



# **Superannuation Supervision Policy Statement No: 1**

## **MINIMUM REQUIREMENTS FOR CORPORATE GOVERNANCE FOR THE FIJI NATIONAL PROVIDENT FUND**

**Reserve Bank of Fiji  
September 2022**

## **PART I: PRELIMINARY**

### **1.0 Introduction**

- 1.1 This policy is issued under section 119 and section 130(2)(b) of the Fiji National Provident Fund (FNPF) Act 2011, the FNPF Amendment Act 2012 and the FNPF Regulations 2014, as part of the Reserve Bank of Fiji's ("the Reserve Bank") powers to determine prudential standards for the Fiji National Provident Fund ("the Fund"). The "Pension Fund Governance Policy (2005)" is repealed by this policy statement."
- 1.2 For the purposes of this policy, corporate governance is defined as "a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance provides the structure through which the objectives of an institution are set, and the means of how these objectives are attained, and their performance monitored".
- 1.3 Having robust corporate governance frameworks in superannuation entities promotes higher levels of accountability amongst trustees, effectively minimises conflicts of interest which in turn should generate higher net returns for fund members. It also ensures that the board and senior management undertake their roles and responsibilities and fulfil their fiduciary obligations in a transparent manner.
- 1.4 The minimum standards contained in this policy are aligned to the FNPF Act 2011, the FNPF Amendment Act 2012 and the FNPF Regulations 2014. The standards have also considered various international best practices as recommended by the Organization for Economic Co-operation Development (OECD), the International Organization of Pension Supervision (IOPS), and requirements of selected jurisdictions.
- 1.5 This policy will apply to the board, senior management and individuals assigned with the role of promoting the sound and prudent governance of the Fund.

### **2.0 Objectives of the Policy**

- 2.1 The objectives of this policy are to:
- (i) ensure that the Fund has effective structures and procedures for supervising, overseeing and controlling itself in a way that guarantees that the board and senior management's fiduciary obligations and commitments are met;
  - (ii) promote sound and prudent management of the Fund by outlining minimum requirements that foster reasonable and impartial decision making by the board and senior management; and
  - (iii) achieve and maintain public trust and confidence in the operations of the FNPF by promoting fundamental principles of good corporate governance

such as accountability, fairness, transparency, assurance, leadership, stakeholder management and effective decision making.

## **PART II: MINIMUM CORPORATE GOVERNANCE REQUIREMENTS**

### **3.0 Corporate Governance Framework**

3.1 The Fund must have a corporate governance framework that is reflective of its size, nature and complexity, and endorsed by the board. The corporate governance framework must cover all policies, structures, procedures and people that promote the sound and prudent governance of the FNPF.

### **4.0 Corporate Governance Policy**

4.1 The Fund is required to develop and implement a Corporate Governance policy that is approved by the board. At a minimum, the policy must include:

- (i) the Fund's objectives<sup>1</sup>; – that include but is not limited to the mission, vision and values of the Fund;
- (ii) clearly defined delegations and structures of authority and responsibilities of the board, board committees, board secretary, senior management; and the risk management, compliance, internal and external audit functions;
- (iii) processes and procedures for the selection, appointment, renewal, removal, succession, remuneration and compensation of senior management.
- (iv) processes and procedures for the selection, appointment, renewal and removal of internal and external auditors, and the approach to audit;
- (v) processes and procedures for the management of fraud and corruption (including bribery) and other unethical or illegal behaviour;
- (vi) a description of channels of reporting and communication;
- (vii) policies and procedures for financial reporting, risk management (including internal and external audit), internal controls, Fund operations and compliance;
- (viii) the establishment and approval of ethical standards and corporate values and the Fund's code of conduct in accordance with section 17 and Schedule 1 of the Act. Ethical standards and professional behaviour in the Fund's internal and external activities should address at a minimum, the following:
  - (a) deliverance of stated key outputs of a relevant position such as those of board members, senior management and employees;
  - (b) complaints handling and whistle blowing provisions;
  - (c) protection of an employee who reports in good faith (whistle blowing) to senior management and/or to the FNPF board, the Reserve Bank or the external auditor;
  - (d) corruption (including bribery, forgery, extortion, etc.);
  - (e) employees being obliged to or hindered, regardless of whether by secrecy provisions or different methods from :
    - disclosing information to the Reserve Bank;

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<sup>1</sup> Objectives include commercial and capital objectives, operational objectives, management objectives, and environmental and social responsibility and any other objectives of the Fund

- providing documents under their control to the Reserve Bank;
- (f) other exploitative or illicit conduct; and
- (g) engaging other persons to provide advice to the Fund or perform functions or services for the Fund.

