

6 June 2025

Mr John Lonsdale  
Chair  
Australian Prudential Regulation Authority

Submitted: Online

Dear Mr Lonsdale

The Australian Shareholders' Association (ASA) is the leading independent voice for retail investors in Australia. We welcome APRA's consultation on strengthening governance across financial institutions. This initiative is both timely and necessary in light of the cultural and accountability challenges identified by the Hayne Royal Commission.

Poor governance, whether due to director overboarding, limited skills diversity or weak alignment between boards and shareholders, erodes institutional integrity and trust. ASA believes governance can be improved through the introduction of tenure policies, increased director alignment through meaningful shareholdings, remuneration linked to long-term performance, and consistent governance standards across regulated entities.

This submission responds to the eight proposals outlined in APRA's Governance Review.

## **1. Skills and Capabilities**

### ***Enhancing board capability, renewal and transparency***

ASA supports APRA's proposal to strengthen governance through clearer articulation of the skills, capabilities and behavioural attributes required at board level. These reforms are a positive step toward building stronger, more effective and accountable boards.

ASA's *Focus Issues* and *Voting and Engagement Guidelines* emphasise the importance of board renewal, director qualifications and strategic alignment. We support the use of an independently assessed, detailed and regularly updated skills matrix that identifies both the required and existing capabilities of the board and individual directors. Self-assessment by board members is not considered sufficient. The matrix should be publicly disclosed in the company's Annual Report and reviewed annually as part of board renewal and succession planning.

We agree that expectations for board and committee chairs should be clearly defined, and that behavioural attributes such as judgement, independence and engagement should be observable and assessed alongside technical expertise.

We support the requirement for boards to address skills gaps through professional development, succession planning and new appointments. This aligns with ASA's call for regular board renewal, which improves performance and strengthens accountability.

## **2. Fitness and Propriety**

### ***Strengthening assessments of individual suitability for responsible roles***

ASA supports APRA's proposal to strengthen expectations around fitness and propriety. Assessments should consider time commitment, independence, capacity and alignment with stakeholder and shareholder interests, in addition to qualifications and integrity.

Benefits of stronger standards include:

- Enhanced oversight of conduct, culture and compliance risks
- Better alignment between executive decisions and long-term shareholder value
- Increased transparency and accountability in appointments
- Reduced risk of misconduct and regulatory failure.

We acknowledge that these improvements may require:

- Additional updates to governance frameworks and processes
- Increased demands on recruitment and succession planning
- Investment in board development
- Greater administrative effort to align with other frameworks, including FAR.

ASA supports greater alignment between APRA's Fit and Proper requirements and the Financial Accountability Regime. To streamline compliance, we recommend:

- Conducting Fit and Proper assessments alongside FAR appointments
- Accepting previous FAR assessments unless materially changed
- Maintaining a central register of accountable persons to satisfy both frameworks.

We support incorporating time availability, reputational risk and regulatory history into assessments. ASA also supports proactive disclosure of concerns affecting a person's fitness or propriety, even before a final determination.

## **3. Conflicts Management**

### ***Improving the identification, disclosure and oversight of conflicts***

ASA supports APRA's proposal to introduce a single cross-industry standard for conflict management. Our Voting and Engagement Guidelines stress the importance of transparency and the management of conflicts that may compromise independence.

We support:

- Requiring all regulated entities to maintain and publicly disclose a register of duties and interests
- Elevating guidance on perceived and reputational conflicts to enforceable obligations
- Factoring conflict risks into appointments, reappointments and board assessments

We also support integrating conflict reviews into triennial board evaluations for SFIs, provided the focus on conflict oversight is not diminished.

## **4. Independence**

### ***Reinforcing independence, transparency and alignment***

ASA supports APRA's proposal to strengthen the definition and application of director independence. While the measures are directed at banks and insurers, the principles of independence, time commitment and alignment are broadly applicable.

ASA supports:

- A tightened definition of independence, including limits on substantial equity and debt holders
- Measures to manage intra-group conflicts, including the proposal for at least two independent directors (including the chair) to sit solely on the regulated entity's board
- Extending the requirement for a majority of independent directors to subsidiaries of APRA-regulated or overseas-regulated entities

We also recommend:

- Publishing a board skills matrix that attributes capabilities to individual directors
- Limiting director overboarding (generally no more than five listed company roles, with chair roles equivalent to two)
- Requiring directors to hold shares equivalent to at least one year of base fees within three years
- Requiring remuneration structures to focus on long-term performance and shareholder value, not short-term financial metrics

These steps will promote transparency, strengthen independence and improve board accountability.

