



# Board Charter



Good governance matters and the Board aspires to incorporate good governance policies and practices at all levels within CSC. In so doing, the Board aspires to be a leader in Board governance policy and practice. This is consistent with CSC's expectations of the entities in which it invests.

The Board Charter sets out how the Board incorporates good governance policies and practices:

- in its objectives, roles and responsibilities, including those of the Chair and individual directors
- when delegating authority to committees and management
- when implementing Board processes, including Board meetings, and procedures for decisions of the Board and voting rights, and
- in addressing Board effectiveness, which includes:
  - Board composition
  - Board target size
  - the nomination, appointment and removal of directors
  - terms of directorships and maximum tenure, and
  - processes relating to vacancy of office.

## Board objectives, roles and responsibilities

### Board objectives

**Vision:** CSC's vision is to build, support and protect better retirement outcomes for all our members and their families.

**Mission:** We're here to be the trusted and valued partner who achieves long-term investment objectives, guides informed retirement decisions, and gives our members peace of mind that their families and futures are in safe hands.

**Legislative functions and requirements:** Under section 10 of CSC's establishing legislation, the *Governance of Australian Government Superannuation Schemes Act 2011 (GAGSS Act)*, the function of the Board is to ensure that CSC performs its functions in a proper, efficient and effective manner. The Board has the power to do all things necessary or convenient to be done for or in connection with the performance of its function.<sup>1</sup> All acts and things done in the name of, or on behalf of, CSC by the Board are taken to have been done by CSC.<sup>2</sup> More information is outlined in the **Governance Framework** and within this document.

### Role and responsibilities of the Board

**Roles and responsibilities:** The Board is responsible for a range of matters, including:

- exercising independent judgement in setting, reviewing and overseeing, CSC's strategic direction, including its vision, mission, strategic objectives and core investment beliefs
- setting the tone for ethical behaviour (over and above the requirement to comply with the law)
- approving and monitoring investment strategies having regard to investment risk, cash flow and liquidity requirements
- determining and monitoring appropriate delegations and any outsourcing of material business activities
- establishing Board committees to help the Board fulfil its functions

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<sup>1</sup> GAGSS Act s8.

<sup>2</sup> Ibid s10.

- reviewing, ratifying and overseeing systems of risk management, including establishing and communicating the risk appetite for the organisation and enabling a positive risk culture
- reviewing, ratifying and overseeing internal control legal compliance and CSC's governance framework
- approving and overseeing financial, governmental, regulatory and other reporting
- approving and monitoring strategy for member and employer services
- developing and maintaining an appropriate insurance management framework
- monitoring the implementation of the Board's strategic vision
- appointing, removing and setting the key performance indicators of the Chief Executive Officer (CEO)
- determining appropriate remuneration arrangements and maintaining CSC's Remuneration Policy
- reviewing and approving Fund and CSC financial statements and budgets
- reviewing Investment Stewardship and Governance, and
- liaising with the Minister for Finance and nominators to discuss Board composition, including nominating and appointing individuals of high calibre with the ability to make a valuable contribution to Board deliberations.

**Ensuring legal and regulatory compliance:** The Board is responsible for ensuring compliance with trustee obligations. CSC has an overarching fiduciary duty to act in the best interests of members and beneficiaries.

The *Superannuation Industry (Supervision) Act 1993*<sup>3</sup> (SIS Act) outlines covenants (that by virtue of the SIS Act legally form part of CSC's governing rules) which, among other obligations, require the directors to:

- act honestly in all matters concerning CSC
- exercise, in relation to all matters affecting CSC, the same degree of care, skill and diligence that a prudent superannuation entity director would exercise as director of the trustee, making investments on behalf of beneficiaries
- perform their duties and exercise their powers in the best interests of beneficiaries
- where there is a conflict between their duties to beneficiaries, and their duties to any other person or their own interests, the interests of CSC or the interests of an associate of the director or CSC:
  - give priority to the duties to, and interests of, the beneficiaries over the duties to an interests of other persons, and
  - ensure that the duties to the beneficiaries are met despite the conflict, and
  - ensure that the interests of the beneficiaries are not adversely affected by the conflict, and
  - comply with the Australian Prudential Regulation Authority (APRA) prudential standards in relation to conflicts.

