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## **ASFA COMMENTS ON ISSUES OUTLINED IN THE SHORT SELLING ASX CONSULTATION PAPER**

The Association of Superannuation Funds of Australia Ltd (ASFA) is pleased to provide comments on issues outlined in the ASX Consultation Paper on Short Selling regarding some possible short term responses pending possible legislative changes.

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. Our members, which include corporate, public sector, industry and retail superannuation funds, account for more than 5.7 million member accounts and over 80% of superannuation savings.

ASFA as a matter of principle supports greater transparency in the reporting of all short sales as well as the enhancement of participants' recognition and control of the risks inherent in stock lending. ASFA would support amendments to the Corporations Act to require reporting of all sales where borrowing takes place in order to meet settlement obligations. That said, ASFA supports funds (and other investors) being able to lend stock when they consider that it is appropriate to do so on the basis of the risk and return profile of the transaction.

ASFA's specific comments on issues in the ASX Consultation Paper are as follows:

### **Two alternative short term approaches considered by ASX**

ASFA agrees with the ASX view of not proceeding with the outlined options at this stage. The provision of data on stock lending in the absence of data on covered short sales may lead to some market participants to assume a close correlation between the two measures even though this appears not to be the case. However, should legislative changes result in the reporting of covered short sales then transparency would be enhanced if reporting of the level of stock lending was introduced at that stage. As well there would be little point in the ASX introducing requirements for clients informing brokers which were essentially unenforceable.

### **What information should be included in the daily short sale report submitted to the ASX?**

The main aims of reporting short sales are to enhance supervision of market activity and to assist in enhancing market efficiency and price formation. To this end it appears that reporting net naked and net other short sales would provide more information than is currently available. Reporting both gross and net would provide more information but the additional reporting obligations relating to intra-day positions which had been closed out

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during the day would do little to address the main market concerns of the information available in regard to the extent of short selling in specific stocks. ASFA agrees that a net position does not mean that a short position of one client or the Participant as principal is netted against a long position of another client or the Participant for reporting purposes.

#### **What information should be included in the daily short sale report published by ASX?**

In the absence of any arguments to the contrary, ASFA suggests that the current timing for reporting and publication of short sales be used. That is, short sold positions should be reported daily for disclosure to the market the next day. Further, there appears to be no clear reasons for the ASX to provide a split of net naked and net other short sales to the market. Therefore we suggest that it would be sufficient for the ASX to report net short sale positions on an aggregated basis.

#### **Whether the Approved List current market capitalisation and liquidity tests remain relevant?**

The paper states that there has been relatively little change to the market capitalisation and liquidity tests since their introduction in 1985. Accordingly there will have a de facto easing of the thresholds with growth in market capitalisations since that time.

While there may be a case for a less restrictive approach to be taken on the basis of the greater liquidity and efficiency in price discovery this might bring, the possibility of market manipulation and/or settlement failure in regard to the short selling of stocks in companies with relatively low market capitalisation needs to be considered. Therefore, before any action is taken in this regard further work should be undertaken on whether to amend the market capitalisation and liquidity tests or eliminate them entirely.

#### **Comments on the principles which ASX proposes will underpin the new settlement fail fee regime**

ASFA agrees with the ASX principles to minimise the penalties for those who make genuine efforts to meet settlement deadlines but to provide disincentives for those who deliberately delay settlement. To this end we note the consistency with the principles of a restructure of the fail fee levy to a sliding scale that increases the effective penalty as settlement delay lengthens.

Please feel free to contact me or Anne Whittaker, Senior Policy Adviser, on 02 9264 9300 should you wish to discuss any of our above comments.

Yours sincerely,

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**ASFA Best Practice Series**  
**S U P E R A N N U A T I O N**

## Superannuation Fund Governance

Understanding the framework, addressing  
the issues

**Best Practice Paper No. 7 (Revised)**  
August 2004

## **ABOUT ASFA BEST PRACTICE PAPERS**

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The Best Practice Series is intended to provide superannuation trustees and funds with information about ways of doing things that work.

A Best Practice approach does not mean one size fits all. It means seeking out ideas and experiences from those who have undertaken similar activities in related fields, deciding which of those practices are relevant to your situation, testing them out to see if they work, before incorporating the proven practices in your own documented processes.

Each of ASFA's members cover a diverse range of goals, member needs and resources from which they will adapt Best Practice Paper recommendations to their own particular needs.

This paper is intended as a guide only and is not intended to be used as a substitute for professional advice. The Association of Superannuation Funds of Australia Limited expressly disclaims all liability and responsibility to any person who relies, or partially relies, upon anything done or omitted to be by this publication.

## Acknowledgement

Work on the first version of this Best Practice Paper began in late 1999 and it was published in May 2000. It was a landmark achievement for the industry. The Best Practice Committee and the writer, Ella de Rooy, broke new ground in producing a governance document for superannuation fund trustees. The great number of downloads of the paper from the ASFA website attest to its usefulness to ASFA members in terms of content and accessibility. It has also been sought after by people outside the industry and by pension fund organisations in other countries.

Since the paper was produced, we have seen greater focus on governance generally following corporate collapses here and overseas. There have been increased legislative demands on companies and on financial entities and an outpouring of Australian and overseas publications to assist the governance process. Two of these in particular have informed the review process for *Superannuation Fund Governance*.

In 2003, the Australian Stock Exchange's (ASX's) Corporate Governance Council, of which ASFA is a member, released its *Principles of Good Corporate Governance and Best Practice Recommendations*. ASFA acknowledges the enormous amount of work by many people in a wide range of organisations that culminated in this important outcome. In the same year Standards Australia developed *Good Governance Principles*.

In addition, for superannuation funds, the requirements of the *Financial Services Reform Act 2001* and the *Superannuation Safety Amendment Act 2003* have turned much "best practice" into law.

Finally, we have developed several ASFA Best Practice Papers that provide more detailed information on particular issues of fund governance. This paper is now the headline paper in a suite of governance documents.

ASFA would like to acknowledge once more the tireless work of the Best Practice Committee, which read and commented on numerous drafts.

Mr Paul Cheever  
Mr Michael Dwyer  
Mr John Cann  
Ms Roslyn Ramwell FASA  
Mr Rod Young  
Ms Krystyna Hassall

In addition, our thanks go to Westscheme, Sam Hallab and Ella de Rooy who generously contributed their ideas and experience to the paper and commented on its progressive drafts.

Very special thanks are also due to Sue Willems who produced this revised paper.

Dr Michaela Anderson  
Director Policy and Research

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## Recommendations

Recommendation	Section
<b><i>Principle 1: Lay solid foundations for management and oversight</i></b>	
<b>Recommendation 1:</b> The trustee board should take steps to understand their responsibilities as trustee, and from this understanding develop a board charter that clearly defines how the board will govern itself and the fund. The charter should describe the role of the trustee, the board's processes and the relationship between the board and the chief executive.	4.1
<b>Recommendation 2:</b> The trustee should develop and implement a long-term strategic plan reflecting the fund's mission, supported by annual business plans and budgets.	4.2
<b><i>Principle 2: Structure the board to add value</i></b>	
<b>Recommendation 3:</b> The trustee should communicate to those nominating or appointing directors the legal requirements for appointment, details of the trustee's fitness and propriety policy, the duties of the trustee board and of individual directors, the desired mix of skills on the trustee board and the need for board continuity and succession planning.	5.1
<b>Recommendation 4:</b> The trustee should provide directors with all necessary resources to enable them to properly meet their responsibilities to the fund and its members, including: <ul style="list-style-type: none"> <li>• letters of appointment, including a summary of the legal obligations and duties of trustees;</li> <li>• appropriate induction;</li> <li>• initial and on-going training;</li> <li>• access to independent advice.</li> </ul>	5.2
<b>Recommendation 5:</b> The board should consider the most effective manner of allocating its time to ensure it is able to give full and proper consideration to matters for which it is responsible. This consideration should include the use of board committees to assist in governing the fund.	5.3
<b>Recommendation 6:</b> The trustee should document the duties of the chair and devise appropriate appointment procedures, including a mechanism for succession planning.	5.4
<b><i>Principle 3: Promote ethical and responsible decision-making</i></b>	
<b>Recommendation 7:</b> The trustee should develop and monitor adherence to a code of conduct based upon the covenants contained in section 52 of SIS, general fiduciary obligations and the trustee board's agreed ethical standards.	6.1



<b>Recommendation 8:</b> The trustee should devise and document strategies to identify and deal with any conflicts of interest.	6.2
<b>Principle 4: Safeguard integrity in financial reporting</b>	
<b>Recommendation 9:</b> The trustee should form an appropriately qualified audit committee that is independent of the board chair and the fund's executive.	7.1
<b>Recommendation 10:</b> All trustee directors should be provided with sufficient training to enable them to achieve a level of financial literacy that is adequate to permit them to satisfactorily carry out their duties.	7.2
<b>Recommendation 11:</b> The senior executive with responsibility for the fund's financial reports should be required to state in writing to the trustee that the reports present a true and fair view and are in accordance with relevant accounting standards.	7.3
<b>Recommendation 12:</b> All relevant service providers should attest at least annually that they are not aware of any material matter that would cause them to believe the fund's accounts and records are not correct. They should report immediately to the trustee any matter that would prevent the making of such an attestation.	7.3
<b>Principle 5: Make timely and balanced disclosure</b>	
<b>Recommendation 13:</b> The trustee should devise, implement and monitor policies and procedures to ensure that it is made aware of all significant events affecting the fund and that members and regulators are informed of significant events within the appropriate time frame.	8
<b>Principle 6: Respect the rights of fund members</b>	
<b>Recommendation 14:</b> The trustee should develop procedures to identify and ensure compliance with all legal obligations to fund members and other beneficiaries.	9.1
<b>Recommendation 15:</b> The trustee should, as part of its strategic planning process, identify and devise strategies to meet the legitimate requirements of members (within the constraints of the sole purpose test).	9.2
<b>Recommendation 16:</b> The trustee should develop procedures to ensure that all fund communications satisfy legislative requirements and meet the communication needs of members.	9.3

