

24 June 2025

Australian Prudential Regulation Authority, Policy and Advice Division

Submission on APRA's Governance Review Discussion Paper dated 6 March 2025

Glass Lewis appreciates the opportunity to comment on the aforementioned discussion paper.

Founded in 2003, Glass Lewis is a leading, independent provider of global governance services that provides proxy research and vote management services to more than 1,300 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings.

Through Glass Lewis' web-based vote management system, Viewpoint, Glass Lewis also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and record, audit and disclose their proxy votes.

Glass Lewis is committed to contributing our expertise and perspective to enhance the regulatory framework governing Australian listed financial institutions. Our global experience in proxy voting and corporate governance advisory services equips us with valuable insights into best practices and governance standards.

In this submission, we have focused our comments on Proposals 1, 4, 5, 6 and 8, where we believe our expertise allows us to add the most value.

The responses provided below are not intended to be exhaustive, but are designed to address what Glass Lewis sees as the main issues and concerns raised in the discussion paper. Thank you in advance for your consideration and please do not hesitate to contact us if you would like to discuss any aspect of our submission in more detail.

We appreciate your consideration of our views and would be pleased to discuss any aspect of our submission in more detail should you wish to do so.

Respectfully submitted,

/s/ Philip Foo
Philip Foo CFA CA
VP, APAC Research
CGI Glass Lewis
pfoo@cgiglasslewis.com

/s/ Alice Bielawska
Alicja (Alice) Bielawska CFA
Director of Research
CGI Glass Lewis
abielawska@cgiglasslewis.com

Proposal 1 – Skills and capabilities

“Require regulated entities to:

- a) identify and document the skills and capabilities necessary for the board overall, and for each individual director*
- b) evaluate existing skills and capabilities of boards and individual directors*
- c) take active steps to address gaps through professional development, succession planning and appointments. “*

Glass Lewis Response

We are supportive of the proposal, which we expect will contribute significantly to stronger governance. We view the skills matrix assessment practices as a low-hanging fruit where the regulator can provide valuable leadership.

Currently, we observe wide variability in how ASX-listed entities disclose their board skills matrices. Overall, we do not find these disclosures particularly useful to understand and assess skills deficiencies on boards. In some cases, these disclosures instead seem to be self-congratulatory, lacking rigor, consistency and transparency regarding which individual holds which skill and how that skill has been assessed.

We expect the proposal will introduce much-needed rigor to board skills assessments, including clearer attribution of skills to individual directors. This should, in turn, support more effective identification of skills gaps - an essential input into robust board succession planning.

We believe the proposal should be reinforced by clear guidance on how skills are attributed to directors. In general, we would expect each skill to be supported by substantial executive experience or equivalent depth of expertise - rather than, for example, mere attendance at a short course or an outdated academic qualification.

Clarity on this determination is critical for these skills assessments to be credible. We have seen instances where a director appears to have been attributed, possibly self-attributed, all skill categories identified by the board.

At the same time, care must be taken to avoid overly prescriptive frameworks that could deter capable candidates from outside traditional pipelines. Directors with non-traditional career paths may bring valuable perspectives that do not always fit neatly into conventional templates.

Proposal 4 – Independence

“Strengthen independence on regulated entity boards by:

- a) requiring that at least two of their independent directors (including the chair) are not members of any other board within the entity’s group*
- b) making minor amendments to the independence criteria, including extending the prohibition on directors who are substantial shareholders in a regulated entity or group from being considered independent, to include material holdings of any type of security*
- c) extending the current requirement for bank and insurer boards to have a majority of independent directors to include boards of entities with a parent that is regulated by APRA or an overseas equivalent.”*

Glass Lewis Response

We believe this is a reasonable and pragmatic proposal that strikes a balance between competing considerations.

This proposal recognises the risk to a director’s independence when they sit on multiple boards within the same corporate group - particularly where the interests of those entities are not fully aligned. In such cases, one might reasonably question whether the director should be considered independent at all. By permitting these directors to retain their independent designation, but be subject to limits under this proposal, the framework effectively creates a secondary tier of independence within the broader category of independent directors.

At the same time, we acknowledge the importance of proportionality when assessing independence. Not all conflicts are of equal significance. For example, all non-executive directors receive remuneration for their service, which represents a baseline conflict of interest. However, this is not seen as compromising independence for the purposes of an independence classification. Similarly, we do not believe that the potential conflicts arising from service on intra-group boards typically rise to the same level as, say, relationships with executives or substantial business dealings with the company.

In our view, the proposal offers a workable compromise: it seeks to mitigate the risks associated with intra-group directorships without altering the market’s broader understanding of what constitutes an independent director. As such, we consider it a supportable and constructive measure.

That said, this may ultimately serve as a short- to medium-term solution. In the longer term, we anticipate that evolving market expectations may naturally discourage the appointment of independent directors to multiple boards within the same group.

Proposal 5 – Board performance review

“Require SFIs to commission a qualified independent third-party performance assessment at least every three years which covers the board, committees and individual directors.”