(These obligations override any conflicting obligations of a director under Part 2D.1 of the *Corporations Act 2001* (Corporations Act) and under subdivision A of Division 3 of Part 2–2 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) (this subdivision deals with general duties of officials).<sup>4</sup>), and

- exercise a reasonable degree of care and diligence in ensuring that CSC meets these covenants.

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<sup>3</sup> Under s52.

<sup>4</sup> SIS Act s52(4).

CSC holds a Registrable Superannuation Entity (RSE) licence and an Australian Financial Services (AFS) licence. As an RSE and AFS licensee, CSC is required to uphold the conditions of both licences and comply with all other applicable laws and requirements. These include:

- the SIS Act and regulations
- APRA Prudential Standards
- the Corporations Act and regulations
- the PGPA Act – including duties to establish and maintain systems relating to risk and control, act in good faith and for a proper purpose, exercise care and diligence and disclose interests
- the GAGSS Act – which sets out the Board’s functions and requires it to administer the schemes taking the unique nature of military service into account as outlined under scheme legislation
- scheme legislation, Trust Deeds and governing rules
- the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and Rules
- taxation legislation
- privacy laws, and
- employment related laws.

Legal and regulatory compliance is the minimum professional standard. In addition, the Board is cognisant of its ethical obligations. The CSC Board has a strong ethical outlook and is committed to promoting a culture which fosters accountability, commitment to long-term member returns, business integrity, innovation, transparency and relevant and effective disclosure and communication. The set of values and behaviours expected of CSC directors and employees are outlined in the **Governance Framework**.

## Role of the Chair

The role of the Chair is to provide leadership for the Board and to ensure efficient organisation and conduct of the Board's deliberations and other functions.

**Key responsibilities:** The Chair is responsible for maintaining and developing relationships with key stakeholders, setting the agenda for the Board and ensuring active participation by directors. The Chair also promotes constructive and respectful relations between directors and management.

GAGSS Act responsibilities: The Chair:

- may convene a meeting of directors at any time, and must convene a meeting within 30 days after receiving a written request from another director
- presides at all meetings of the Board at which he or she is present. If not present, the Chair may nominate a director to preside at the meeting. If the Chair does not nominate a director, the directors present must elect one of themselves to preside, and
- may grant leave of absence to another director on terms and conditions that the Chair determines.<sup>5</sup>

**General responsibilities:** In addition, the Chair is generally responsible for:

- ensuring Board agendas address all relevant matters
- ensuring Board minutes properly reflect Board decisions
- ensuring a sufficient number of Board meetings occur to facilitate effective decision-making
- ensuring sufficient time is allowed at each meeting to deal adequately with each agenda item and to make a fully informed Board decision
- ensuring the Board is provided with adequate information
- developing and maintaining an ongoing constructive working relationship with the CEO
- guiding the ongoing effectiveness and development of the Board and individual directors, and
- leading the Board in monitoring the management of the RSEs, assessing CSC's continuing financial position and performance, and establishing a culture of open discussion and in particular which allows directors to openly discuss risks and any material adverse developments.<sup>6</sup>

**Encourage participation:** During the course of a meeting and at any other time, the Chair is responsible for encouraging the participation of all directors in Board discussion. The Chair and other directors may ask questions of, or request information from management or relevant external parties in order to ensure they are fully informed in their deliberative processes. The Chair will facilitate such requests.

**Facilitation of closed meetings:** The Chair will facilitate meetings of directors without the CEO or staff being present if required.

**Facilitate collegial decision making:** Where directors dissent, it is the Chair's responsibility to facilitate an appropriate resolution of the differing views so that Board decisions are collegiate in nature to the extent that this is possible.

**Acting Chair arrangements:** If the Chair is absent from duty or out of the country or is for any reason unable to perform the duties of the office, the Minister for Finance, in consultation with the Board and the Minister for Defence, may appoint a person to act as Chair.<sup>7</sup>

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<sup>5</sup> GAGSS Act ss15, 19 and 20.

<sup>6</sup> *A Fund Governance Framework for Not-for-Profit Superannuation Funds*, 3<sup>rd</sup> edition – April 2014, AIST/Industry Funds Forum Inc.

<sup>7</sup> GAGSS Act.

There is no provision for the permanent appointment of an acting or alternate Chair. Either the Chair or the Board is able to nominate a director to be its spokesperson or to represent it generally, or in relation to a particular matter, in the absence of the Chair.