<b>Principle 7: Recognise and manage risk</b>	
<b>Recommendation 17:</b> The trustee should develop, implement, monitor and maintain a Risk Management Strategy and Risk Management Plan(s) that, as a minimum, satisfy the requirements of the <i>Superannuation Safety Amendment Act</i> .	10.1
<b>Recommendation 18:</b> A board committee should oversee risk management, including compliance. This function could be included in the duties of the audit committee.	10.2
<b>Recommendation 19:</b> The trustee should ensure that a senior employee (of the trustee or a relevant service provider) has day-to-day responsibility for risk management (including compliance), and require from that employee written confirmation that the trustee's risk management systems are operating efficiently and effectively.	10.2
<b>Recommendation 20:</b> The trustee should establish an internal audit function which reports to the audit / risk management committee.	10.2
<b>Principle 8: Encourage enhanced performance</b>	
<b>Recommendation 21:</b> The trustee should develop and implement performance evaluation procedures for the trustee board, board committees, and individual board members.	11.1
<b>Recommendation 22:</b> The trustee should appoint the CEO (or equivalent) and other senior executives on the basis of documented job descriptions with clearly outlined functions and responsibilities.	11.2
<b>Recommendation 23:</b> The trustee should devise clear goals and performance standards for all key executives and ensure that performance is evaluated against these standards.	11.3
<b>Recommendation 24:</b> The trustee should develop and implement outsourcing policies and procedures that comply with the requirements of the <i>Superannuation Safety Amendment Act</i> .	11.4
<b>Recommendation 25:</b> The trustee should ensure that all delegations to the CEO, other fund executives and service providers are in writing and clearly set out accountabilities and reporting requirements.	11.5
<b>Recommendation 26:</b> The trustee should take appropriate action in the event of unsatisfactory performance by executives or service providers.	11.6
<b>Principle 9: Remunerate fairly and responsibly</b>	
<b>Recommendation 27:</b> The trustee should decide policies for the remuneration of board members and fund staff.	12.1

<b><i>Principle 10: Recognise the legitimate interests of stakeholders</i></b>	
<b>Recommendation 28:</b> The trustee should develop procedures to identify and ensure compliance with all legal obligations to legitimate stakeholders.	13.1
<b>Recommendation 29:</b> The trustee should develop procedures to identify and meet the legitimate requirements of stakeholders, including their communication needs (within the constraints of the sole purpose test).	13.2
<b><i>Documentation and reporting</i></b>	
<b>Recommendation 30:</b> The trustee should document and make available to fund members its chosen governance policies (including the board charter, the means of trustee appointment, risk management and remuneration), report on its performance against these policies, and identify and explain any failure to comply.	14

# 1 Purpose of paper

This paper has been prepared to:

- assist trustees to identify and address the governance issues that are relevant to their own funds;
- outline general good governance principles and superannuation-specific recommendations following from these principles;
- suggest some practical guidelines and strategies that may assist trustees in implementing these recommendations.

The first version of this document was completed in 2000. However, following the corporate collapses since that time, significant developments have been made in the area of corporate governance. These changes have been accompanied by rapidly increasing expectations by the regulators and by superannuation fund members. Increased legislative demands include the requirements of the *Financial Services Reform Act* (FSRA) and the *Superannuation Safety Amendment Act 2003*. Much of “best practice” has become law. As a result, while the general principles have not changed dramatically from the first version of this paper, the explicit and implicit standards as outlined in this revised version (i.e. what has to be done and what has to be seen to be done) have significantly increased.

In March 2003, the Australian Stock Exchange’s (ASX’s) Corporate Governance Council, of which ASFA is a member, released its *Principles of Good Corporate Governance and Best Practice Recommendations*. The ASX’s ten governance principles provide the general organisational framework of this revised Best Practice Paper. However the recommendations following each principle specifically reflect the circumstances (including legal requirements) and needs of superannuation funds rather than those of listed public companies. Each recommendation is followed by a discussion of some of the practical implications for trustees.

The use of this framework does two things: the principles provide the goals to which action is directed; and it places the governance issues for superannuation funds within the wider context of corporate governance for organizations.

Since the original ASFA fund governance document was produced, several more detailed ASFA Best Practice Papers have been developed. This document is therefore briefer and, where applicable, trustees are referred to ASFA Best Practice Papers that provide more detailed information on particular issues. This paper is therefore the headline paper in a suite of governance documents. No doubt this suite will continue to grow!

## 1.1 Context and terminology

Good governance is required of all parties responsible for the management of superannuation funds, regardless of their organizational structure. The governance framework outlined in this paper is relevant whether a fund is governed by a “board” consisting of:

- a number of individual trustees;
- the directors of a corporate trustee; or
- statutory members appointed by a government or minister to the board of a public sector fund.

In this document, the terms “trustee board” and “trustee” are used in a broad sense, to cover the decision-making body in each of the above arrangements. The terms “directors” and “board members” refers to individuals i.e. directors of a corporate trustee, members of a statutory board and individual trustees.

“CEO” is used to describe the senior executive employee, i.e. the chief executive officer, fund secretary or general manager.

## 2 Introduction

### 2.1 Types of governance

#### 2.1.1 Corporate governance

“Corporate governance” refers to the governance of corporate entities. The following are representative of the wide range of definitions of corporate governance.

‘Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved; how risk is monitored and assessed; and how performance is optimised.’ (*Principals of Good Corporate Governance and Best Practice Recommendations*, March 2003, ASX Corporate Governance Council).

‘Corporate governance... involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structures through which shareholders, directors and managers set the broad objectives of the company, the means of attaining those objectives and monitoring policy.’ (preamble to *OECD Principles of Corporate Governance*, April 1999, Directorate of Fiscal and Enterprise Affairs SG/CG(99)5).

#### 2.1.2 Fund governance

“Fund governance” refers specifically to the internal governance of superannuation funds.

Although superannuation funds are similar to public companies in that they also experience a separation between “ownership” (the members) and control (the board), the fiduciary role of the trustee adds an extra dimension. Fund governance structures need to specifically address the following core duties of trustees:

- to understand the purpose and circumstances of their trustee role, and from this set objectives for the fund and their management of it;
- to develop plans, including an investment plan, to achieve those objectives;
- to establish policies and procedures for the management of the fund, including:

- risk management and compliance policies to safeguard the assets of the fund and the interests of its members, and to ensure that the fund operates in compliance with its governing rules and relevant legislation,
- defined policies and processes for the operation of the fund necessary for proper control and performance measurement,
- standards which can be used to assess the performance of the fund's operations and provide a basis for continuous improvement;
- where applicable, to appoint as delegates appropriately skilled personnel or service providers, and to provide written delegations which clearly set out the accountabilities and reporting requirements for each delegation; and
- to ensure that their own activities, and the activities of all their delegates adhere to the plans, policies, processes and standards they have set for the fund.

Each of these specific duties is dealt with under the principles framework and, in some cases, in greater detail in other Best Practice Papers within the suite.

### **2.1.3 Active share ownership**

The term "corporate governance" has sometimes been used by trustees to refer to the proxy voting and corporate engagement activities of funds in respect of companies in which they have invested. To avoid confusion ASFA now uses the term "active share ownership" to refer to this activity. Specific consideration of active share ownership is beyond the scope of this Paper, but is contained in **Best Practice Paper 17 - Active Shareownership – guidelines for superannuation fund trustees.**

## **2.2 Elements of good governance**

Standards Australia, in *Good Governance Principles*, has identified elements of good governance that include the following:

- commitment at all levels of the organization;
- a governance policy based on broad principles;
- board responsibility for governance;
- a commitment to continuous improvement.
- identification of relevant governance issues;
- integration of governance requirements into day-to-day operations;
- development of a system for dealing with breaches;
- appropriate record keeping and internal reporting procedures.
- training for the board and senior management;
- communication to stakeholders;
- ongoing monitoring and assessment;
- regular review; and
- maintaining an up to date knowledge of governance issues.

### 3 The ASX's governance principles

There is no single model of good corporate governance. However, Standards Australia's elements suggest that a good governance policy is based on broad principles. The ten core principles contained in the ASX's *Principles of Good Corporate Governance and Best Practice Recommendations* (listed below) should, with some modification, be generally relevant to most organizations, including superannuation funds.

**Principle 1:** Lay solid foundations for management and oversight.

**Principle 2:** Structure the board to add value.

**Principle 3:** Promote ethical and responsible decision-making.

**Principle 4:** Safeguard integrity in financial reporting.

**Principle 5:** Make timely and balanced disclosure.

**Principle 6:** Respect the rights of shareholders. (In the superannuation context, it is more relevant to respect the rights of members.)

**Principle 7:** Recognise and manage risk.

**Principle 8:** Encourage enhanced performance.

**Principle 9:** Remunerate fairly and responsibly.

**Principle 10:** Recognise the legitimate interests of stakeholders.

The following sections contain superannuation-specific recommendations based upon the ten principles. While taking into account the duties of trustee directors to any corporate trustee, the major emphasis is on the trustee's fiduciary responsibility to act in the best interests of members.