4.2 The Fund is required to submit a copy of its Corporate Governance Policy and its related procedures to the Reserve Bank within 30 calendar days, of the policy being approved/reviewed.

## 5.0 Responsible Persons - Board

### 5.1 Appointment, Qualifications, Term of Office, Removal/Termination

5.1.2 Section 4 of the FPNP (Amendment) Act 2012 mandates that the Fund's board shall consist of at least five (5) members but not exceeding seven (7), to be appointed by the Minister of Economy (Minister)

5.1.3 The appointment of the board members shall be carried out by the Minister in line with section 4 of the FPNP (Amendment) Act 2012 and section 4 of the FPNP Regulations. Board members between them must have the appropriate expertise and skills<sup>2</sup> outlined in section 7(3) of the FPNP Act 2011.

5.1.4 Prior to the appointment of board members, the Reserve Bank is required to carry out a fit and proper assessment of proposed candidates, and provide a report to the Minister on its recommendations. Refer **Schedule I for Fit and Proper Policy requirements**. Section 7(3) further stipulates that the Minister is not to appoint a person to be a board member, unless the Reserve Bank has reported to the Minister that there is no reason to believe that the person is not a fit and proper person to be a board member.

5.1.5 The Minister shall appoint one of the board members who is not a public official, to be the chair of the board. The deputy chair will be elected by the board members.

5.1.6 A board member must not have competing commitments that could impair his/her ability to effectively carry out his/her fiduciary responsibilities with the FPNP. The Fund must consider maintaining a policy that promotes principles of ensuring that board members acknowledge the important role they play for the Fund and accordingly commit ample time through their attendance and participation at board meetings.

5.1.7 A board member must hold office for one term, which is equivalent to four years from the date of appointment, and cannot serve for more than two consecutive terms. In the event that the board member has served for two consecutive terms,

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<sup>2</sup> These include: investment management, corporate governance, accounting and auditing, finance and banking, risk management, law, actuarial or audit experience, information technology or engineering discipline.

he/she must be reconsidered for re-appointment, after ceasing to hold office for at least two years.

- 5.1.8 If during the term of holding office, the Reserve Bank reports concerns<sup>3</sup> relating to a board member, the Minister shall terminate the board member. Specific incidents that warrant termination includes –
- (a) the board member has ceased to be fit and proper to be a board member;
  - (b) the board member is guilty of misbehavior warranting removal from office;
  - (c) the board member is suffering from a mental or physical condition such that he or she cannot properly carry out the duties of the office;
  - (d) the board member has become bankrupt;
  - (e) the board member has failed, without leave of the board, to attend more than 3 consecutive meetings of the board;
  - (f) the board member, either in Fiji or overseas, has been disqualified from acting as a director or executive officer of a body corporate under a law relating to corporations or to the provision of financial services; or
  - (g) the board member has committed a serious contravention of the Code of Conduct.
- 5.1.9 If a vacancy in the membership of the board arises, the board secretary shall, in accordance with section 7(3) of the Act, —
- (a) carry out a skills gap assessment of the vacancy;
  - (b) create a position description for the vacancy; and
  - (c) provide the particulars or information to the Permanent Secretary of the Minister of Economy.

## **5.2 Responsibilities**

- 5.2.1 The ultimate responsibility for ensuring the sound and prudent governance of the Fund rests with the board.
- 5.2.2 In addition to the functions and powers outlined in sections 6 and 9 of the Act, the board must:
- (i) review and approve the Fund's objectives, set strategies for achieving these objectives and outline procedures for monitoring and evaluating the achievement of these objectives;
  - (ii) setting the Fund's values and standards (including ethical standards) and ensure that obligations to members are understood and met;
  - (iii) ensure that all necessary resources (including financial and personnel) are in place to meet the Fund's objectives;
  - (iv) overseeing the implementation of the Fund's governance and internal control frameworks, and periodically review whether these remain appropriate in

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<sup>3</sup> As outlined in section 11 (5), these concerns must revolve around issues with: fitness and propriety, misbehaviour warranting removal, medical condition, failure to attend 3 or more consecutive Board meetings, or a contravention of the Code of Conduct.