If the Chair is not present at a meeting a director nominated by the Chair presides, or if a director is not nominated, the directors present must elect one of themselves to preside.<sup>8</sup>

**Separation of the role of the Chair:** The Chair is not and will not be a member of the executive management team, including the CEO, to avoid creating an unacceptable concentration of power and to improve accountability.

## Role of individual directors

**Director participation:** Directors are expected to participate fully in Board and committee discussions. They are entitled to ask questions of, or request further information from management or relevant external third parties. Such requests should be made through the Chair.

**Commitment of sufficient time, effort, resources, knowledge and skill:** Each director is required to be prepared to commit sufficient time, effort, resources, knowledge and skill to their duties and role as a director.

**Board Charter:** It is expected that directors will comply with and adhere to the Board Charter.

**Cordial expression of views:** Directors are encouraged to cordially express their views even where they may dissent from the views of others. The Board recognises the value of a diversity of views. The Chair will facilitate a collegiate process of discussion amongst directors and an appropriate decision making process.

**Behaviour once a decision is reached:** Once the Board has reached a decision, taking into account all views that are expressed by directors, it is expected that all directors will be loyal to those decisions and refrain from external criticism.

**Legal proceedings:** A director may engage separate legal or other representation and participate in a claim or proceeding against the director as a result of or arising from being a director of CSC. If a director chooses to make such an engagement, he/she is expected to do so in accordance with the provisions of the directors' Deed of Indemnity, Insurance and Access.

**Professional development:** All directors are expected to identify and undertake appropriate professional development at the expense of CSC during their tenure on the Board, to maintain and develop their individual professional competency and also to maintain and enhance the collective competency of the Board.

**Confidentiality:** All directors are responsible for maintaining the confidentiality of Board and committee papers, and other internal working documents provided to them as directors, by either CSC or CSC's advisers. Directors should also maintain the confidentiality of Board discussions.

**Conflicts of interest management:** CSC has a conflicts management policy and framework that is compliant with the APRA Prudential Standard SPS 521, *Conflicts of Interest*. The policy and framework set out the requirements on directors for managing conflicts of interest, or potential conflicts of interest. The conflicts management framework is one of avoidance, disclosure and managing and monitoring.

**Conflicts of interest disclosure at each Board meeting:** Directors are required to maintain the currency of the register of their duties and interests. Conflicts of interest are required to be explicitly noted at each Board meeting and recorded in the minutes. The Board agenda includes as a standing item a requirement on directors to declare duties and interests and any updates or changes, and conflicts, actual, potential or perceived, in relation to any particular agenda item, and update CSC's Register of duties and interests.

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<sup>8</sup> Ibid s20(2).

## Relationship with and access to management

**Constructive and respectful relations with management:** The Board advocates constructive and respectful relations between directors and management that aim to encourage frank and collegial discussions in order to achieve the Board's objectives through open governance and communication.

**Open access to management:** Directors have open access to management and to any records and other information, as requested through the Chair. In addition to regular presentations by management to the Board and committees, directors may seek briefings from management on specific matters.

**Operational management:** Directors are not to become involved in operational management and should not participate in routine staff meetings or other staff activities unless specifically requested by the CEO, in consultation with the Chair.

## Delegated authority

The Board may delegate its powers. The Board has determined to delegate certain of its powers in relation to corporate and investment matters, and scheme administration.

**Executive management responsibility:** Executive managers have responsibility for the day-to-day management of CSC's business operations. This includes the implementation and monitoring of systems, structures, policies, processes, information and oversight arrangements used in managing CSC.

**Director responsibilities:** All delegations made by the Board are in writing. The Board remains ultimately responsible for all delegated functions.

**Staff responsibilities:** Staff exercising delegations are accountable to the CEO who is responsible to the Board.

**Matters that are sensitive or extraordinary:** Even if within delegated powers, matters that are sensitive or extraordinary would typically be referred by the CEO to the Board. The exercise of some delegations is reported to the Board notwithstanding that they have been delegated.

**Review of delegations:** Delegations are regularly reviewed to ensure currency.

**Examples of delegated authority:** Examples of delegated authority include those relating to:

- spending authority up to specified monetary limits and in accordance with an employee's area of responsibility
- development of agreed product enhancements
- finalising the Annual Member Statement Pack in accordance with agreed checklists
- executing documents under common seal in accordance with Board resolutions, and
- maintaining certain bank accounts.