## 4 Defining the role of the board

### 4.1 Board charter

**Recommendation 1:** The trustee board should take steps to understand their responsibilities as trustee, and from this understanding develop a board charter that clearly defines how the board will govern itself and the fund. The charter should describe the role of the trustee, the board's processes and the relationship between the board and the chief executive.

In order to adequately fulfil their responsibilities to members, it is essential that trustee directors clearly understand their role as trustee. Such understanding can be assisted by a board charter that identifies:

- the role of the trustee;
- how board members are appointed and removed, including who is responsible for their appointment and removal;

- the powers and responsibilities of the trustee and of trustee directors;
- the broad delineation of functions and accountabilities between the trustee, management and external service providers;
- how the board will operate, including:
  - the role of the chair,
  - board meetings,
  - board committees (discussed in Section 5.3),
  - code of conduct (discussed in Section 6.1),
  - performance reviews (discussed in Section 11.1).

### **Trustee responsibilities**

The allocation of responsibilities between the trustee, management and service providers depends on the knowledge, skills and experience of directors and the resources available to them. However the trustee would normally retain responsibility for:

- oversight of the fund, including its control and accountability systems;
- appointment and removal of the chief executive officer (or equivalent) and other key executives;
- input into, and final approval of the fund's mission statement, long-term strategy, and annual business plans;
- approval and monitoring of major capital expenditure and the annual budget;
- approval and monitoring of the fund's systems of risk management, compliance and control, and the code of conduct;
- approving and monitoring reporting by management and service providers; and
- monitoring the performance of the fund as a whole, the board, management and service providers.

Once the breakdown of functions is decided, it is essential the decision be documented in sufficient detail that the dividing line is clear and unambiguous.

## **4.2 Strategic plan and business plans**

**Recommendation 2:** The trustee should develop and implement a long-term strategic plan reflecting the fund's mission, supported by annual business plans and budgets.

### **Mission statement**

While not essential, it can be useful to document the reason for the fund's existence in a mission statement that summarises what the fund is intended to achieve. While the



major aim will always be to provide retirement savings for members, other aims could include:

- to provide a range of ancillary benefits such as death and disability insurance;
- to achieve higher than average investment returns over a particular period;
- to operate in a fair and ethical manner; and
- to provide excellent service to members and employers.

Ideally the mission statement should contain a small number of aims that are realistically achievable, and whose success is capable of being measured.

### **Strategic plan**

A strategic plan is necessary to document how the trustee intends to achieve the outcomes required by the fund's mission statement. Such a document should form the basis of business planning by management, and will help inform the fund's stakeholders of the current and future directions of the fund. Issues to be considered could include:

- the role of the trustee as governing fiduciary, and the degree of trustee involvement in different areas (e.g. investment);
- the management structure that will support the trustee;
- the extent to which the fund's operations are to be managed in-house or outsourced;
- the products, options and services to be offered by the fund;
- the future development of the fund in terms of its current and potential 'market'; and
- the future of the fund itself.

Regular reviews of the strategy, in the light of the fund's experience, and changing industry and regulatory conditions, should be part of the strategic planning process.

### **Business plans and budgets**

Detailed annual business plans and associated budgets are required to give effect to the strategic direction of the fund, and to enable the trustee to respond to shorter-term concerns. As the demands on superannuation funds are constantly increasing, the annual business planning process should include a review of whether the resources available to management are sufficient to enable achievement of the trustee's strategic plans.

Depending on the size of the fund, and the level of staffing, business plans may be prepared by management or by a combination of the trustee and management. Budgets are usually prepared by management. As business plans and budgets are annual documents, they should be subject to review, and if necessary amendment, during the year.

Regardless of the responsibility for preparation, the trustee should:

- review and formally adopt, as appropriate, the annual business plan and budget;

- ensure that it receives regular reports from management on the fund's performance against the plan and budget; and
- hold management appropriately accountable for that performance, and be prepared to take suitable action to address underperformance.

More detailed information on business planning is contained in **Best Practice Paper 16 – The Business of Planning: Best Practice guide to successful business planning.**

## 5 Board structure

### 5.1 Requirements of trustees

**Recommendation 3:** The trustee should communicate to those nominating / appointing directors the legal requirements for appointment, details of the trustee's fitness and propriety policy, the duties of the trustee board and of individual directors, the desired mix of skills on the trustee board and the need for board continuity and succession planning.

A trustee board should be structured in such a way that it is able to:

- understand and competently deal with all major issues relevant to the organization;
- effectively review and challenge the performance of management; and
- exercise independent judgement.

The *Superannuation Safety Amendment Act 2003* imposes a “fit and proper” operating standard on trustees as part of the requirements of APRA licensing. The standard requires each Responsible Superannuation Entity (RSE) licensee (i.e. the trustee board) to possess certain attributes including:

- character, competence, diligence, experience, honesty, integrity and judgement; and
- educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities of an RSE licensee.

Trustees will need to develop policies and procedures to ensure that the requirements of the fit and proper standard are met, both at the time of applying for a licence and on an ongoing basis. The trustee policy will need to address trustee-specific fitness and propriety requirements in addition to the minimum requirements contained in the APRA fitness and propriety guidance note.

#### **Fitness**

The fitness requirement may be met by the trustee as a whole, although all individual trustees and the responsible officers of a corporate trustee (i.e. the directors, alternate directors, secretary and/or executive officer) are expected to have at least sufficient

knowledge to make informed decisions based on the advice of technical experts. The minimum requirements for the trustee as a whole include:

- an understanding of and ability to implement the principles outlined in section 52 of SIS;
- a working knowledge of the SIS legislation and other prudential requirements;
- basic investment knowledge; and
- basic knowledge of the elements and application of other RSE licensee and trust law.

The trustee will need to develop additional specific requirements, both for the trustee as a whole and for individual trustee directors. Where new directors do not possess the appropriate level of knowledge, the trustee policy should provide for appropriate training soon after appointment.

### **Propriety**

The required standard of propriety must be met by each trustee director and responsible officer. In APRA's view, the following will automatically fail the standard:

- a "disqualified person" under SIS;
- anyone prohibited from being a director; and
- anyone found under other APRA-administered legislation not to be a fit and proper person.

Other factors that should be included in the trustee's policy are outlined in the APRA guidance note.

### **Appointment and removal of trustees**

The trustee's policy should include processes to:

- assess the fitness and propriety of relevant individuals at the time of appointment and on an ongoing basis; and
- deal with any person found not to be fit and proper, including a process for removal if necessary.

Depending on whether trustee directors are nominated/ appointed or elected, the trustee should provide potential candidates and/or appointing parties with the following information:

- the duties of directors, with specific reference to the responsibilities included in section 52 of SIS;
- relevant legal requirements;
- APRA's fitness and propriety requirements, including a statement that compliance is necessary for the trustee to obtain and keep an RSE licence;
- the trustee's fitness and propriety policy, including the specific requirements of each individual;

- the substantiating evidence required by APRA (police check and curriculum vitae) and by the trustee (refer to Attachment A of the APRA guidance note for examples); and
- the consequences of failure to meet the required standard of fitness and propriety, both at the time of nomination and on an ongoing basis.

Where trustee directors are nominated / appointed by a sponsoring organization, the trustee could also identify any skills and knowledge currently missing from the trustee board, and request that an individual with the appropriate attributes be appointed.

Trustees will need to negotiate with fund sponsors, and amend the fund's / trustee company's governing rules where necessary, to prevent the appointment and permit the removal by the trustee of individuals who fail to satisfy the fitness and propriety standard. Where such amendment is not possible, commitment should be sought from fund sponsors that they will nominate / appoint only fit and proper individuals (as defined in the trustee's policy), and will remove any person who ceases to qualify as fit and proper. As part of this process, sponsoring organizations should be informed of APRA's ability to disqualify individual trustee directors and, in extreme circumstances, to cancel the trustee's licence for non-compliance.

### **Independence**

The concept of independence of directors is necessary to reduce the possibility of actual or perceived conflicts of interest and to ensure that the board is effective in supervising and, where necessary, challenging the activities of management.

In the case of public companies, independence is achieved by having a majority of independent directors, who have no executive or commercial links with the management of the company.

Boards of superannuation funds are normally independent of fund management, but may not be independent of sponsoring organizations such as employers, trade unions or financial institutions operating public offer funds. While trustees can suggest to appointing parties that they appoint directors from a range of sources, it is probably more realistic for trustees to be aware of the potential for conflicts of interest, and devise strategies to identify and deal with them. Conflicts of interest are discussed further in Section 6.2.

Some trust deeds and/or company constitutions permit the appointment of an additional independent director. Such a director is not only independent of fund sponsors, but can be chosen to provide necessary skills that may be lacking.

Where independent directors are appointed because of the particular expertise they bring to the board, it is important that other directors do not abdicate their responsibilities by relying excessively on the independent director or by allowing that director (or any other individual) to dominate the board's decision making. Board decisions are decisions of the whole board, and it is essential that all board members are both involved and vigilant.

## 5.2 Trustee induction and training

**Recommendation 4:** The trustee should provide directors with all necessary resources to enable them to properly meet their responsibilities to the fund and its members, including:

- letters of appointment, including a summary of the legal obligations and duties of trustees;
- appropriate induction;
- initial and ongoing training;
- access to independent advice.

