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Governance Review - Protecting the Integrity of Equal Representative Governance in Superannuation

I write to express the CareSuper Board's strong support for the equal representative governance model that underpins Australia's profit-to-member superannuation funds. As the Australian Prudential Regulation Authority (APRA) undertakes its governance review, I urge you to ensure that this model—proven to deliver superior outcomes for members—is not unintentionally undermined by regulatory overreach or unintended consequences of reform.

A Proven Model That Delivers for Members

The equal representation model, in which employer and employee organisations nominate an equal number of trustee directors, has been central to the success of profit-to-member superannuation funds. The equal representation governance model ensures that the voices of members are not only heard but embedded in decision-making, by bringing those who understand their needs and experiences directly to the boardroom table.

These funds consistently outperform retail funds. Over the past 20 years, profit-to-member funds have delivered an average annual return of **6.9%**, compared to **5.3%** for retail funds—an outperformance of **1.6% per year**.

This performance edge translates into real retirement outcomes:

- The average man in a profit-to-member fund retires with **\$250,000 more** than his counterpart in a retail fund.
- The average woman retires with **\$130,000 more**.

In addition, these funds operate more efficiently:

- The average administration and operating expense ratio for profit-to-member funds is **0.24% of assets**, compared to **2.5 times higher** for for-profit trustees.

This model also fosters trust. A 2024 Pyxis survey found that **81% of members** trust their profit-to-member fund to act in their best interests—the highest level of trust among financial institutions.

Global and Domestic Governance Benchmarks

The equal representation model is not unique to Australia. It is used by the world's top-ranked pension systems, including the Netherlands and Iceland. These systems demonstrate that

representative governance can coexist with high performance, strong accountability, and global best practice.

Domestically, the ASX Corporate Governance Principles and Recommendations provide a well-established benchmark for listed entities. These principles are principles-based, allowing for flexibility and proportionality through an “if not, why not” approach. In contrast, several of APRA’s proposals diverge from this model and introduce prescriptive requirements that may undermine board autonomy and the effectiveness of representative governance.

Where APRA’s Proposals Diverge from ASX Principles

1. Director Tenure Limits

APRA proposes a hard 10-year tenure limit for non-executive directors. The ASX Principles do not impose such limits, instead recognising that long tenure may affect independence and should be disclosed and managed. A rigid cap risks excluding experienced and effective directors, particularly those nominated through representative processes, and may disrupt board continuity.

2. Regulatory Oversight of Appointments

APRA’s proposal to require regulated entities—especially SFIs—to engage with the regulator on board appointments and succession planning goes beyond ASX expectations. The ASX Principles support board independence and capability but do not envisage a role for regulators in pre-approving or influencing appointments. This shift risks placing APRA in the role of both supervisor and gatekeeper, undermining the independence of boards.

3. Perceived Conflicts of Interest

APRA’s inclusion of “perceived” conflicts in its conflict management framework introduces a subjective and potentially unworkable standard. The ASX Principles focus on actual and potential conflicts, with clear disclosure and management expectations. The APRA approach could unfairly target representative directors based on their affiliations, even when they act in full compliance with their fiduciary duties.

4. Prescriptive Board Evaluations

While the ASX Principles recommend regular board evaluations and encourage external reviews, APRA mandates triennial independent assessments for SFIs. This removes flexibility and imposes a one-size-fits-all approach that may not be proportionate or necessary for all entities.

Addressing APRA’s Governance Review

We support APRA’s goal of strengthening governance across the financial system and regulated entities. However, several proposals in the *Governance Review Discussion Paper (March 2025)* raise concerns about regulatory overreach and the erosion of board autonomy—particularly in the context of representative governance.

- APRA’s proposals on fitness and propriety (Proposal 2) and skills (Proposal 1) could be used to override the nomination rights of employer and employee bodies, despite APRA’s assurance that the equal representation model is not being altered.

- The proposed expansion of conflict of interest rules (Proposal 3) to include perceived conflicts could unfairly disqualify representative directors based on their affiliations, even when they act in full compliance with their fiduciary duties.
- The proposed 10-year tenure limit (Proposal 8) is more prescriptive than international norms and could disrupt the continuity and experience of representative boards.
- APRA’s increasing role in board appointments and succession planning risks placing the regulator in a quasi-decision-making role, which is inconsistent with the principles of board independence and accountability.

The Risk of Centralising Power

Good governance requires a balance of power between boards, regulators, and stakeholders. When regulators begin to dictate board composition, performance criteria, and succession planning, they risk becoming both **judge and jury**—diminishing the role of boards as independent stewards of member interests.

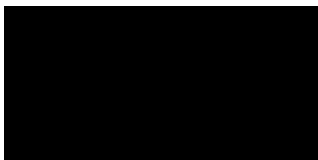
This is particularly problematic in the superannuation sector, where funds are not-for-profit and member-owned. The equal representation model ensures that governance is grounded in the lived realities of members and employers. It is a model that has worked—and continues to work—for millions of Australians.

Conclusion

The equal representative governance model is a cornerstone of Australia’s superannuation success. It delivers strong returns, low fees, high trust, and member-focused decision-making. As governance standards evolve, we urge you to ensure that this model is not only preserved but recognised as a benchmark for effective, inclusive, and accountable governance—both in Australia and globally.

Thank you for your attention to this important matter. I would welcome the opportunity to discuss these concerns further or provide additional information.

Sincerely,



Chair