- light of material changes to the size, nature and complexity of the Fund's operations;
- (v) approving and overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer, senior management and heads of control functions such that the board is satisfied with the collective competence of senior management to effectively lead the operations of the Fund;
  - (vi) review and approve the Fund's strategic plan , business plan , organisational structure, risk appetite and budget;
  - (vii) prepare, for each financial year, financial reports for the Fund;
  - (viii) give explicit written approval – after due diligence for all investments, major capital expenditures, new initiatives, acquisitions and divestitures;
  - (ix) review and approve the Fund's financial statements, ensure the integrity of the Fund's accounting and financial reporting systems including audit and internal controls;
  - (x) ensure compliance to the Fund's board charter, the Act, policies and legislative and regulatory requirements;
  - (xi) appoint an actuary that meets the requirements of section 120 of the Act;
  - (xii) appoint an auditor that is approved by the Reserve Bank in line with section 120 of the Act;
  - (xiii) establish control functions and independent compliance function, an independent risk function and internal audit function;
  - (xiv) drive a culture of good corporate governance at the Fund through promoting workplace ethics and behaviours, and building capacity of all persons involved in the Fund's administration, management and operation;
  - (xv) review and approve written policies and procedures on Fund governance, business management, risk management, accounting and audit, investments and disposals, social and environment policies, remuneration and procurement including outsourcing and engagement of external consultants, actuaries and advisors, employee recruitment and succession, code of conduct, member services and complaints management, exercising due care and diligence in the process;
  - (xvi) ensure that its performance and the performance of the individual board members including members of board sub-committees are assessed and evaluated to determine effectiveness and identify areas of improvement;
  - (xvii) ensure appropriate and adequate levels of disclosure and communication to and between all stakeholders;
  - (xviii) overseeing and approving the recovery and resolution as well as the business continuity plans for the Fund, to restore its financial strength, and maintain or preserve critical operations and critical services in times of stress;
  - (xix) ensure adherence to the fiduciary obligations between the Fund and its members;
  - (xx) establish and approve board committees with appropriate charters, for key function areas of the Fund, as seen necessary and in line with section 16 of the Act and section 5 of the FNPF Regulations 2014; and

- (xxi) appoint a board secretary, with clearly defined roles and responsibilities that include but is not limited to timely completion and dispatch of board agenda, briefing materials and minutes. The board secretary will remain the administrative link between the board and senior management.
- 5.2.3 The board may delegate to any board member, the Chief Executive Officer, any staff member, any of its powers and functions but not this power of delegation. These delegations however, must be clearly documented and defined by the Fund, and reviewed on a periodic basis<sup>4</sup>.
- 5.2.4 The board remains fully accountable for any authority delegated to the board committees.
- 5.2.5 The board must ensure that the mandate and operating procedures for each board committee are set out in the board committee charter which clearly:
  - a) outline the areas of authority delegated to the board committee; and
  - b) define reporting arrangements for keeping the board informed of the work of the board committees, key discussions and decisions on delegated matters.
- 5.2.6 The board must review the fitness and propriety, effectiveness and performance of the board, board committees and the individual members, at least annually. The evaluation should align to a proper process and consultation between the board and senior management. The board may consider engaging an external party to conduct an independent assessment. A report on the evaluation must be provided to the Reserve Bank, upon request.
- 5.2.7 Board members must ensure that their commitments as directors in other organisations do not hinder their duties as directors of the Fund, or in any way affect its safety and soundness. If the Reserve Bank reports to the Minister that the board member is not performing his/her responsibilities in accordance with this Policy, it must seek the removal of that board member.

### **5.3 Chairperson of the Board**

- 5.3.1 The chairperson is responsible for the overall effectiveness of the board. In fulfilling this role, the chairperson must, among other things:
  - (i) ensure the agenda for board meetings addresses all relevant matters;
  - (ii) ensure a sufficient number of board meetings to facilitate effective decision making;
  - (iii) ensure sufficient time is allowed at each board meeting to adequately deal with agenda items;
  - (iv) ensure the board is provided with adequate information;
  - (v) lead the board in monitoring the management of the Fund, assessing the Fund's financial position and performance and establishing a culture that

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<sup>4</sup> The delegations must be recorded in a Register

- encourages board members to openly discuss risks or any material adverse developments;
- (vi) ensures the responsible management of conflicts of interest that arise at all board meetings;
  - (vii) promote the timely and effective communication of relevant matters to all members;
  - (viii) promote timely and effective communication between the Fund and the Reserve Bank; and
  - (ix) ensure the frequency of, and attendance to board meetings in accordance with section 14 of the Act.