**Investment delegations:** Delegations to CSC staff relating to investments and investment operations include delegations relating to the management of each asset class in accordance with agreed investment policies, management of foreign currency hedge ratio risk within approved parameters, and management of tax.

The following matrix outlines responsibilities and approval processes that have been adopted by the Board in line with global best practice. Yellow highlights high level issues the Board is responsible for and blue highlights the areas executive management are responsible for.

	Board	Executive
Mission statement	Responsible for	Input to
Core investment beliefs	Responsible for	Input to
Governance framework	Responsible for	Input to
Governance budget	Responsible for	Input to
Strategy/ risk budget	Responsible for	Input to
Investment philosophy	Oversight/sign off	Responsible for
Risk budget – which risks	Oversight/sign off	Responsible for
Asset classes and beta	Oversight/sign off	Responsible for
Managers and alpha	Input to/oversight for	Responsible for
Operational decisions	Input to/oversight for	Responsible for
Monitoring and review	Responsible for	Input to

**Administrative delegations:** The Board delegates certain powers to its staff, and to the staff of the scheme administrator of PSSap, Pillar Administration, to enable them to deal with scheme administration matters such as:

- receiving and accounting for contributions from employer agencies
- maintaining records of contributors, preservers and pensioners
- management of legal claims and Superannuation Complaints Tribunal matters, and
- calculating and paying benefits.

The Board has also delegated certain authority to employer agencies to facilitate day-to-day scheme administration, for example to enable the agencies to remit superannuation contributions on behalf of members.

## Board committees

The Board may establish committees to assist in carrying out its responsibilities and to provide appropriate oversight of key governance matters.

**The Board remains ultimately responsible:** Committees are important in providing the capacity for directors to work on more detailed matters in close consultation with executive management and advisers. However, Board committees do not absolve the Board or individual directors from responsibility. Directors are required to make independent decisions regarding delegated powers, and make appropriate enquiries as and when necessary.

**Appointment and composition:** Committee members are appointed by the Board and may comprise directors as well as non-directors.

**Terms of reference:** Each committee has its own documented terms of reference approved by the Board from time to time.

**Standing Committees:** The Board has established the following standing committees:

- Audit Committee – to assist the Board by providing an objective non-executive review of CSC’s financial reporting. The Committee is made up of a minimum of three directors and is chaired by a director who is not the Chair of the Board.
- Risk Committee – to assist the Board in discharging its responsibilities by overseeing risk culture, and the frameworks and management of risk. The Committee is made up of a minimum of three directors and is chaired by a director who is not the Chair of the Board.
- Board Governance Committee – to assist the Board by advising and making recommendations on issues relevant to the corporate governance of CSC and the identification, education and evaluation of directors. The Committee is made up of at least three directors and is chaired by the Chair of the Board, and
- Remuneration and HR Committee – to assist the Board by advising and making recommendations on issues relevant to its Remuneration Policy and human resource obligations. The Committee is made up of at least three directors and is chaired by the Chair of the Board (the only independent director).

**Committees established under scheme legislation:** In addition, the Board has established the following committees, pursuant to scheme legislation, to reconsider certain decisions under scheme legislation:

- APS (Australian Public Sector schemes) Reconsideration Committee<sup>9</sup>
- MSB (MilitarySuper) Reconsideration Committee,<sup>10</sup> and
- Defence Force Case Assessment Panel.<sup>11</sup>

**Ad hoc committees:** The Board may also establish ad hoc committees from time to time.

**Attendance by other directors:** Any director may attend any committee meeting after giving notice to the Chair of the Committee and the Senior Manager, Board Services.

Factors considered when appointing committee members: In appointing committee members the Board aims to:

- optimise the composition of the committees in terms of collective experience, knowledge and skills, and may note any skill issues regarding the current membership
- ensure that organisational knowledge and continuity is preserved through staggered terms of office
- seek balance by having diversity of gender, age, experience, skills and qualifications, and
- adhere to scheme legislative requirements.

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<sup>9</sup> *Superannuation Act 1976* s153AB; PSS Rules 13.1.1; PSSap Rules 6.1.1; *Papua New Guinea (Staffing Assistance) Act 1973* s55; *Superannuation Act 1922* s128.

<sup>10</sup> MSBS Trust Deed paragraph 3(2)(h).

<sup>11</sup> *Defence Force Retirement and Death Benefits Act 1973* s100.