### Letters of appointment

The letter of appointment could include items such as the following:

- the term of appointment;
- an estimate of the time commitment required;
- a summary of the powers and duties of trustees, with an explanation of how they apply in practice;
- a summary of the SIS, Corporations Act and trust law requirements of trustees and directors;
- a requirement to disclose any interests that may affect the director's independence;
- the trustee's fitness and propriety policy;
- training opportunities and requirements;
- access to independent professional advice;
- a summary of the trustee's indemnity and insurance arrangements;
- confidentiality requirements; and
- the circumstances in which the office of director becomes vacant.

### Induction

It is essential that new directors be provided with the necessary training and information to enable them to quickly become active and productive board members.

The induction process should include:

- a meeting with the chair to obtain an overview of the fund and the trustee board;
- an introduction to fund staff and the major service providers;
- immediate access to an introductory training course;
- a trustee manual containing all relevant board and fund documents; and
- access to a senior fund employee for ongoing assistance with any detailed questions about the fund's operations.

The trustee manual should contain all written information the director may need to refer to, either on joining the board or at any later time. Given the volume of fund documentation, it is probably sensible to give each director a basic trustee manual of essential and/or frequently used information, and provide easy access to bulky documents that are likely to be referred to less frequently.

Depending on the nature of the fund, the basic trustee manual could contain:

- the fund's trust deed, and if applicable, the company's constitution;
- the board's charter, mission statement and code of conduct;
- the board's governance procedures;
- the charters of any board committees;
- the strategic plan and the current business plan and budget;
- the fund's investment policy statement, with a summary of recent performance;
- the trustee's Risk Management Strategy and the fund's Risk Management Plan;
- copies of the most recent member and employer communication material;
- a list of all service providers, together with a summary of the terms of major contracts (e.g. the administration contract and insurance policies);
- an overview of the fund, including a membership profile;
- details of the resources and training available to directors; and
- a glossary of superannuation terminology and acronyms.

Each of the above should be updated as required. More detailed information could be maintained by management, and provided to directors on request. This could include:

- a register of board policies or significant resolutions;
- copies of the minutes of all board and company meetings;
- copies of the minutes of committee meetings;
- past copies of member and employer communication material;
- copies of (or more likely, summaries of) all relevant legislation;
- a summary of any delegations from the trustee board to other persons or entities;
- contracts with all service providers, together with their most recent reports; and
- copies of all insurance policies.

### **Training**

All directors will need both initial and ongoing training to develop and maintain the expertise necessary to properly oversee the management of their fund. Trustees should develop training policies and procedures to deal with training needs.

- Potential directors (and/or those who nominate / appoint them) are clearly informed that commitment to initial and ongoing training is an expectation, and if possible a requirement, of appointment to the board.

- The trustee maintains a list of desirable knowledge and skills for directors, together with a list of suitable training experiences. The Fit and Proper Operating Standard and relevant APRA guidance note will provide some assistance with identifying desirable knowledge and skills, while directors who wish to be representatives under the fund's Australian Financial Services Licence (AFSL), will need to meet the requirements of ASIC's Policy Statement 146, *Training of financial product advisers*. The ASIC Training Register can help in identifying suitable training courses.

ASFA provides a wide range of courses, including workshops and distance education units, to assist trustees to meet their training needs. Courses range from introductory to advanced, and can be provided on an individual or whole board basis. For details, ring the ASFA Education Team on (02) 9264 9300 (1800 812 798 for those calling from outside Sydney), or check the ASFA website at [www.superannuation.asn.au](http://www.superannuation.asn.au).

- If applicable, the trustee identifies the training and experience requirements for Responsible Officers under the trustee's AFS licence (contained in ASIC's Policy Statement 164), and ensures that at least some directors are provided with the training necessary to qualify. ASIC has indicated a preference that, for most trustees, at least one director be nominated as a Responsible Officer.
- The trustee allocates sufficient financial resources to enable all directors to achieve at least the minimum required training.

In most cases, training will be at the individual director level. However, there will be instances where whole board training is most appropriate. Examples of when this may occur include situations where:

- the trustee is facing a significant new challenge, such as trustee licensing;
- a number of directors require education on a particular issue, such as dealing with conflicts of interest; or
- political differences or personality clashes are causing board dysfunction, in which case negotiating and conflict resolution skills may be required.

How trustees are able to deal with directors who fail to meet the training requirements will depend upon the mechanism for appointing and removing directors. Trustees should seek to obtain agreement from any external appointing parties that directors who fail to undergo reasonable training will be removed.

#### **Access to independent advice**

In addition to general industry information, directors will also require professional advice on how legislative and other developments will affect their fund and on how the trustee might respond to such developments.

Occasionally individual directors require independent professional advice to assist them to make a fully informed and independent judgement on a particular contentious or difficult issue. The trustee should agree on a procedure for directors to take independent professional advice at the fund's expense. Directors need to agree on the circumstances in which such advice is available and on the procedure for accessing it (usually through the chair). Such access would usually be rare and would be restricted to situations where advice to the trustee as a whole would not be adequate.

## 5.3 Board committees

**Recommendation 5:** The board should consider the most effective manner of allocating its time to ensure it is able to give full and proper consideration to matters for which it is responsible. This consideration should include the use of board committees to assist in governing the fund.

While committees are not a legislative requirement, APRA has indicated that it would expect most boards to have at least an audit and compliance committee.

The following issues need to be considered:

- which committees should be formed, e.g.:
  - audit and compliance,
  - risk management,
  - investment management, and/or
  - administration and claims review;
- clear delineation of the purpose and responsibilities of each committee by way of a committee charter;
- a documented process for appointment of committee members;
- delegation of powers, if any, to committees;
- appropriate reporting requirements for committees back to the trustee; and
- procedures for regular review of each committee, including its charter, membership and performance.

Generally, committee membership should reflect the skills and knowledge that members can bring to the committee concerned. In the case of 'equal representation' trustee boards, there may also be a desire to ensure that membership of committees is representative, particularly where decision-making is delegated to such committees. It is important that equal representation does not occur at the expense of knowledge and expertise, where this is available. At the same time, the role that committee participation can play in developing the skills and competencies of directors should also be recognised.



## 5.4 The role of the chair

**Recommendation 6:** The trustee should document the duties of the chair and devise appropriate appointment procedures, including a mechanism for succession planning.

The performance of the chair is critical to the effective operation of any board. While the specific duties of the chair will vary from fund to fund, they will include:

- providing leadership to the board;
- ensuring that the board satisfactorily fulfils its functions;
- managing board meetings to ensure that all necessary decisions are made, and to facilitate the effective contribution of all directors;
- liaising between the board and the CEO, and between the board and external parties such as regulators, sponsoring organizations and service providers;
- keeping directors fully informed;
- guiding the development of individual directors and the board as a whole; and
- ensuring that the board regularly evaluates its own performance.

Trustees should decide the characteristics they seek in a chair and devise suitable procedures for the appointment of the chair. The procedures should include succession-planning mechanisms capable of dealing with both planned and unplanned exits by a current chair. These mechanisms could include:

- appointment of a deputy chair, with the expectation that the deputy will succeed as chair;
- training opportunities for potential chairs, including service as chair of the audit committee; and
- a process for evaluating the performance of the chair.

## 6 Ethical and responsible decision making

### 6.1 Code of conduct

**Recommendation 7:** The trustee should develop and monitor adherence to a code of conduct based upon the covenants contained in section 52 of SIS, general fiduciary obligations and the trustee board's agreed ethical standards.

The trustee board should collectively agree on the values by which it will operate as a board, and which it will expect individual directors, management and other service providers to honour. Values may include honesty, integrity, excellence, accountability,

independence, fairness, and equality of members. Once agreed, the trustee's broad values can then be used to devise a fund-specific code of conduct.

As it is impossible to prescribe a response to every situation, the code of conduct would normally consist of general principles to guide the behaviour of directors and staff. However there may be some areas in which the trustee wishes to prescribe the desired behaviour in more detail.

The code of conduct should include the following section 52 covenants:

- acting honestly;
- exercising due care, skill and diligence;
- acting in the best interests of the beneficiaries;
- keeping fund assets separate from those of the trustee or sponsoring organizations; and
- not doing anything that would impede the proper performance of the trustee's functions and powers.

Other requirements may include:

- avoiding conflicts of interest;
- exercising independent judgement;
- acting in the interests of the fund as a whole;
- treating all members equally;
- keeping all fund information confidential;
- not making improper use of information acquired as a director;
- not taking improper advantage of the position of director;
- following certain guidelines regarding acceptance of gifts and hospitality; and
- other ethical considerations relevant to the fund.

Where trustees publish a code of conduct, they should develop procedures to deal with observed breaches.

The induction of new directors may include requiring them to sign the fund's code of conduct. Where the board undergoes performance assessment, one component could be for individual directors to self-assess their compliance with the code of conduct. This would not necessarily involve any sharing of the results. Rather the aim would be for directors to reflect on their own performance and to improve, if necessary.

## 6.2 Conflicts of interest

**Recommendation 8:** The trustee should devise and document strategies to identify and deal with any conflicts of interest.

The fiduciary role of trustees requires them to act in the interests of the beneficiaries of the fund and not in their own interests or those of external parties such as fund sponsors. The trustee's code of conduct should identify procedures by which actual and potential conflicts of interest can be identified and dealt with. Conflicts are likely to be of two main types:

- conflicts between the interests of the trustee, a director or staff member and those of the fund (e.g. personal financial interest, loyalty to an appointing organization, continuing external disputes at the expense of cohesive board decision making); and
- conflicting duties legally or morally owed to the fund and to another party (e.g. the fiduciary duty to act in the best interests of the members may conflict with the duty of directors to act in the best interests of the company, particularly in the case of for-profit funds).