## **5.4 Board Secretary**

- 5.4.1 At a minimum, the board secretary will facilitate the board meeting process<sup>5</sup> and maintain proper records and safekeeping of board meeting papers.
- 5.4.2 The board secretary must ensure that clear, accurate and signed minutes of board meetings are maintained to record the decisions of the board, including discussions of key issues, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any board member had abstained from voting or excused himself/herself from discussion on a particular matter or not received the relevant papers for such matters. The approved signed minutes should be made available to the Reserve Bank when requested.

## **5.5 Board Committees**

- 5.5.1 In line with section 16 (1) of the Act, the board will establish committees, that has at least one board member representation, and the remaining members being independent committee members. Subject to the Reserve Bank's fitness and propriety assessment, independent committee members must be duly appointed.
- 5.5.2 Regulation 5 of the FNPF Regulations 2014 prescribes specific committees and their respective functions that must be established by the Fund. These include the Investment Committee, Audit & Risk Management Committee, Human Resources Committee and Information Technology Committee.
- 5.5.3 The board must establish other board committees with specified functions, in addition to the mandatory committees specified in paragraph 6.1.1, as it deems appropriate.
- 5.5.4 Each board committee is required to develop its own charter that outlines its terms of reference and responsibilities. The charters must be approved by the board and reviewed regularly.

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<sup>5</sup> This will include ensuring that meetings are held as mandated (sending notices), ensuring that Board members are furnished with the necessary information for meetings, and taking a proper account of meeting discussions.



## **5.6 Oversight of Subsidiaries**

- 5.6.1 Within the FNPF Group, the FNPF board has the overall responsibility for adequate corporate governance and ensuring that there are corporate governance policies appropriate to the structure, business and risks of the group and its entities.
- 5.6.2 The board and senior management must therefore ensure:
- a) alignment and compatibility between the Fund and the subsidiary companies' objectives and vision as a whole group;
  - b) that a proper system is in place to oversight its representation on subsidiary boards that upholds the interests of the Fund and at the same time manage any conflict of interest situation ; and
  - c) group financial reporting and financial accounts, are in line with the annual report timeline.
- 5.6.3 In the discharge of its corporate governance responsibilities within the group, the Fund's board should:
- a) be aware of the material risks and issues that might affect both the Fund and its subsidiaries;
  - b) exercise adequate oversight over subsidiaries, while respecting the independent legal and governance responsibilities that might apply to regulate subsidiary boards;
  - c) establish a governance structure which contributes to the effective oversight of subsidiaries and which takes into account the nature, scale and complexity of the different risks to which the group and its subsidiaries are exposed;
  - d) assess the governance structure periodically to ensure that it remains appropriate in light of growth, increased complexity, geographic expansion and new legislations;
  - e) establish a corporate governance policy for the group, which includes the commitment to meet all applicable governance requirements;
  - f) ensure that enough resources are available for each subsidiary to meet both group standards and legislated governance standards;
  - g) understand the roles and relationships of subsidiaries to one another and to the Fund; and
  - h) have appropriate means to monitor that each subsidiary complies with all applicable governance requirements.

## **5.7 Board Meetings**

- 5.7.1 In line with section 14 of the Act, the board is to meet at least 8 times in each financial year. A schedule of its meetings and the meetings of its committees must be maintained by the board secretary. Furthermore, in line with section 6 (b) of the FNPF (Amendment) Decree 2012, a board meeting must be held by any form of communication, including but not limited to telephone or video conference, that:
- a) is agreed to by the board members participating in the meeting; and

b) allows full participation by members attending the meeting.

5.7.2 The required quorum for a meeting to convene is four (4) and a majority of the total number of board members shall form a quorum.

5.7.3 Board members must attend<sup>6</sup> at least 75 percent of all ordinary board meetings held in a financial year.

5.7.4 The board must ensure that clear, accurate and signed minutes of board meetings are maintained. In instances, where a board member has abstained from voting or excused himself/herself from discussion on a particular matter, the minutes must clearly record this.

5.7.5 Each board member must keep confidential all information<sup>7</sup> they receive for the purpose of being a member of the Fund; unless required by law or the Reserve Bank to disclose such information.

