APRA that at the time of appointment there is no reasonably foreseeable conflict of interest. I would have thought that it was a sensible recommendation.

Senator Wong—If you can just put a full stop—

Senator CORMANN—To put a context around it so that everybody understands where I am coming from—

Senator Wong—I do not think—

Senator CORMANN—There is the view that the minister is letting his union bias get in the way of acting in the public interest. I am sure that will help and assist Treasury in putting forward the most informative answer possible to my question.

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Senator Wong—I do not think it is Treasury's responsibility to respond to a political assertion that you made. In relation to the question as to what was the rationale behind the noting rather than the acceptance of that particular recommendation, I am sure that can be taken on notice.

Answer:

The Government does not support these two recommendations, as it considers that, beyond the existing regulatory framework, the composition of a trustee board is a matter for the board to determine.

The Government considers it a matter for individual boards to determine whether it is appropriate to have a trustee director who is also a trustee director of another fund regulated by the Australian Prudential Regulation Authority (APRA). APRA has issued a prudential practice guide that outlines sound practices in relation to fitness and propriety, including conflicts of interest.