The trustee's strategies for managing conflicts of interest should incorporate the following elements:

- Where possible, the trustee board, individual directors and staff should avoid placing themselves in situations where conflicts of interest may result. Such avoidance can be assisted by mechanisms such as remuneration structures that do not cause a conflict between self-interest and the interests of members.
- Any conflict that does arise must be recognised by the conflicted party, and its existence promptly reported to the trustee board. It is good practice for the chair to check for conflicts at each board meeting.
- For each conflict, an appropriate method of resolution must be devised and implemented. The strategy should include general principles to be used in managing different types of conflict.
- Both the fact of the conflict and the method of resolution should be recorded in an appropriate register.
- The trustee's procedures should be regularly monitored, and appropriate action taken where non-compliance is identified.

With organization / self-interest conflicts, the rights of the organization generally prevail. Such conflicts, if they cannot be avoided, are usually resolved by the conflicted party refraining from participating in decision-making related to the area of conflict. In the case of superannuation funds, this could result in the number of directors who may vote being reduced to below the mandated two-thirds of the board. In some cases, this problem can be solved by the use of alternate directors.

An example of this type of conflict that is particularly relevant for trustees is the acceptance of soft dollar benefits i.e. non-cash benefits that may be intended to influence trustees in their decision making. The difficulties for trustees are that a certain amount of hospitality (e.g. lunches) may be useful in maintaining relationships with service providers, while attending service provider-sponsored professional development may be of benefit to the fund. Accordingly many trustees are unwilling to ban all such benefits. However a number of trustees do refuse to accept any soft dollar benefits on the grounds that even at a minimal level they create the potential for real or perceived conflicts of interest.

Where trustees and their staff do accept hospitality and/or gifts, the value of such benefits should be minimal to avoid a perceived or actual expectation that some kind of preferential treatment is owed in return. The trustee's code of conduct should provide clear guidelines as to any benefits that may be accepted from outside parties. The dividing line could be the type of benefit (e.g. lunches are acceptable, gifts are not) or it could be the dollar value of the benefit (e.g. no benefit with a value of over \$100 may be accepted).

A question that can cause difficulty for trustees is whether to attend conferences or other professional development activities as the guest of service providers. While high-cost activities have the potential to cause a conflict of interest, the educational component may be of genuine benefit. Where the trustee's policy permits accepting such invitations, the following issues should be considered in each case and the invitation accepted only if the trustee is satisfied that there is no risk of a conflict of interest.

- What is the potential benefit to the fund in attending?
- Is the main focus on professional development, or is it on an interstate / overseas trip or expensive accommodation?
- Is the trustee satisfied that accepting the invitation does not have the potential to compromise future decision making, either generally or in relation to a particular decision?

Where trustees or senior staff do accept a benefit, full details of each benefit received should be disclosed to the trustee board and recorded in a register of gifts / hospitality. Periodic analysis of the register can assist in assessing whether excessive benefits have been accepted from particular service providers, and whether any trustee decisions may have been influenced by the provision of such benefits.

Trustees should also avoid paying soft dollar benefits. If payments are made to induce someone to recommend the fund, they should be restricted to an agreed percentage or flat-dollar commission. This does not mean that trustees should not continue practices such as an annual dinner for all service providers, provided they are not motivated by an intention to influence any decisions.

Conflicting duties to two organizations are more difficult to resolve. Where possible, trustee directors should avoid accepting appointments (e.g. to other boards or advisory committees) that could potentially lead to conflicts of interest. Where conflicts do occur, the conflicted directors should refrain from participating in relevant decision-making. Where this is not possible (e.g. where the conflict is between the duties of trustees and those of directors), the trustee policy should include a range of mechanisms that will be used to resolve conflicts. Such mechanisms could include agreed decision-making rules, using advisory committees and taking independent advice.

# 7 Integrity in financial reporting

## 7.1 Audit committee

**Recommendation 9:** The trustee should form an appropriately qualified audit committee that is independent of the board chair and the fund's executive.

The existence of an independent audit committee is recognised internationally as an important feature of good governance. While it is not mandatory, APRA has indicated that it would expect most funds to have an audit committee.

As with all committees, the audit committee should have a charter that includes the following:

- membership;
- duties and responsibilities;
- level of delegated authority; and
- board reporting obligations.

### Membership of the audit committee

As the audit committee is reviewing the work of management, it should be independent of management, including the chair, the CEO and the Chief Financial Officer, if applicable.

The audit committee members should all be financially literate (i.e. able to read and understand financial statements). At least one member should have financial expertise (e.g. be an accountant) and at least one member should have a reasonably detailed understanding of the superannuation industry. Where a board does not have sufficient internal expertise, the trustee should recruit an appropriately qualified non-director to the audit committee. However the external auditor should not be a member.

### Duties of the audit committee

The main duties of the audit committee would include:

- recommending appointment, dismissal and remuneration of external and, if applicable, internal, auditors;
- overseeing the independence of the external auditor;
- overseeing the audit process;
- ensuring that all recommendations from the audit process are followed up and, if appropriate, implemented; and
- appraising the internal auditor (if applicable).

To ensure auditor independence:

- the external auditor and, if applicable, the internal auditor should report directly to the audit committee;
- the external auditor should not provide other services that could in any way compromise the independence of the external audit; and
- the audit partner in charge of the audit should be periodically changed.

#### **Access to information**

As the audit committee's prime role is to satisfy itself as to the integrity of the financial statements, it is essential that the committee have direct access to all necessary sources of information i.e. to both internal and external auditors, to senior management and to relevant employees.

## **7.2 Financial literacy for trustee directors**

**Recommendation 10:** All trustee directors should be provided with sufficient training to enable them to achieve a level of financial literacy that is adequate to permit them to satisfactorily carry out their duties.

Although not all directors require sufficient financial expertise to qualify for the audit committee, it is good practice for all directors to be financially literate. Financial literacy will not only enable directors to gain a broad understanding of the fund's financial position, it will also assist them to understand and evaluate the risk / return tradeoffs of proposals by management.

## **7.3 Financial reports**

**Recommendation 11:** The senior executive with responsibility for the fund's financial reports should be required to state in writing to the trustee that the reports present a true and fair view and are in accordance with relevant accounting standards.

**Recommendation 12:** All relevant service providers should attest at least annually that they are not aware of any material matter that would cause them to believe the fund's accounts and records are not correct. They should report immediately to the trustee any matter that would prevent the making of such an attestation.

Trustees are required to make a statement to members that the financial reports present fairly the financial position of the fund and the results of its operations. They must also state that the reports have been prepared in accordance with Australian Accounting Standards, other mandatory professional requirements and the provisions of the fund's trust deed.

To accurately make such a statement, directors must require written assurance from the senior employee (of the fund or outsourced service provider) responsible for the maintenance of the fund's financial records and the preparation of the financial reports, and from relevant service providers.

ASFA's Best Practice Alert – *Are you ready to approve your fund's annual accounts* provides further detail.

## 8 Disclosure of all significant events

**Recommendation 13:** The trustee should devise, implement and monitor policies and procedures to ensure that it is made aware of all significant events affecting the fund and that members and regulators are informed of significant events within the appropriate time frame.

(Please note: communication with members is discussed further in Section 9.3.)

Trustees are subject to both fiduciary and legislative requirements to notify the members and the regulators of various significant events. Events that should be notified include:

- significant events specified in SIS, e.g.: a change to the governing rules that adversely affects any member;
- events that must be notified to ASIC e.g. failure to observe a licence condition; and
- events that members would reasonably expect to be notified of, e.g. fee increases.

The trustee's compliance and control system should include mechanisms to ensure that significant events are notified to the correct parties within the required time frame. The policies and procedures should address:

- the types of events that are regarded as "significant", and so require disclosure;
- the timeframe that applies to particular significant events;
- who must be notified;
- who has primary responsibility for deciding what must be notified, and for ensuring that notification is made to the correct parties within the required time frame;
- how compliance will be monitored; and
- how the trustee will respond in the event of a compliance failure.

## 9 Respecting the rights of members

As members are the prime stakeholders in any superannuation fund, trustees need to ensure that member rights are protected, and that mechanisms are devised to assist members to become aware of their rights and to make informed decisions about their involvement in the fund.

### 9.1 Legal obligations

**Recommendation 14:** The trustee should develop procedures to identify and ensure compliance with all legal obligations to fund members and other beneficiaries.

In addition to the requirements of SIS and the Corporations Act, trustees are required to comply with other member-related legislation dealing with matters such as privacy and family law. The trustee's compliance procedures should identify all relevant legislation, and set in place procedures to ensure trustee compliance.

**Best Practice Paper 14 – *Implementing Privacy***, and **Best Practice Paper 21 – *Superannuation and Family Law: A trustee guide to the framework of the regime*** provide information about these two areas of legislation.

Trustees are also required to comply with the terms of the trust deed and with any contractual obligations to members, such as the terms and conditions of the insurance provided by the fund. These obligations should be covered in the trustee's compliance procedures.

### 9.2 Member expectations

**Recommendation 15:** The trustee should, as part of its strategic planning process, identify and devise strategies to meet the legitimate requirements of members (within the constraints of the sole purpose test).

While trustees are required to meet all legal obligations to members, it is in the interests of the fund to also identify and attempt to meet the reasonable expectations of members and potential members. These may include:

- competitive investment returns;
- a range of investment options and other member benefits;
- consistently high levels of service;
- low fees; and
- regular user-friendly communication from the fund.