## Board processes

### Board meetings

**Board calendar:** It has been the practice that the Board holds at least 8 meetings a year, but this will vary according to the circumstances. The dates of meetings for each year are developed in consultation with directors in advance and sufficient notice is provided to directors.

**Attendance is expected:** It is expected that all directors attend all Board meetings, although it is recognised that unavoidable calendar conflicts may occur from time to time. Directors may also be appointed to various Board committees, which will involve meetings in addition to the regular Board meetings.

**Circular resolutions:** The Board may make decisions without a meeting—for example, by circular resolution—and attendance may be by tele- or video-conference.

**Board meeting agenda:** Agendas are developed prior to each meeting by the Senior Manager, Board Services in consultation with the Chair.

**Matters arising:** A report on matters arising from the meeting is provided to the next available meeting and is circulated with the draft minutes to all General Managers for follow up action prior to that meeting.

**Minutes:** The Board must keep minutes of its meetings.<sup>12</sup> Minutes are recorded by the Senior Manager, Board Services and the Chair aims to review them within a week of each Board meeting, **prior to circulation in draft to directors.**

**Signing and safekeeping of the minutes:** Minutes of the Board are signed by the Chair at the next Board meeting, following review and acceptance as an accurate record by the Board. The Senior Manager, Board Services is responsible for safekeeping of the Board minutes and papers.

### Board papers

**Circulation:** Board papers are circulated approximately 7 days prior to the meeting. Each meeting may involve several days of preparation in order to facilitate full participation in Board or committee discussions.

**Board portal:** Board and committee papers are published through a Board portal and directors are able to access the electronic papers on an iPad that is provided and maintained by CSC. The Board portal also contains a range of resources for directors, including policy documents and other reference material.

**Directors to delete annotated papers and notes:** It is expected that directors delete copies of any annotated papers and notes soon after all Board meetings, and in all circumstances within 1 month after each Board meeting.

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<sup>12</sup> GAGSS Act s25.

## Procedures for decisions of the Board and voting rights

**Participative and cordial decision-making:** As previously outlined, directors are expected to participate fully in Board and committee discussions. They are also encouraged to cordially express their views even where they may dissent from the views of others. However, once the Board has reached a decision, taking into account all views that are expressed by directors, it is expected that all directors will be loyal to those decisions and refrain from external criticism.

**Quorum:** When reaching these decisions, at a meeting of the Board, 9 directors constitute a quorum unless there is a conflict of interest as outlined below.

**Quorum where there is a conflict of interest:** If a director is unable to be present during deliberations because of a conflict of interest pursuant to the GAGSS Act, and a quorum of 9 directors cannot be met, then 8 directors will constitute a quorum with respect to that particular matter.<sup>13</sup>

**Matters regarding only the military schemes:** When performing a function under military superannuation legislation, CSC must have regard to the unique nature of military service, as recognised by the schemes set out in that legislation.<sup>14</sup> Where matters regarding only the military schemes are considered by the Board, a director nominated by the Chief of the Defence Force must be present.<sup>15</sup> It is up to the Chair to determine whether a matter concerns only the military schemes.<sup>16</sup>

**Out-of-session decisions:** The Board has determined that it can make decisions out-of-session.<sup>17</sup> An out-of-session decision can be made if 9 directors indicate agreement with the proposed decision in the manner requested, and:

- if the proposed decision concerns only the military schemes, all directors were informed of the proposed decision, or
- in any other case—all directors were informed of the proposed decision, or reasonable efforts were made to inform all directors of the proposed decision.<sup>18</sup>

**Voting rights:** All directors have an equal voting right at Board meetings. Voting processes are conducted in accordance with quorum provisions, provisions regarding matters that relate to military service, and out-of-session processes, as outlined in the GAGSS Act.

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<sup>13</sup> GAGSS Act s21.

<sup>14</sup> Ibid ss3 and 8(3)(d).

<sup>15</sup> Ibid s21(3).

<sup>16</sup> Ibid s21(4).

<sup>17</sup> Ibid s24(2); Minute no 1144 , agenda item 11, 11 February 2016.

<sup>18</sup> Ibid s24.

## Board effectiveness

CSC's Board composition, target size, the nomination, appointment, removal of directors, terms of directorships and vacancy of office is governed by the GAGSS Act.

