

5 February 2016

Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuationobjective@treasury.gov.au

To Treasury

Objective of superannuation: A discussion paper

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are second to none.

Our members have primary responsibility to develop and implement governance frameworks in public listed, unlisted and private companies, as well as in the not-for-profit (NFP) and public sectors. They frequently are those with the primary responsibility for dealing and communicating with regulators such as the Australian Securities and Investments Commission (ASIC), and in listed companies have primary responsibility to deal with the Australian Securities Exchange (ASX) and interpret and implement the Listing Rules. Our members have a thorough working knowledge of the operations of the markets and the needs of investors. Our members are frequently the nexus between boards and shareholders. We note that superannuation entities are shareholders in many Australian listed public companies.

The Organisation for Economic Co-operation and Development (OECD) provides the following definition of governance:

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Governance is inextricably linked to the purpose of an organisation. As such, each entity holding funds on behalf of beneficiaries, or making decisions in relation to those funds, needs clarity as to its purpose. For this reason, Governance Institute supports strongly the inclusion of the objective of superannuation in the legislation.

Governance Institute does not seek to provide a detailed definition. We agree with the comment on page 3 of the discussion paper that 'A single primary objective cannot possibly encompass all aspects of the purpose and attributes of the superannuation system'. However, **Governance Institute fully supports and recommends** that the objective clarify that superannuation should be to improve retirement incomes. This accords with the recommendation of the Financial System Inquiry.

We do not support a negative objective being included, that is, it should not state what the objective of superannuation is not.

While Governance Institute recognises that there is a case for reviewing the entire superannuation system holistically, we are of the view that this could be undertaken at a later time and should not cloud the need to define the objective of superannuation now.

Governance Institute is also of the view that it would be best to include the objective of superannuation in the preamble to the *Superannuation Industry (Supervision) Act 1993*, rather than in a separate Act. Enshrining the objective in existing legislation that governs much of the superannuation system is likely to simplify compliance and improve outcomes by providing clarity for superannuation entities as to where to turn when seeking to understand their obligations and how to comply with them.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Burrell', with a long horizontal flourish extending to the right.

Steve Burrell
Chief Executive