Rather than making assumptions about what members want, trustees should develop mechanisms for consulting members before introducing new benefits and services. These could include:



- providing a standing facility (e.g. on the fund's website) for members to communicate with the trustee;
- seeking member input during workplace visits;
- including questionnaires with member mail-outs; and
- obtaining detailed feedback from focus groups.

The process should be sufficiently detailed that the trustee is able to prioritise members' desires for particular benefits and to establish their willingness to pay for them. This process is particularly important if the trustee is considering introducing new services or options for members, to ascertain whether it is likely that many members will benefit from them.

### 9.3 Communicating with members

**Recommendation 16:** The trustee should develop procedures to ensure that all fund communications satisfy legislative requirements and meet the communication needs of members.

The *Corporations Act* sets out the nature of information to be provided to members (and employers) at various times, both in general terms, and by listing specific items. In addition to the specific requirements, trustees need to consider what additional information they should provide, both as part of good governance and to satisfy the 'general' information requirements of the *Corporations Act*.

In addition to content requirements, the *Corporations Act* requires that fund communications be "clear, concise and effective".

Trustees need to be satisfied that adequate processes are in place to ensure compliance of their member communication in terms of content, presentation and timing. These processes may include:

- clear delegation of responsibility, separating the preparation and review functions;
- preparation timetables, which are reviewed for legislative compliance; and
- review and sign-off of draft documents materials for accuracy and legislative compliance.

**Best Practice Paper 18 - *Clear Concise and Effective: Communicating with members under FSR*** provides further detail on both content and presentation.

In addition to the legislative requirements, trustees might consider policy issues such as:

- the types of optional communication to members (e.g. newsletters);
- the frequency of both mandated and optional communications;
- whether preparation should be done in-house or externally;
- who is responsible for overseeing fund communications;

- the types of media to be used;
- whether foreign language versions of major documents should be prepared; and
- the communication budget (which will limit the options available).

### **Member inquiries and complaints**

Member inquiries and complaints represent a major form of interaction between funds and their members.

The *Corporations Act* provisions requiring trustees to put in place an inquiries and complaints handling system for fund beneficiaries provide a conformance base line. However good governance suggests that trustees should ensure that the fund's inquiries and complaints services not only conform to legislative requirements, but also play a positive role in the relationship between the fund and its members. **Best Practice Paper 13 – Inquiries and Complaints: A guide to best internal complaints arrangements for superannuation funds** provides further detail.

### **Electronic communication options**

As member access to the internet is increasing, trustees should consider establishing a fund website, both for information purposes and to permit easier member interaction with the fund.

The fund's website can be used to provide an alternative means of accessing fund documentation, as well as a range of educational material. However the major benefit to members is likely to result from the internet's interactive capabilities. Interactive features can include:

- members' access to their accounts (whether on a read-only or interactive basis);
- benefit projections (using clearly disclosed assumptions);
- progress of the member's account balance against a nominated target;
- simulations showing the potential effect of changing the member's current investment choice;
- questionnaires to establish the member's risk profile;
- insurance calculators; and
- interactive educational games.

It must be noted that many of the above features would require the trustee (or the relevant service provider) to be licensed for general financial product advice, and in some cases, for personal advice. Trustees should seek legal advice before implementing any such features.

## 10 Risk management

### 10.1 Risk Management Strategy and Risk Management Plan

**Recommendation 17:** The trustee should develop, implement, monitor and maintain a Risk Management Strategy and Risk Management Plan(s) that, as a minimum, satisfy the requirements of the *Superannuation Safety Amendment Act*.

Managing risk is an essential part of good governance. In addition, to obtain a Registrable Superannuation Entity (RSE) licence, the trustee will be required to develop and maintain a Risk Management Strategy (RMS) for the trustee and a Risk Management Plan (RMP) for each fund the trustee manages. Where a trustee is responsible for only one fund it will be possible to combine the RMS and RMP into a single document, although this could raise security concerns (see below).

The RMS and RMP must address how the trustee will identify, monitor and manage all material risks for both the trustee and the fund. They must include a clear demarcation of the roles and responsibilities of the trustee, management and staff regarding risk management oversight and implementation. The RMS and RMP must be up to date at all times and reviewed at least once a year.

The RMP must be provided on request to members and to employer-sponsors of defined benefit funds. It would be prudent not to include in the RMP detailed information that could assist in the circumvention of the fund's internal controls. Instead such sensitive information should be contained in either the RMS (which need not be provided to members) or in confidential control manuals. If the latter approach is adopted, care should be taken that confidential documents are not incorporated by reference into the RMP, as any such documents must then be made publicly available.

**Best Practice Paper 19 - Risk Management** provides information on developing a Risk Management Plan. Specific detail on fraud and theft risk is contained in **Best Practice Paper 20 – Managing the risk of fraud and theft in superannuation funds**.

### 10.2 Responsibility for risk management

**Recommendation 18:** A board committee should oversee risk management, including compliance. This function could be included in the duties of the audit committee.

Responsibility for ongoing oversight of risk management should be assigned to a board committee, either the audit committee or a separate risk management committee.

If the fund has no internal expertise, consideration could be given to the appointment of outside expertise to the relevant committee. It is not recommended, however, that the external auditor is a formal member of the committee, as this may lead to conflicts of

interest. Similarly, fund executives (other than a risk management / compliance manager) should not be members of such a committee.

The duties of the committee would include:

- co-ordinating the development and updating of the RMS and RMP;
- overseeing the development and implementation of the trustee's internal control systems (including legislative compliance systems);
- ensuring that the internal control systems of the trustee and of external service providers are subject to regular testing and review; and
- receiving sign-off from relevant employees and service providers that the fund has complied in all material respects with legislative requirements and trustee policies.

The compliance / control framework needs to:

- identify and document all internal controls;
- ensure that each material risk is covered by adequate controls;
- record who has primary responsibility for ensuring compliance with each group of controls;
- specify who is responsible for monitoring compliance in each area;
- establish a structure, methodology, and timetable for reporting to the trustee on compliance; and
- establish a procedure for sign-offs on legislative compliance by the trustee.

While risk management focuses on many of the internal controls of the fund, an important external control is the external audit. The external auditor can be requested to notify the trustee not only of governance breaches, but also of any failures in risk management that come to light during the annual audit.

**Recommendation 19:** the trustee should ensure that a senior employee (of the trustee or a relevant service provider) has day-to-day responsibility for risk management (including compliance), and require from that employee written confirmation that the trustee's risk management systems are operating efficiently and effectively.

While the broad oversight of risk management belongs to the trustee or a board committee, the day-to-day responsibility for co-ordinating and monitoring the implementation of the risk management program should be delegated to a person with detailed knowledge of, and day-to-day involvement in, the fund's operations. Depending on the resources available to the trustee, and the degree of outsourcing of the fund, this role could be delegated to a senior fund employee or to a senior representative of the fund's external administrator. In order to provide an independent review function, this person should not be the fund CEO, but should have direct access to the CEO as well as to the audit / risk management committee and/or the trustee.

**Recommendation 20:** The trustee should establish an internal audit function which reports to the audit / risk management committee.

The trustee is required to attest annually to APRA that it has in place adequate internal controls and that these controls are operating effectively. This requires an internal audit function to independently evaluate and test the adequacy of management's identification, management and monitoring of risk. Depending on the size and complexity of the fund, this role can be allocated to a specialist internal auditor or can be combined with an existing role. However to ensure an independent review, the internal auditor cannot be responsible for day-to-day risk management or compliance.

The internal auditor can also assist the board by providing advice on the design and improvement of control systems and risk management strategies. However implementation must remain the responsibility of management.

The internal auditor should report directly to the audit / risk management committee.

## **11 Performance**

### **11.1 Board evaluation**

**Recommendation 21:** The trustee should develop and implement performance evaluation procedures for the trustee board, board committees, and individual board members.

Good governance requires the trustee to monitor and review not only the performance of management and service providers, but also to assess its own governance of the fund in terms of both performance and conformance.

#### **Board assessment**

Introducing a system of board assessment can be threatening to directors. A common solution is to commence with assessment of the whole board, and proceed to individual director assessment once the board assessment process is working smoothly.

The board should first devise clear goals and performance standards, then ensure that performance is evaluated against the agreed standards. Performance standards could be devised around issues such as:

- the degree of successful achievement of the trustee's mission statement and the fund's strategic objectives;
- the extent to which the trustee has adhered to its own governance policy;
- whether material decisions have been made on a fully informed basis, and after adequate discussion;
- whether all directors have been given equal input into the decision-making process;

- whether decision-making has been influenced by outside allegiances, rather than being based only on what is best for the members; and
- whether the board's ability to function in a productive manner has been reduced by personality clashes or political differences within the board.

One approach is for directors to individually assess the board's performance against a range of measures, followed by a discussion and review by the board as a whole. A possible alternative is to employ a consultant who would sit in on a number of board meetings, then provide an independent review of how well the board functions.

Any concerns that are identified must be dealt with. In most cases, this can be part of the normal planning process. However specific consideration must be given to how the board will deal with any significant areas of dysfunction. This may involve fund-specific training in areas such as the duties of trustees, participating in board meetings and/or conflict resolution skills.

#### **Assessment of board meetings**

Because board meetings (or trustee meetings) are the primary decision making forums for the trustee, it is worthwhile for directors to specifically review whether board meetings are conducted in an efficient and effective manner. Consideration should be given to the following issues.