### Board composition

The Board consists of:

- an independent Chair, and
- 10 other directors.<sup>19</sup>

### Board nomination

The directors are nominated in the following manner under the GAGSS Act:

- three directors are nominated in writing by the President of the Australian Council of Trade Unions (ACTU)
- two directors are nominated in writing by the Chief of the Defence Force, and
- the Minister for Finance chooses the remaining other directors.

**Consultation by nominating bodies:** Before nominating a person, the President of the ACTU and the Chief of the Defence Force must consult with one or more relevant organisations.

**Period for which the nominee is to be appointment:** A nomination must specify the period for which the nominee is to be appointed. The period may not be more than three years.

**Independent Chair under SIS:** SIS<sup>20</sup> sets out the criteria by which the independence of a director is ascertained. The director is:

- not a member of the fund
- is neither an employee or an employer–sponsor of the fund nor an employee or an associate of an employer–sponsor
- is not, in any capacity, a representative of a trade union, or other organisation, representing the interests of one or more members of the fund, and
- is not, in any capacity, a representative of an organisation representing the interests of one or more employer–sponsors of the fund.

CSC's Chair is appointed by the Minister in consultation with other directors, and is independent.

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<sup>19</sup> Ibid s11(1).

<sup>20</sup> S10(1).

## Representative Board

CSC's Board composition and nomination process allows for a mix of nominations by member, employer and military representatives that brings to CSC a diversity of views, skills and experience. All directors have an important role to play, bringing their unique understanding of social, political, environmental, military, military service and industry-specific issues into the decision-making process.

## Board target size

A Board of 11 directors is required under the GAGSS Act.

## Appointment of directors

**Appointments are made by the Minister for Finance:** All directors are appointed by the Minister for Finance by written instrument, on a part-time basis.<sup>21</sup>

**Appointments must be made where nominated by the President of the ACTU or the Chief of the Defence Force:** Where a director has been nominated by the President of the ACTU or the Chief of the Defence Force, the Minister for Finance must appoint that person for the period specified in the nomination. The period may not be more than three years.

**Consultation with the Minister for Defence:** The Minister for Finance must consult the Minister for Defence before making an appointment of any other director.

**Board agreement to appoint a Chair:** The Minister for Finance must obtain the Board's agreement to a person whom the Minister for Finance proposes to appoint as the Chair.

**A director must be fit and proper:** A person is not eligible for appointment as director if the person's appointment would result in a contravention of a fitness and propriety standard under the SIS Act.<sup>22</sup> Fitness and propriety standards are outlined in CSC's **Fit and proper policy**.

**Instruments of appointment:** On appointment, the director will be provided with a letter of appointment from the Minister for Finance, including a copy of the instrument of appointment. A similar letter is also provided to CSC, including all appointment documentation.

**Initial arrangements and briefing:** After CSC has been officially informed of the appointment, the Chair will contact the newly appointed director. The CEO will arrange briefings for new directors as soon after they have been appointed as possible. CSC will write to the new director, confirming the date of the briefing, the Board meeting schedule and seeking personal information to facilitate payment of remuneration.

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<sup>21</sup> Ibid s12(1).

<sup>22</sup> Ibid ss12(2) and 11(3).

## Communication

The Board seeks to assist in the nomination and appointment process by communicating with the President of the ACTU, the Chief of the Defence Force and the Minister for Finance. In communicating with nominating bodies and the Minister for Finance, the Board aims specifically to:

- optimise the composition of the Board in terms of collective experience, knowledge and skills, taking CSC's strategic and corporate plans into account, and may note any skill issues regarding the current Board membership
- participate in succession planning strategies for the Chair and the Board
- ensure that organisational knowledge and continuity is preserved through staggered terms of office for directors
- outline the Board's expectations regarding time commitments for service and continuity of tenure, and
- seek balance by having diversity in relation to gender, age, experience, skills and qualifications through merit based appointments.

**Board expectations of potential candidate and director appointment assessments:** In accordance with APRA Prudential Practice Guide, SPG 510 Governance, the Board expects that nominating bodies and the Minister for Finance will assess:

- the current and past associations of candidates
- the appropriateness of other directorships held by the candidate director, especially directorships of other RSE licensees
- the skills and capabilities of nominated candidates against the role and responsibilities of the vacancy and the Board as a whole, including consideration of committee vacancies, and
- the fitness and propriety of nominated candidates, taking the CSC Fit and proper policy into account.