## **5.8 Remuneration of the Board**

5.8.1 In line with section 12 of the Act, the remuneration of board members is determined by the Higher Salaries Commission (Revocation) Act. The Fund shall put in place necessary processes to facilitate the disbursement of board fees.

## **6.0 Responsible Persons - Senior Management<sup>8</sup>**

### **6.1 Appointment of Senior Management**

6.1.1 The board must appoint a staff member to be the Chief Executive Officer.

6.1.2 The Fund must develop and implement a Fit and Proper policy for the appointment of senior management and other persons involved in the administration and operation of the Fund. This policy must be duly approved by the board and a copy submitted to the Reserve Bank within 30 calendar days of it being approved / reviewed by the board.

6.1.3 The Fund's Fit and Proper Policy should set out minimum suitability standards for senior management that should be in terms of, but not limited to:

- a. minimum requirements in respect to qualifications, skills, knowledge and professional experience;
- b. being equipped with basic investment knowledge and a working knowledge of the accounting, auditing and operational processes relating to the Fund and if relevant its subsidiaries ;

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<sup>6</sup> Attendance by way of other than physical presence must remain as an exception rather than a norm.

<sup>7</sup> These include board information packages, minutes and reports to the board and associated documents, and information contained in those documents.

<sup>8</sup> **Senior Management'** means officers holding senior management responsibilities that may materially affect the whole or a substantial part of the supervised entity's business or financial standing.

- c. no criminal or civil offence records i.e. whether the candidate has been convicted or trialled for a criminal or civil offence, and whether the candidate is an undischarged bankrupt and/or has been judicially declared insolvent, spendthrift or incapacitated to contract; and
- d. any professional or occupational disciplinary action taken against the person or has been previously dismissed or/and terminated from employment for a cause such as incorrect fulfilment of responsibilities or non-compliance with internal policies, or improper conduct.

6.1.4 In addition to the set suitability requirements of 6.1.3 above, external advisors, actuaries and consultants engaged by the Fund should be independent and have demonstrated appropriate competence, with proven satisfactory past performance and technical expertise in the areas they have been engaged for. **Refer Schedule I for Minimum Fit and Proper Requirements.**

6.1.5 The board or the delegated board committee must at least annually, assess<sup>9</sup> and review senior management's fitness and propriety, and performance.

## 6.2 Responsibilities

6.2.1 The Fund's senior management led by the Chief Executive Officer is responsible for operationalising board approved decisions and managing the Fund's day to day operations. The Chief Executive Officer is accountable to the board.

6.2.2 Key responsibilities of senior management include, but are not limited to:

- (i) implementing and monitoring board-approved business objectives, strategies, plans, policies, organisational structure, and controls;
- (ii) undertaking necessary due-diligence in appointing employees and ensuring that they receive the appropriate level of training;
- (iii) developing, establishing, implementing, monitoring and reviewing all policies and procedures in relation to the administration and operations of the Fund, including the corporate governance policy;
- (iv) defining and documenting all roles, responsibilities and functions relating to governance of the Fund;
- (v) designing and implementing a monitoring and reporting system for the governance policy and procedures, and ensuring compliance with all applicable laws, policies and regulations;
- (vi) ensuring that the Fund's internal policies or contractual arrangements do not explicitly or implicitly restrict or discourage employees, auditors or any other parties from communicating with the Reserve Bank;
- (vii) ensuring that the board is supplied with adequate, relevant, accurate and complete information in a timely manner;
- (viii) ensuring that all persons involved in the Fund's administration, management and operation understand and comply with the Fund's

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<sup>9</sup> This can also be carried out through self-assessments or peer reviews

- corporate governance policy and strategies, and promote effective Fund governance;
- (x) providing the board with management accounts which present a balanced and understandable assessment of the Fund's performance, position and prospects on a monthly basis; and
  - (xi) forming committees of the senior management where relevant, with proper terms of reference for effectively carrying out delegated responsibilities.

## **6.3 Remuneration for Senior Management**

- 6.3.1 Notwithstanding the above, the Fund must develop a Remuneration Policy for senior management that outlines the remuneration objectives and the structure of remuneration arrangements<sup>10</sup>, including but not limited to the performance based remuneration components of the Fund.
- 6.3.2 The Remuneration Policy must be approved by the board and subject to periodic review. Effectively, the Remuneration Policy must be aligned to the Fund's risk tolerance/appetite and long term interests, and promote effective risk management.
- 6.3.3 It is imperative that the performance-based component of remuneration be designed to encourage behaviour that supports the Fund's long-term financial soundness and the effectiveness of the Fund's risk management framework. In doing so, it must align remuneration to prudent risk-taking and incorporate adjustments to reflect the outcome of business activities, the risks related to the Fund is business activities taking account, where relevant, the time necessary for the outcomes of those business activities to be reliably measured.