- Are both the frequency and duration of board meetings sufficient to satisfactorily deal with all board responsibilities?
- Does the board have a system such as a business calendar to ensure that all necessary items (including strategic planning, business planning, risk management, compliance and ongoing monitoring) are covered?
- Does the chair (usually in consultation with the CEO) prepare an agenda covering all items requiring board consideration?
- Are board meetings conducted in such a way that all directors are able to fully participate?
- Are the minutes accurate and complete?

#### **Assessment of individual directors**

Assessing the performance of individual directors should relate to their level of participation and effectiveness as board members, rather than the achievements of the trustee collectively. This may involve reviewing:

- attendance at board meetings;
- whether sufficient time is devoted to trustee duties;
- participation in board deliberations and decision making;
- whether decisions are made only for the benefit of members and not for the benefit of some other party;
- participation in committee activities;
- utilisation of relevant skills and competencies in performing trustee duties; and

- involvement in relevant educational and industry activities to develop the necessary skills and competencies.

In the early stages, this should be done on the basis of self-assessment. As directors become more confident in the process, they could individually discuss the results of their assessment with the chair.

## 11.2 Appointment of CEO and other senior managers

**Recommendation 22:** The trustee should appoint the CEO (or equivalent) and other senior executives on the basis of documented job descriptions with clearly outlined functions and responsibilities.

It is essential that the trustee and the CEO are aware of their respective responsibilities. The role of the trustee is generally policy making and oversight, while the CEO is responsible for the day-to-day management of the fund. However, to avoid confusion, and possible future conflict, the roles of both parties must be defined in greater detail. The CEO's job description should be sufficiently detailed such that there is no confusion about whether or not the CEO is responsible for a particular activity (e.g. dealing with the media, employing staff). Any limitations on the CEO's responsibility should also be clearly documented.

Once the CEO's role description has been agreed, the trustee should allow the CEO to fulfil the requirements of the role, and not attempt to micro-manage the fund. If there is any confusion in practice, the trustee should review the breakdown of responsibilities between itself and the CEO.

The CEO and other senior managers should be appointed on the basis of written contracts that include detailed job descriptions and all important conditions of employment. All delegations should be specifically documented, whether as part of the job description or in a separate register of delegations.

Ideally, guidelines for determining any termination payments should be included in the contract, rather than leaving it to negotiation at the time of departure.

## 11.3 Performance standards

**Recommendation 23:** The trustee should devise clear goals and performance standards for all key executives and ensure that performance is evaluated against these standards.

In addition to a documented job description, key executives should be provided with clear, written performance standards. These must be achievable, both in terms of the powers allocated to the position and the resources provided.

In addition to agreeing on performance standards, the trustee will also need to institute mechanisms for assessment against these standards. Assessment could be carried out by the trustee, a board committee or an external consultant. Although using a consultant

would be a cost to the fund, it would provide the advantages of impartiality and knowledge of the industry.

Trustees may wish to include performance incentives as part of this process. While incentives can act as a powerful motivation tool, issues such as the following should be considered:

- Are the incentives attached to outcomes over which the executive has full control?
- Is achievement of each goal easily and accurately measurable?
- Will the use of incentives promote short-term behaviour that may not be in the best long-term interests of the fund?
- Will the use of incentives promote a competitive, rather than a cooperative, culture among fund staff?

In addition to more formal performance assessments of executive staff, trustees may wish to consider “developmental” appraisals. The aim of such an appraisal would be to assist executives to evaluate their own skills and performance and to consider possible areas of skill development, generally with the assistance of a compatible board member or external adviser. Such appraisals are only effective when there is a high degree of trust between the board and the executive. In particular:

- any person involved in the performance assessment should not participate in the developmental appraisal;
- the executive should have the right to choose which board members are involved in the developmental appraisal;
- information from the developmental appraisal should not be used in the performance assessment; and
- any areas for potential improvement identified in the developmental appraisal should not attract negative consequences for the executive.

In some funds, the power to appoint the senior executive(s) may not lie with the trustee. Fund executives may be provided by an employer sponsor, the promoter of a retail fund, or in the case of smaller funds, a service provider such as the administrator. In such cases the trustee will need to determine whether, or how, it can effectively control and supervise the fund’s management and operations. Considerations would include:

- whether the trustee is involved in determining, or approving, the position description, remuneration and performance standards of the executive;
- whether the executive is accountable to the trustee in relation to fund matters rather than to their direct employer; and
- the extent to which the trustee can take action if performance is unsatisfactory.

While it would be unrealistic to expect the external appointer of such executive staff to cede total control to the trustee, the trustee should negotiate for safeguards to be incorporated into the relationship. At the very least, it is essential that a mechanism be agreed for dealing with unsatisfactory performance. This could perhaps involve a trustee veto over the appointment and retention of outsourced staff.



## 11.4 Appointment of service providers

Unlike most companies, superannuation trustees usually outsource some or all of their business operations to external service providers. Trustees should have the same expectations of their service providers as they do of their own staff. They should take the same care to inform, instruct, set goals, motivate, provide feedback to and consult with service providers as they do with their internal staff. Service providers should be viewed as “insiders”, not “outsiders”. Where service providers fail to provide the degree of service, skill and loyalty that this form of relationship requires, they should be dealt with as set out in Section 11.6.

**Recommendation 24:** The trustee should develop and implement outsourcing policies and procedures that comply with the requirements of the *Superannuation Safety Amendment Act*.

Once a trustee obtains an RSE licence, all future arrangements for outsourcing material business activities must comply with the requirements of the *Superannuation Safety Amendment Act*.

The basic requirements are due diligence prior to appointment, a binding written contract containing certain prescribed clauses, and ongoing monitoring and review.

It should be noted that the requirements apply to both external service providers appointed by the trustee and “internal” service providers such as some employer sponsors and fund promoters. In the latter case, the trustee will need to develop ways of ensuring the interests of members remain paramount. This may include:

- insisting on internal contracts specifying costs and performance standards;
- using external benchmarks to monitor performance; and
- agreeing on ‘trigger’ conditions for going to tender.

A number of ASFA Best Practice Papers provide further detail on outsourcing:

- **Best Practice Paper 11 – *Fund Administration: Trustee reporting needs***
- **Best Practice Paper 12 – *Negotiating Investment Management Agreements***
- **Best Practice Paper 15 – *Delegation and Outsourcing – Compliance implications for Trustees***
- **Best Practice Paper 6 – *Administration Contracts – how to get what you need.***

## 11.5 Delegations

**Recommendation 25:** The trustee should ensure that all delegations to the CEO, other fund executives and service providers are in writing and clearly set out accountabilities and reporting requirements.

Trustees should maintain a register of delegations that is made available at board meetings.

## 11.6 Trustees' response to unsatisfactory performance

**Recommendation 26:** The trustee should take appropriate action in the event of unsatisfactory performance by executives or service providers.

Trustees will need to decide how to deal with any identified deficiencies. Action should be taken promptly, as this will usually prevent an unsatisfactory situation from escalating.

### Fund executives

Executives should receive a written report on the results of their performance assessment. This should highlight the positives as well as indicating any desired areas of improvement. If the executive is performing satisfactorily in all areas, this should be stated. Negatives should be raised only if they are significant and require improvement. While developmental appraisals are based on the notion of constant improvement, this is not really the role of performance assessments.

In the event of sustained or serious underperformance, an agreed grievance procedure should be instituted, with termination potentially being the ultimate sanction. Grievance procedures should be agreed when the CEO is employed and not when a dispute arises.

### Service providers

Each service provider contract should detail the procedures to be followed in the event of unsatisfactory performance or serious disagreement between the trustee and the service provider. Depending on the service provider and the seriousness of the underperformance, consequences may range from fee rebates to termination. Again, such procedures should be negotiated at the beginning of the relationship and not when a problem has already arisen. This is particularly important in the case of termination procedures, as the rights and responsibilities of each party need to be clearly identified so that the effect of a termination on members is minimised.

## 12 Remuneration

### 12.1 Remuneration policies

**Recommendation 27:** The trustee should decide policies for the remuneration of board members and fund staff.

This is a relatively new consideration for many superannuation funds as the practice had been not to remunerate board members and few staff were directly employed by the trustee. The general exception to this was public sector funds. However, many funds now remunerate board members and, as funds grow in size, many now have a number of employees. Remuneration practice in public companies is also an area that has received much media attention, and some institutional investors both here and overseas

have expressed negative views on some companies' practices. It is important then for funds to practice what they preach.

The trustee should structure its remuneration policies to:

- motivate directors and staff to pursue the strategic goals of the fund; and
- demonstrate a clear relationship between key executive performance and remuneration.

Depending on the size of the fund, it may be more efficient for this task to be delegated to a remuneration committee. The duties of such a committee could include reviewing and recommending to the board on:

- remuneration policies for board members, senior management and other staff;
- the appropriate use of incentives;
- recruitment, retention and termination policies and procedures for senior management;
- the remuneration packages for senior management; and
- board remuneration.

The trustee's remuneration policy would provide a framework for the determination of the remuneration of both directors and staff. It could include issue such as:

- whether directors receive remuneration over and above the reimbursement of expenses, and if so, how such remuneration is to be decided;
- the appropriate benchmarks for staff remuneration;
- whether senior executive remuneration will contain a performance component, and if so, how this will be decided; and
- the method of reviewing remuneration on a regular basis.

### **12.1.1 Director remuneration**

In the past, many directors have served on an honorary basis, while others have received modest remuneration, often restricted to payment for the time spent at board meetings. Often payment has been made to a director's employer to compensate for work time spent on fund business, or to a sponsoring organization such as a trade union. While some funds do pay significant director fees, this has tended to be the exception.