## **5. Board Performance Review**

### ***Independent evaluations to enhance accountability and leadership***

ASA supports APRA's proposal for SFIs to conduct independent board, committee and director evaluations every three years. This aligns with ASA's guidelines, which recommend external reviews at least triennially.

We support the requirement for chairs to lead and be accountable for the review process and outcomes. We also support APRA receiving the triennial review reports and encourage public transparency on key themes and actions taken, so that stakeholders, including retail investors, can see how boards are improving performance and governance.

For non-SFIs, we support strengthened internal review processes led by the chair. A proportionate approach is appropriate, but rigour should be maintained.

## **6. Role Clarity**

### ***Clarifying the roles and responsibilities of boards and management***

ASA supports APRA's intent to clearly define the responsibilities of the board, chair and senior management. This clarity can support more strategic, forward-looking board discussions and stronger governance outcomes.

We support:

- Formalising the board's responsibilities for purpose, strategy, culture and risk oversight
- Clearly articulating the chair's leadership responsibilities, including oversight of board performance

- Delegating operational matters to management where appropriate, with board-level oversight retained

Delegation must be supported by clear reporting lines, defined expectations and mechanisms for board challenge. Boards should retain oversight of remuneration, board composition, succession, capital management and risk frameworks. Boards must also hold management accountable for clear, timely and decision-useful information.

ASA also encourages boards to maintain open communication with shareholders, including through the use of hybrid Annual General Meetings. Hybrid AGMs support transparency, enable broader shareholder participation regardless of location, and strengthen accountability. This is especially important for large, systemically important financial institutions. ASA opposes virtual-only AGMs and in-person-only formats or in-person with webcast that do not allow online voting, as these limit meaningful shareholder engagement.

In 2024, ASA observed that CBA and ANZ did not hold hybrid AGMs. CBA did not allow online voting or voice questions from remote participants, while ANZ held an in-person-only meeting with no real-time online participation. These practices limited shareholder engagement and highlight the need for clear expectations to support equitable access for all investors.

Boards should also ensure that investor briefings, market updates and roadshows are accessible to all shareholders, not just institutional investors.

## **7. Board Committees**

### ***Optimising committee structures and effectiveness***

ASA supports the delegation of responsibilities to board committees, provided the board retains overall accountability. We support clear reporting structures and periodic review of committee performance.

Key functions we support:

- Audit Committees overseeing financial reporting integrity and the external auditor
- Remuneration Committees ensuring pay structures align with long-term performance
- Risk Committees monitoring risk appetite and emerging risks
- Sustainability Committees guiding strategy and reporting on long-term ESG risks

## **8. Director Tenure and Board Renewal**

### ***Promoting effective renewal and independence***

ASA supports the principle that regular board renewal is critical to maintaining independence, objectivity and accountability. Extended tenure can reduce independence, particularly where directors develop close ties with management or have been involved in legacy decisions.

We are currently reviewing our approach to director tenure as part of a broader update to our governance guidelines.

In the interim, we encourage boards to:

- Adopt and publicly disclose director tenure policies
- Conduct regular assessments of the independence and effectiveness of long-serving directors

- Disclose the rationale where long tenure is maintained, particularly for leadership roles such as chair.

These steps support effective board refreshment, preserve independence and enhance transparency for shareholders.

### **Conclusion and recommendations**

ASA supports APRA's focus on improving governance across the financial sector. Strong governance is essential to building trust, supporting financial stability and protecting shareholder interests.

We recommend that APRA:

- Promote meaningful director shareholdings to align board and shareholder interests
- Require remuneration structures that prioritise long-term performance and shareholder value
- Encourage the use of hybrid AGMs as a best practice for shareholder access and board accountability
- Support equal access to investor briefings, market updates and roadshows for all shareholders
- Promote disclosure of key outcomes from board performance reviews
- Support the publication of clear and accessible remuneration reports
- Endorse greater board diversity to reduce groupthink and improve decision-making

We encourage APRA to consider extended transition periods for smaller entities while preserving key governance outcomes.

We appreciate the opportunity to contribute to this consultation and welcome further engagement. Please contact me at [ceo@asa.asn.au](mailto:ceo@asa.asn.au) should you wish to discuss any aspect of this submission.

Yours sincerely



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*For more information about ASA's policy priorities, [click here](#).*