## **7.0 Corporate Governance Strategies**

### **7.1 Risk Governance**

- 7.1.1 The Fund must develop and implement a Risk Management Framework (RMF) that is commensurate to the nature, size and complexity of its operations. The RMF must be approved by the board.
- 7.1.2 The RMF must encompass board approved risk strategies which include risk tolerance/appetite statements and limits commensurate to the Fund's operations and strategic goals; risk management policies, procedures and compliance.
- 7.1.3 Stemming from the RMF, the Fund will establish an independent risk management function, under the direction of a senior officer (Chief Risk Officer or equivalent hereinafter referred to as CRO) with sufficient qualification, experience, independence, resources, who have unfettered access to the board.

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<sup>10</sup> Remuneration arrangements include measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity related benefits) and the timing of eligibility to receive payment.

- 7.1.4 The responsibilities of the risk management function include, but are not limited to:
- (i) overseeing the development and effective undertaking of the Fund's risk management function;
  - (ii) strengthening of staff skills, and enhancements to risk management systems, policies, processes;
  - (iii) providing support to the board in the development and monitoring of the Fund's risk appetite levels and statements; and
  - (iv) engage other senior management to actively monitor performance relative to risk-taking and risk limit adherence.
- 7.1.5 The appointment, dismissal, performance, compensation and other changes to the CRO position should be reviewed and approved by the board or its relevant designated board committee.

## **7.2 Compliance Function**

- 7.2.1 The Fund is also required to establish an adequately resourced independent compliance function to ensure that the entity operates with integrity and in compliance with applicable laws, regulations, Reserve Bank supervisory requirements, and internal policies.
- 7.2.2 The compliance function should:
- (i) advise the board and senior management of the required compliance with applicable laws, Reserve Bank supervision policies, rules and standards and ensure that the Fund is kept abreast of developments in these areas; and
  - (ii) have a direct reporting line and unfettered access to the board or its delegated committee, to ensure its operational independence and the prompt and direct reporting of any compliance issues.

## **7.3 Internal and External Audit**

- 7.3.1 The board must establish adequately resourced internal and external audit functions that provide support to the board and senior management. Recommendations arising out of audits must be discussed and documented by the board and relevant committee, whereby actions agreed upon, are undertaken in a timely and effective manner.
- 7.3.2 The Board Audit and Risk Committee (BARC) is expected to discuss with the external auditor and the internal auditor about the nature, scope and co-ordination of audit, any challenges or reservations arising from the audit and any other matters that the external auditor wishes to discuss without the board members and/or senior management present.

## **7.4 Internal Audit and Internal Controls**

- 7.4.1 A terms of reference for the internal audit function<sup>11</sup> must be approved by the board, whereby explicit authority, necessary resources and full access to information is afforded to the function to investigate any matters and review any significant findings of internal investigations, within its terms of reference.
- 7.4.2 It is the responsibility of the board and senior management to ensure adequate internal control<sup>12</sup> policies and procedures are in place at the Fund.
- 7.4.3 At a minimum, the function is responsible for:
- (i) establishing and implementing an annual internal audit plan, approved by the board;
  - (ii) independently, continuously and comprehensively verifying that the business and the operations of the Fund are lawfully, properly and expediently conducted;
  - (iii) regularly reviewing the adequacy and the effectiveness of the corporate governance framework, information processes, operational software systems, and accounting and financial reporting systems; this also includes the review of the half-yearly and annual financial statements, and the external auditors management letter before submission to the board;
  - (iv) ensuring that the Fund's internal controls result in prompt and accurate recording of transactions; and
  - (v) making recommendations to the board and the BARC on the appointment of external auditors, the audit fee and any other matters such as resignation and dismissal.
- 7.4.4 The internal audit function should have a direct reporting line and unfettered access to the board or the designated board committee, to ensure its operational independence and prompt, direct reporting of its findings.
- 7.4.5 The appointment, remuneration or dismissal of the head of the internal audit function must be approved by the board or its designated audit committee.