The reasons for the generally low level of director remuneration differ. In some cases it is to minimise the cost to members. In others it is based on the view that unpaid directors are more likely to be motivated only by a desire to serve the fund's members.

The contrary view is that adequate remuneration is required, both to attract suitably qualified people, and to compensate for the high level of responsibility. Suitable remuneration is required to attract independent directors, in which case equity would require similar remuneration for other board members.

If the decision is made to pay directors, the following needs to be decided:

- whether payment will be on an annual or a per meeting basis;

- whether the chair will be paid more highly than other directors;
- whether extra payment will be made to committee members; and
- the actual amounts to be paid.

Where a fund employs executive directors, their remuneration would be subject to the same considerations that apply to the remuneration of the CEO.

### **12.1.2 CEO remuneration**

In larger funds, the CEO is usually responsible for the employment and remuneration, within agreed guidelines, of other staff. However the trustee is responsible for the appointment, remuneration and termination of the CEO (or equivalent).

The trustee's remuneration policies should include:

- appropriate industry benchmarks against which the CEO's package will be decided;
- whether the CEO's remuneration will consist of a fixed component only, or whether a performance-related component will be included;
- if there is a performance-related component, the performance hurdles that must be met;
- an annual review mechanism to ensure that the value of the fixed component is maintained over time; and
- a review mechanism to determine whether the fixed component should be increased because the CEO's contribution to the fund has increased (e.g. because of increased responsibilities).

Deciding the level of CEO pay has often been difficult, particularly when board members have no finance industry experience. In some cases, there is an ideological view that fund staff should be paid at a similar level to fund members. This is probably not sustainable given the increased demands on superannuation funds and the resulting need to employ suitably qualified management.

A common solution is to link the CEO's remuneration to some finance industry benchmark. While this will require the assistance of a remuneration expert, it reduces the subjective component of the decision, and so reduces the risk of disagreement, both within the board and between the trustee and the CEO.

## **12.2 Disclosure of remuneration**

The *Corporations Act* requires listed companies to disclose the nature and amount of each element of the fee or salary of each director, and each of the five highest paid officers of the company. While this is not currently required for superannuation funds, many trustees are moving in this direction, largely because of a desire to be consistent with their expectations of companies in which they invest.

## 13 Stakeholders

In addition to the members, who are the primary stakeholders and discussed in Section 9, each fund has a number of other significant stakeholders, including:

- participating employers;
- sponsoring organizations such as trade unions and employer bodies;
- regulators;
- employees; and
- service providers.

As well as any legal entitlements, all stakeholders will have their own needs and expectations of the fund.

### 13.1 Legal obligations

**Recommendation 28:** The trustee should develop procedures to identify and ensure compliance with all legal obligations to legitimate stakeholders.

Most compliance procedures concentrate on meeting the trustee's legal obligations under the *Corporations Act* and SIS. However, superannuation funds and their trustees are subject to a wide range of legislation, including:

- trade practices and fair dealing laws;
- taxation legislation;
- family law;
- privacy legislation;
- anti-discrimination legislation; and
- employment-specific legislation applying to areas such as occupational health and safety, equal employment opportunity, superannuation and payroll tax.

All legislative requirements should be identified and covered in the trustee's compliance procedures.

Trustees will also be subject to a number of contractual obligations to service providers and employees. All of these obligations must be identified and met.

### 13.2 Stakeholder expectations

**Recommendation 29:** The trustee should develop procedures to identify and meet the legitimate requirements of stakeholders, including their communication needs (within the constraints of the sole purpose test).

In addition to their legal entitlements, all stakeholders will have particular needs they expect the fund to meet. Identifying, and where possible, meeting these needs should form part of the trustee's strategic planning process. Some issues may also form part of the trustee's risk management program.

### **13.2.1 Identifying stakeholder needs**

Rather than making assumptions about stakeholder needs, the trustee should actively enquire as to their expectations of the fund. This process should include prioritising stakeholder needs, and in particular establishing which requirements are critical. For example some employers regard member investment choice as essential.

Once mechanisms have been established to identify stakeholder needs, they should also be used to enquire on an ongoing basis about stakeholders' levels of satisfaction with the fund.

### **13.2.2 Communicating with stakeholders**

Section 9.3 deals with communicating with members. However it is essential that the trustee's communication strategy also meet the needs of other stakeholders, particularly employers and sponsoring organizations, whose good will is a necessary condition of the fund's existence, and is likely to remain so in a choice environment.

#### **Employers and fund sponsors**

Employers and sponsoring organizations are interested in the benefits and level of service provided to fund members, and so should receive most member communications such as annual reports and investment brochures. They are also interested in how the fund compares to other funds, and so could be provided with industry surveys on matters such as investment performance, benefits provided and fees charged. In addition, employers will require significant administrative information.

Trustees should consider producing an employer / sponsor kit for ongoing information, together with regular newsletters providing updated information on superannuation in general as well as fund-specific information.

As employers tend to have greater day-to-day interaction with the fund than members have, it is worthwhile to establish dedicated employer communication channels to encourage a dialogue between employers and the fund. This may include the provision of dedicated administrative staff to deal with employer telephone calls. Periodic information meetings may also be useful. Depending on the number of employers, this can be done on a single employer basis, by regional meetings or at employer organization conferences.

A particular communication issue arises when sponsoring organizations nominate trustee directors. Once on the board such nominees are obliged to act in the interests of the fund's beneficiaries rather than those of the nominating organization. It is good practice for any formal communication between the trustee and its sponsors to be through the chair on behalf of the board as a whole, rather than through the board members nominated by the respective sponsors.

## Communicating with the regulators

While funds will have procedures in place to ensure that the regulators' legal requirements are met, it is worth developing on-going mechanisms for communicating with the regulators. APRA has assigned a special contact person to each fund and it would be useful to make contact with that person. For example, trustees can provide APRA with information on changes to the fund and the benefits it provides at the relevant time, rather than waiting to do so as part of a prudential review. The provision of such information will enable APRA to develop a greater understanding of the fund, which should assist during the review process. Trustees can also communicate with the regulators to request assistance, for example seeking the regulator's view before making a difficult decision.

# 14 Documentation and reporting

**Recommendation 30:** The trustee should document and make available to fund members its chosen governance policies (including the board charter, the means of trustee appointment, risk management and remuneration), report on its performance against these policies and identify, and explain, any failure to comply.

## Documentation

While all trustees have governance mechanisms in place, these have not always been fully documented, particularly in the case of smaller funds. The process of documenting governance policies and procedures provides an opportunity for directors to analyse the governance issues relevant to their fund, and to ensure that all issues have been addressed by the development and implementation of appropriate policies and procedures.

The documented governance policies should be published in a format available to members. While members would not be provided with procedural details, they should receive high-level information about the trustee's governance policies.

This information could be published on the fund's website, and a printed copy made available to members on request. The fund's annual report could refer members to the trustee's governance policies, and could possibly contain a summary.

## Reporting

As part of accountability to members, the trustee should report on its adherence or otherwise to the published governance policies.

The simplest method of reporting is the "if not, why not" approach mandated for listed public companies. (Under ASX Listing Rule 4.10, companies are required to disclose in their annual report the extent to which they have followed the ASX recommendations. They must identify any recommendations that have not been followed and provide reasons for not following them.)

Trustees could follow a similar procedure, based upon their own governance policies. A possible alternative would be to publish the checklist contained in this paper and

indicate which recommendations had, and had not, been adopted and implemented, with reasons being provided for any non-adoption or non-implementation.

In addition to reporting on their adherence to the fund's governance policies, trustees should consider the extent to which members should be informed of any failures to meet legislative obligations. In some cases, material breaches must be regarded as significant events, which are required to be reported to members. (Refer to Section 8.) In addition, trustees must disclose in the Annual Report if any responsible person has been subject to a penalty under section 38A of SIS (which relates to complying fund status). However trustees should also establish policies and procedures to enable them to decide when a legislative breach is material, and how such breaches should be notified to members.

### **Dealing with breaches**

In addition to documenting and informing members of the governance policies it has adopted, the trustee should devise methods to identify and deal with any breaches of these policies.

### **Assessment and review**

An independent assessment can assist in highlighting any weaknesses in the trustee's governance structure, and in suggesting possible improvements. This can be done every few years by an external consultant, or in the case of larger funds, on a more regular basis by an internal auditor. An internal auditor can verify that appropriate governance procedures are in place, test the efficiency of such procedures and make recommendations to the trustee as to how they could be improved.

For funds that do not have an internal auditor, the external auditor could be requested to document governance issues that come to light during the normal audit process, and to suggest improvements in the audit management letter.

In any event, the trustee should review its governance procedures on an annual basis.



## 15 Acronyms

AFSL	Australian Financial Services Licence
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
CEO	Chief Executive Officer
FSRA	Financial Services Reform Act
PDS	Product Disclosure Statement
RMP	Risk Management Plan
RMS	Risk Management Strategy
RSE	Registrable Superannuation Entity
SIS	Superannuation Industry (Supervision) Act

## 16 Other resources

The ASX's Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, while written from the perspective of listed public companies, contains much that is of relevance to superannuation fund trustees.

Standards Australia publishes a number of governance-related standards that are more generic in nature, and so applicable to a wide range of organizations. The lead standard in their governance suite is *AS 8000: Good Governance Principles*.

The recently revised *OECD Principles of Corporate Governance* (April 2004) provides an international perspective on corporate governance issues. It is available on the OECD website, [WWW.OECD.org](http://WWW.OECD.org).