**Processes where a nomination or appointment of a director is made that the Board considers unsuitable:** If a nomination of a director is considered unsuitable, the Chair (or the Board where the nomination relates to the Chair) will communicate and seek to resolve this issue with the Minister for Finance, and nominating bodies if appropriate. Where an appointment is made that is considered unsuitable, the Chair (or the Board where the appointment relates to the Chair) can communicate their concerns with the Minister for Finance, and nominating bodies if appropriate. An appointment of a director can be considered unsuitable if their performance is below expectation or there is evidence that there has been a failure in the nomination process with respect to board diversity.

**Material that may be included in the communication:** Communication with nominating bodies and the Minister for Finance may include the following materials:

- CSC's **Fit and proper policy**, with particular reference to the fitness and propriety standards
- collective assessment of directors' skills against the Board skills matrix contained in the **Fit and proper policy**, identifying areas of skill shortage or excess across the Board
- CSC's **Governance Framework and Conflicts management policy**, and
- the **Board Charter**, with particular reference to the Board's responsibilities.

**Conflicts of interest may be considered:** Communication with nominating bodies and the Minister for Finance may also refer to potential conflicts of interest for candidate directors holding a Board position on more than one superannuation entity, where one or more of those entities compete to attract the same members.

**Expectations regarding time commitments and continuity of tenure may be discussed:** Communication may also include the Board's expectations regarding time commitments for service and continuity of tenure.

**Upcoming appointment expiry dates:** The General Manager, Corporate will notify the Board in advance of upcoming appointment expiry dates. The Board will communicate to the Minister for Finance prior to the expiration of the appointment. The Board will communicate to the President of the ACTU and the Chief of the Defence Force regarding engagement with the Chair of the Board prior to nominations being made to the Minister for Finance.

## Removal of directors

**Director resignation:** A director may resign by giving the Minister for Finance a written resignation. Directors are encouraged to communicate their intentions to resign from the Board as soon as possible, to assist in Board renewal.

**Resignation date of effect:** The resignation takes effect on the day it is received by the Minister for Finance or, if a later day is specified in the resignation, on that later day.

**Directors nominated by the President of the ACTU or the Chief of the Defence Force:** If a director nominated by the President of the ACTU or the Chief of the Defence Force resigns, the director must also give a copy of the resignation to the President or Chief, as appropriate.<sup>23</sup>

**Grounds for termination relating to fitness and propriety:** The Minister for Finance may terminate the appointment of a director if the director's continuation in office would contravene a SIS fitness and propriety standard. The Minister for Finance must consult the Minister for Defence before terminating the appointment of a director on this ground.

**Grounds for termination relating to disqualification:** The appointment of a director terminates if he or she becomes a disqualified person pursuant to the SIS Act.

**Grounds for termination relating to financial circumstances:** In consultation with the Minister for Defence, the Minister for Finance may terminate the appointment of a director, notwithstanding that the director is not a disqualified person, where the director:

- applies to take the benefit of any law for the relief of bankrupt or insolvent debtors
- compounds with his or her creditors, or
- makes an assignment of his or her remuneration for the benefit of his or her creditors.

**Other grounds for termination:** Where the director has been nominated by either the President of the ACTU or the Chief of the Defence Force, the Minister for Finance must obtain the consent of the President of the ACTU or the Chief of the Defence Force (as applicable), and consult with the Minister for Defence, prior to termination on the following grounds:

- misbehaviour or physical or mental incapacity
- if the director is absent, except on leave of absence, from three consecutive meetings of the Board
- if the director fails, without reasonable excuse, to comply with section 22 of the GAGSS Act which relates to the disclosure and management of conflicts of interest
- if the Minister for Finance is of the opinion that the directors have failed to comply with paragraph 19(1)(a) or (b) of the PGPA Act which relate to keeping the Minister for Finance informed of activities of CSC and providing reports, documents and information as the Minister for Finance requires, or
- if the Minister for Finance is of the opinion that a director has contravened section 30 of the PGPA Act which deals with termination for contravening general duties of officials. These general duties are similar to the SIS requirements.

If the President of the ACTU or the Chief of the Defence Force consents to the termination of a director under these grounds, the Minister for Finance must terminate the director's appointment.

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<sup>23</sup> Ibid s16(3).

## Resolution process

Where a nomination, appointment, reappointment or removal of a director is made that the Board considers unsuitable, the Chair (or the Board where the issue relates to the Chair) will communicate and seek to resolve this issue with the nominating bodies and the Minister for Finance.