## **8.0 External Audit**

- 8.1 The appointed external auditor must carry out its function in line with the board approved terms of reference, which incorporates the specific roles and responsibilities of the function outlined in section 26 of the Act.
- 8.2 The board is responsible for the appointment of the Fund's external auditor that must be approved by the Reserve Bank. At a minimum, the external auditor must be independent of the Fund and capable of forming an objective and impartial judgement in relation to the Fund's activities. Essentially, the appointed auditor

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<sup>11</sup> The internal audit function can take the form of an in-house internal audit function or outsourced to a third party. In the case, that it is the latter, the arrangement must however, be approved by the Reserve Bank.

<sup>12</sup> Are means by which an organization's resources are directed, monitored, and measured to help the organization accomplish specific goals or objectives and include financial controls, operational controls, compliance controls, risk management policies and procedures

must also be competent, financially sound and of good character. **Refer to Schedule I for Minimum Fit and Proper Requirements.**

- 8.3 The Reserve Bank reserves the right to revoke the approval of an auditor if it considers them not fit and proper, or have failed to meet the requirements of relevant prudential statements.

## **9.0 Conflict of Interest**

- 9.1 Specific to the board, section 21 of the Act requires each member to disclose in writing to each other all interests<sup>13</sup> that one has, that could conflict with the proper performance of their duties. The disclosure must be given as soon as practicable, after the board member becomes aware of the interest.

- 9.2 The Fund must implement a Conflicts of Interest Policy that identifies, records, manages and discloses potential conflicts of interest of all persons involved in the administration and operations of the Fund, in accordance to by laws, regulations and financial standards. This Policy must be approved by the board. **Refer Schedule II - Minimum Requirements for the Management of Conflicts of Interest.**

- 9.3 In the event that a board member has an interest in relation to a particular matter that could conflict with the proper performance of the board he/she; must continue with the conduct of responsibilities, if they have complied with the declaration of interest as per section 21 of the Act and each of the board members has consented to the board member performing those functions.

## **10.0 Culture and Conduct**

- 10.1 The Fund is encouraged to document a code of conduct that outlines ethical standards which include but are not limited to confidentiality, conflicts of interest, integrity in reporting, and fair treatment of stakeholders particularly members.
- 10.2 A register recording breaches of the code of conduct and ethical standards must be maintained by the Fund, and submitted to the Reserve Bank upon request.

## **11.0 Accountability**

- 11.1 Further to section 10 of the Act, all persons involved in the administration and operation of the Fund should be individually and collectively accountable to the Fund members, beneficiaries, and are legally liable for their actions.
- 11.2 The board must ensure that policies and procedures developed by senior management are fair, responsible, and timely and that disclosure and

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<sup>13</sup> Section 21(3) defines interest as: direct, indirect, pecuniary or non-pecuniary

accountability to all stakeholders; fund employees, fund members, the media and the public, are professionally communicated.

- 11.3 A Communication Policy that ensures clear and open lines of communication and flow of relevant information between the board, senior management and employees, and other stakeholders internally and externally must be developed and implemented by the Fund. The communication policy at a minimum should;
- (i) ensure appropriate, timely, accurate, complete, consistent, cost-effective communication accessible by all stakeholders;
  - (ii) aim to avoid unfair practices, misrepresentation through false and misleading statements and misconduct of staff; and
  - (iii) ensure that employees and third parties are not constrained or impeded in any way to discuss issues and provide information and documents within their control to the Reserve Bank and the Fund's auditors.

## **12.0 Disclosure and Transparency**

12.1 The board and senior management must disclose relevant and meaningful information that assist relevant stakeholders in monitoring the Fund's operations. The information that is disclosed must be clear, accurate, timely and accessible<sup>14</sup>.

- 12.2 The disclosures must include;
- (i) material information on the Fund's objectives, organisation and governance structures and policies, in particular the content of any code of conduct, its procedures for the management of conflicts of interest or other corporate governance or remuneration code or policy and the process by which it was implemented;
  - (ii) the recruitment approach for the selection of board members and for ensuring an appropriate diversity of skills, background and viewpoints;
  - (iii) whether the Fund has set up board committees and the number of times committees have met;
  - (iv) related party transactions;
  - (v) key points concerning the Fund's risk exposures and risk management strategies without breaching necessary confidentiality;
  - (vi) the financial and operating results of the Fund, that has been prepared in accordance with International Financial Reporting Standards;
  - (vii) the Fund's objectives in regards to policies relating to business ethics, corporate governance, social and environment objectives and any other such public policy commitments;
  - (viii) members of the board and key executives, and their remuneration ranges;
  - (ix) material foreseeable risk factors in accordance with International Financial Reporting Standards;
  - (x) issues regarding employees and other stakeholders that materially affect the performance of the Fund; and

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<sup>14</sup> Disclosures can be made on the licensed entity's public website, annual reports and periodic financial reports or by other appropriate means.



