



Innes Willox
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27 July 2015

Manager
Insurance and Superannuation Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600
superannuationgovernance@treasury.gov.au

Dear Sir/Madam,

**Superannuation Legislation Amendment (Governance) Bill and Regulation:
Governance arrangements for APRA-regulated superannuation funds**

I am writing in response to the invitation to make submissions on the Government's proposal to amend the *Superannuation Industry (Supervision) Act 1993* (SIS Act) to ensure there is a minimum of one-third independent directors on trustee boards for all APRA-regulated superannuation funds. We appreciate this opportunity to provide our input.

The Australian Industry Group (Ai Group) is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Ai Group is the employer shareholder in the Trustee of AustralianSuper - a leading Australian superannuation fund. This submission reflects the views of Ai Group; it does not purport to represent the views of the Australian Council of Trade Unions (ACTU) which is the other shareholder in the Trustee of AustralianSuper and which is making a separate submission.

In principle Ai Group supports the Government's objective of requiring APRA-regulated funds to have at least one-third independent directors.

We believe such a measure, if introduced and administered in an appropriate way, could build on and accelerate the widespread, organic trend towards a greater proportion of independent directors on superannuation boards.

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While in principle we support the Government's objective of requiring APRA-regulated funds to have at least one-third independent directors, we have a number of concerns with some of the details of the proposal. These include:

- The extensive discretionary powers that are currently proposed for APRA;
- Several problematic features of the definition of independence (both in the legislation and in APRA's letter of 26 June 2015 to RSE Licensees) which are overly restrictive and would appear to unnecessarily exclude many highly-qualified people from qualifying as "independent";
- The unnecessary removal of provisions relating to employer and member representation on boards of superannuation funds;
- The requirement that the Chair be an "independent" (our view is that boards should have the flexibility to choose the best chair from all available directors); and,
- We are wary that some of the implications of removing the requirement for a two-thirds majority vote on boards may not have been thoroughly thought through.

While we have these concerns, Ai Group is convinced they could be resolved through a constructive and consultative engagement including with ourselves and other stakeholders while ensuring a steady transition to having one-third independent directors on superannuation fund boards.

In making this submission we emphasise that AustralianSuper has a very proud record of providing strong returns and high levels of service to members. As a not-for-profit fund and because it does not pay commissions to financial advisors, all benefits are returned to members. The fund is highly respected and has received numerous awards recognising its leading role in the Australian superannuation industry.

AustralianSuper's Board benefits from the advantages of having member and employer representative directors and committee members. In addition, there is existing scope to appoint independents to the Board and its Committees and Ai Group's view is that AustralianSuper's governance has been strengthened by the perspectives of appropriately-qualified and skilled independent directors and committee members.

While we support the objective of requiring boards have one-third independent directors, we do so with the strong conviction that this is a means of further improving the highly commendable governance of AustralianSuper and maintaining its leading role in Australia's superannuation industry.

Yours sincerely,

A handwritten signature in blue ink that reads "Innes Willox". The signature is written in a cursive style and is underlined with a single horizontal line.

Innes Willox
Chief Executive