Glass Lewis Response

We are supportive of this proposal and believe it will make a meaningful contribution to strengthening governance at APRA-regulated entities.

Building on our comments to Proposal 1, while self-assessment can be a useful internal tool, it is inherently prone to bias. Directors, many of whom are exceptionally senior and well-regarded business leaders, are not immune to such bias. In fact, the likelihood of unconscious bias may be heightened when assessments involve long-standing or highly esteemed colleagues. Independent third-party performance evaluations offer a practical way to mitigate these concerns and improve the integrity of the assessment process.

We also support the requirement for these independent assessments to be submitted to APRA. This would help address potential concerns regarding the independence or rigour of the assessment provider. Given that the quality and methodology of such reviews can vary significantly, regulatory oversight is key to ensure a consistent and credible standard is maintained across the industry. However, it remains unclear how APRA intends to evaluate the quality of submitted reports or what follow-up mechanisms will be in place should entities fail to act on key recommendations. Greater clarity on these points would be welcome.

We acknowledge that public disclosure of board performance assessments may lead some directors to approach the process with caution, and risk turning the review into a sanitised public relations exercise, thereby undermining its effectiveness. Nonetheless, we believe there is significant value in providing shareholders with greater visibility into board evaluation outcomes. We suggest that some form of public disclosure be considered as part of this proposal, potentially in the form of high-level summaries, action plans, or key themes emerging from the review process.

Proposal 6 – Role clarity

“Define APRA’s core expectations of the board, the chair and senior management.

Provide additional guidance on which APRA requirements may be delegated to board committees and senior management.”

Glass Lewis Response

We are supportive of this proposal. A common refrain from board members of APRA-regulated entities is that the regulatory workload is significantly heavier than for boards of non-APRA-regulated organisations. Greater clarity regarding the respective roles of the board, its committees, and the executive teams, along with a clearer

articulation of what responsibilities can appropriately be delegated, would help alleviate this burden. It would also provide boards with greater flexibility to focus on strategic priorities and set their own agendas.

We suggest stronger language to emphasise that the board is responsible for the appointment and, if necessary, removal of the CEO. In our reading, the current language presents the relationship between the board and the executive as overly collaborative and could benefit from a clearer assertion that the executive is ultimately accountable to the board.

Proposal 8 – Director tenure and board renewal

“Impose a lifetime default tenure limit of 10 years for non-executive directors at a regulated entity.

Require regulated entities to establish a robust, forward-looking process for board renewal.”

Glass Lewis Response

We are supportive of this proposal but recommend an amendment regarding chair appointments.

Where tenure is too short, benefits arising from the investment a director makes in becoming fully effective is not sufficiently realised following the learning curve. Conversely, overly long tenure can risk compromising independence and may slow the pace of succession planning.

In general, we consider ten years to be a reasonable benchmark for balancing director contribution with effective board renewal. We also agree that allowing exceptions is appropriate, as there will be circumstances - such as unexpected director departures or significant organisational transformations - where a two-year extension would support a smoother succession and better retention of institutional knowledge.

However, we have a concern that the proposal may unintentionally narrow the pool of candidates considered during chair succession planning. Specifically, there is a risk that capable non-executive directors already partway through a 10-year tenure may be overlooked for the chair role, if it is expected that a future chair should serve for a longer period than their remaining term would permit. To address this, we suggest that extensions in such scenarios be treated as the default, rather than requiring case-by-case approval by APRA.

We note that APRA is likely to be consulted only once a chair candidate has been selected, which may be too late to ensure those individuals are fully considered during the early stages of the process.

About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' [Viewpoint](#) platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading [Proxy Paper](#) product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative [Report Feedback Statement](#) to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

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info@glasslewis.com | www.glasslewis.com

Connect with Glass Lewis

Corporate Website | www.glasslewis.com

Email | info@glasslewis.com

Social |  [@glasslewis](https://twitter.com/glasslewis)  [Glass, Lewis & Co.](https://www.linkedin.com/company/glass-lewis-&-co)

Global Locations

North America

United States

Headquarters

100 Pine Street, Suite 1925
San Francisco, CA 94111
+1 415 678 4110

New York, NY
+1 646 606 2345

2323 Grand Boulevard
Suite 1125
Kansas City, MO 64108
+1 816 945 4525

Asia Pacific

Australia

CGI Glass Lewis
Suite 5.03, Level 5
255 George Street
Sydney NSW 2000
+61 2 9299 9266

Japan

Shinjuku Mitsui Building
11th floor
2-1-1, Nishi-Shinjuku, Shinjuku-ku,
Tokyo 163-0411, Japan

Europe

Ireland

15 Henry Street
Limerick V94 V9T4
+353 61 534 343

United Kingdom

80 Coleman Street
Suite 4.02
London EC2R 5BJ
+44 20 7653 8800

France

Proxinvest
6 Rue d'Uzès
75002 Paris
+33 (0)1 45 51 50 43

Germany

IVOX Glass Lewis
Kaiserallee 23a
76133 Karlsruhe
+49 721 35 49622



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