## Tenure

**Terms of directorship:** A director holds office for the period specified in the instrument of appointment, as determined by the Minister for Finance, and which must not exceed three years.

**Maximum tenure:** A director may be re-appointed, but must not hold office continuously for more than nine years.<sup>24</sup>

## Board renewal

The Board values a degree of continuity while also seeking to refresh its membership. The Board **renewal policy** sets out the Board's policy on Board renewal.

## Vacancy of office

**Director appointments during a vacancy of office:** The Minister for Finance, in consultation with the Minister for Defence, may appoint a person to act as a director during a vacancy in office (whether or not an appointment has previously been made to the office) or during periods when a director, for any reason, is unable to perform the duties of the office including being absent from duty or from Australia.<sup>25</sup>

**Nominations made by the President of the ACTU or the Chief of the Defence Force:** If a nomination is made by the President of the ACTU or the Chief of the Defence Force for a person to act in place of a director who was nominated by the President or the Chief (as applicable), the Minister for Finance must appoint the nominated person to act for the period specified in the nomination.<sup>26</sup>

**Fit and proper standards:** Fit and proper standards must be met by all acting appointments.<sup>27</sup>

**Acting Chair:** The Minister for Finance must consult the Board about a person whom the Minister for Finance proposes to appoint to act as Chair of the Board.<sup>28</sup>

**Part 9 of the SIS Act vacancy requirements:** Compliance with the vacancy requirements outlined under Part 9 of the SIS Act, which deals with the equal representation rules, is not required as CSC is governed by the GAGSS Act and exempt from the basic equal representation rules.<sup>29</sup> Further, appointments to CSC's Board are made by the Minister.

## Board performance evaluation

Board performance evaluation is conducted annually examining the Board as a whole, the Chair, individual directors and Board committees. More information is outlined in the **Board performance evaluation policy**.

## Remuneration of directors

Remuneration of directors (including for the Chair and members of committees) is determined by the Remuneration Tribunal.<sup>30</sup> Details of director and senior executive remuneration are disclosed in CSC's annual financial statements and on the CSC website in accordance with regulatory disclosure requirements.

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<sup>24</sup> Ibid s13.

<sup>25</sup> Ibid ss18(1) and (3).

<sup>26</sup> Ibid ss18(5) and (6).

<sup>27</sup> Ibid s18(2).

<sup>28</sup> Ibid s18(4).

<sup>29</sup> APRA has exempted CSC under *Superannuation Industry (Supervision) exemption No. A16 of 2011* from compliance with subsection 93(4) of the SIS Act which relates to compliance with the basic equal representation rules if a fund is not a public offer superannuation fund.

<sup>30</sup> Refer *Remuneration Tribunal Act 1973*.

## Indemnities

**Indemnity of directors:** Directors and their delegates are entitled to be indemnified for anything done, or omitted to be done, in good faith in the performance of their functions under the GAGSS Act and scheme legislation and will not be personally subject to any action, liability, claim or demand in relation to those matters.<sup>31</sup>

**Trustee insurance:** In addition, CSC maintains trustee liability, and comprehensive crime insurance which covers all directors. Each director has a deed of indemnity, insurance and access with CSC which provides them with certain access to Board papers and requires CSC to maintain insurance for, and to indemnify the director against liability incurred as a director.

## Review of Charter

The Board Charter will be reviewed by the Board Governance Committee biennially or following a trigger event, in particular in the light of relevant regulatory initiatives or any significant changes to CSC's constituent legislation, to assess its continuing currency. The committee will recommend to the Board for its approval any necessary or desirable amendments to ensure the policy remains consistent with best practice and applicable law.

Date	Author	Comments
December 2012	General Counsel Group and the Corporate Secretary	Establishment of document.
February 2015	General Counsel Group and the Corporate Secretary	Biennial review to assess continuing currency; reviewed by Board Governance Committee 2 Dec 2014 and the Board 12 February 2015.
May 2016	General Counsel Group – reviewed by Board Governance Committee and approved by Board	General updating
15 June 2017	General Counsel team	Updated APRA governance requirements: Prudential Standard SPS 510, Governance, and Prudential Practice Guide SPG 510, Governance. Reviewed by Board Governance Committee meeting 22 March 2017; Board meeting 15 June 2017.

<sup>31</sup>GAGSS Act s35(1).



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