



Governance Framework



This document sets out how the Board oversees and exercises its authority in relation to Commonwealth Superannuation Corporation's (CSC's) business operations, which encompass the totality of systems, structures, policies, processes and people that underpin accountability within CSC's business operations.

An effective governance framework supports CSC in making objective and well-based business decisions in the best interests of members. The Board aspires to achieve best practice and to be a leader in governance policy and practice.

The Board is ultimately responsible for the establishment, implementation and oversight of the governance framework.

Policy framework

The Board has developed this Board governance policy framework to manage the development, maintenance and review of key governance documents, policies, plans and procedures. This framework is designed to meet APRA Prudential Standard SPS 510, Governance (SPS 510) and includes the Board Charter and Board renewal policy. The documents that make up the Board governance policy framework are incorporated by reference into this Governance Framework.

The policies outlined in Attachment A form the Board governance policy framework.

Review

They are subject to a regular cycle of review to ensure their continuing currency and effectiveness.

Board policies typically are reviewed initially by senior management and the relevant Board committee before being provided to the Board for approval. Independent reviews are conducted as required eg APRA mandates a triennial independent review of the Conflicts Management Framework.

Key elements of the framework

Strategy

The Board is responsible for setting, reviewing and overseeing CSC's strategic direction, including its vision, mission and strategic objectives.

A Board approved Strategic Plan is also used to deliver on CSC's vision, mission and strategic objectives. The Strategic Plan is a rolling three year plan comprising a set of specific and measurable outcomes for each three year period that are supported by annual milestones.

The Board receives quarterly reports on the achievement of CSC's Corporate Plan performance targets, the specific targets related to each Strategic Plan milestone, and other key operational objectives.

Investment strategy and management

The Board approves the Investment Governance Framework, risk budget and related policies, processes and delegations in accordance with the requirements of APRA Prudential Standard SPS 530, Investment Governance.

Risk management

The Board reviews, ratifies and oversees systems of risk management through the RMS and RAS in compliance with APRA Prudential Standard SPS 220, Risk Management. Non-investment risk management is overseen by the Risk Committee which reports to the Board through the Audit Committee.

Compliance management

The Board approves the Breach and compliance policy, which satisfies the requirements of CSC's AFS licence and outlines the processes that will be followed when incidents and breaches are identified. Compliance management is overseen by the Audit Committee which reports directly to the Board.

Fitness and propriety management

The Board has developed a Fit and Proper policy which sets out the required fitness and propriety standards for directors in accordance with the requirements of the SIS Act and APRA Prudential Standard SPS 510, Fit and Proper.

Board performance evaluation

Board performance evaluation is conducted in accordance with the Board performance evaluation policy.

Financial management

CSC's finances are managed in accordance with the PGPA Act and other relevant statutory requirements. A Board approved budget is in place and the Board has delegated authority to make and implement certain financial decisions to individual staff.

Internal audit

The Audit Committee agrees an annual internal audit plan. In drawing up the plan, the committee takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory changes and requirements, and anticipated business changes. Audits can be initiated at any time by the Board or the Audit Committee to address changes to business priorities or to CSC's risk profile.

Board diversity

CSC's commitment to Board diversity is reflected in its Board governance policies including its Board renewal policy and Board Charter

Relationship with management

The Board's relationship with, and access to, management is detailed in the Board Charter.

Review

The Governance Framework will be reviewed by the Board Governance Committee biennially or as required, in particular in 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	Establishment of document. Board Governance Committee meeting 20 November 2012; Board meeting 5 December 2012.
April 2013	General Counsel Group	Regular review to assess continuing currency.
March 2015	General Counsel Group	Biennial review to assess continuing currency. Board Governance Committee meeting 12 February 2015; Board meeting 24 March 2015.
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 3 May 2017.
15 August 2019	General Counsel team	Biennial review to assess continuing currency. Reviewed by Board Governance Committee meeting 14 August 2019; Board meeting 15 August.

Policies approved by the Board

Type	Policy Name	Source
Governance	Board charter	SPS 510, Governance, para 8
Governance	Board performance evaluation policy	SPS 510, Governance, para 17, Board performance assessment procedures
Governance	Board renewal policy	SPS 510, Governance
Governance	Business continuity management policy	SPS 232, Business Continuity Management, para 14
Governance	Confidentiality agreements – protocol for circulation	Best practice governance
Governance	Conflicts management framework and policy	SIS Act; Corporations Act; Prudential Standard SPS 521 Conflicts of Interest; PGPA Act; GAGGS Act
Governance	Diversity policy	Australian 30% Club's Investors Working Group Statement of Intent
Governance	Fit & proper policy	SIS Act; Prudential Standard SPS 520 Fit and Proper and supported by Prudential Practice Guide SPG 520 Fitness and Propriety
Governance	Governance framework	SPS 510, Governance
Governance	Remuneration policy	SPS 510, Governance, para 19
Governance	Staff external appointments policy	Best practice governance
Governance	Whistleblower protection and public interest disclosure policy	Corporations Act; Prudential Standard SPS 510 Governance; Propriety Prudential Standard SPS 520 Fit and Proper; SIS Act and the Public Interest Disclosure Act 2013
Investments	Investments Governance Framework, inclusive of all investment policies & processes	MySuper requirement; SPS 530 Investment Governance; best practice investment governance and documentation
Investments	Active ownership policies, including proxy voting and stewardship policies	MySuper requirement; SPS 530 Investment Governance; best practice investment governance and documentation
Operational	Anti-money laundering/counter-terrorism financing - Program Part A	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) and Rules
Operational	Breach & compliance policy	AFSL, Corporations Act, SIS Act and regulations, scheme legislation
Operational	Derivatives risk statement	SIS Act; SPG 530 - Investment Governance; SPS 220 - Risk Management
Operational	Earning rate policies (CSS, PSS)	Industry standards and best practice guides as set by APRA, ASIC, ASFA and IFSA.
Operational	Fraud and corruption control plan	ASFA Best Practice Paper 20: Managing the risk of fraud and corruption in superannuation entities; Commonwealth Fraud Control Guidelines.
Operational	Insurance strategy and Insurance management framework	MySuper requirement; SPS 250 Insurance
Operational	Media contact policy	Legislative misleading and deceptive obligations, Australian Financial Services Licence (AFSL) requirement to provide only

		general advice and management of reputational risks.
Operational	Operational risk financial requirement strategy	MySuper requirement; SPS 114/SPG 114 Operational Risk Financial Requirement
Operational	Outsourcing policy	SPS 231 Outsourcing
Operational	Risk management strategy and Risk appetite statement	SIS Act and regulations. Prudential Standard Risk Management (SPS 220); Prudential Practice Guide Risk Management (SPG 220)
Operational	Strategic Plan and annual milestones	Best practice; good governance
Operational	Tax risk management framework	ATO requirement
Operational	Valuation of investments policy and procedures	Prudential Practice Guide SPG 531 – Valuation (SPG 531)