- (xi) disclosure on decisions made by the board that could have a material impact on future pension benefits.

12.3 Specifically in terms of disclosure to members, senior management and the employees of the Fund must ensure that members are provided with, at least:

- (i) a summary of the Fund's rules, including contribution rates, fees and charges and procedures and methods of calculating benefits including any investment guarantees and promises;
- (ii) annual or six monthly statements showing their account balances and details;
- (iii) details of the Fund's dispute resolution process and names, responsibilities and contact details of relevant personnel dealing with disputes and complaints;
- (iv) in case of a deceased member, beneficiaries must be informed of material changes to their potential or existing benefits; and
- (v) member satisfaction survey or feedback forms to assist in the ongoing assessment of the Fund's performance and service deliverance.

## **13.0 Whistle-blowing**

13.1 The Fund must develop a Whistle-blowing policy that outlines the processes for legitimate concerns to be objectively investigated and addressed. This policy must be approved by the board.

13.2 The outcome of whistle-blower investigations must be presented to the Board Audit and Risk Committee (BARC) and the full board, on a quarterly basis, or as and when necessary, without disclosing in any way the identity of the whistleblower.

13.3 At a minimum, the policy must:

- (i) clearly indicate the parties to whom the concern can be escalated to within the Fund;
- (ii) ensure that individuals are made aware of other avenues for whistle-blowing to the Reserve Bank or other regulatory or law enforcement agencies;
- (iii) ensure that the whistle-blower is protected from any civil or criminal proceedings and disciplinary action;
- (iv) communicate the Fund's Whistle-Blowing policy to third parties such as contractors, consultants and interns and allow them to report their concerns; and
- (v) designate the Board Audit and Risk Committee to be responsible for the effective implementation of the policy. This includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic reviews of the effectiveness of the whistle-blowing policy.

## **14.0 Governance Review**

- 14.1 The board and senior management to ensure the timely review ,as the board may deem necessary of the Fund's:
- (i) governance framework, policy and strategies in order to determine its adequacy and effectiveness;
  - (ii) performance against its overall objectives to identify and address areas of weakness and ensure further development;
  - (iii) objectives, performance and the effectiveness of the board, board committees and senior management; and
  - (iv) remuneration and compensation mechanisms, in order to ensure that they provide the correct incentives for those responsible for the operation and oversight of the Fund.
- 14.2 All assessments in this regard must be reported to the board, and to external auditors where relevant, with necessary changes to be implemented.

### **PART III: OVERSIGHT OF THE RESERVE BANK OF FIJI**

#### **15.0 Reporting to the Reserve Bank of Fiji**

- 15.1 For the purpose of this policy, the Fund is required to provide the Reserve Bank with copies of the following:
- (i) a copy of its Corporate Governance Policy and all related policies and procedures within 90 days after the implementation of this Policy. In the event of major changes made to the Fund's corporate governance policy and its related policies and procedures, copies of the revised policy must be submitted to the Reserve Bank within 30 days after changes have been approved by the board.
  - (ii) the Fund's Annual Report<sup>15</sup> within 30 days of its publication; and an annual statement (at the end of every financial year) stating the Fund's compliance with all statutory and regulatory/supervisory requirements. The statement is to be signed by the Chief Executive Officer.
- 15.2 The Reserve Bank will assess the compliance of the Fund with the requirements of this Policy in the normal course of its supervision.
- 15.3 If the Fund fails to comply with the requirements of this Policy it will be subject to relevant sanctions by the Reserve Bank under section 130(2)(b) of the Act.

#### **16.0 Implementation Arrangements**

- 16.1 This Policy is effective from 01 September 2022. Phased implementation maybe agreed to between the FNPF and the Reserve Bank on some requirements of the Policy.

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<sup>15</sup> Section 25 of the FNPF Regulations 2014 outlines the content of the Annual Report

**Reserve Bank of Fiji**  
**September 2022**

## **Schedule I – Minimum Fit and Proper Requirements**

### **1.0 Introduction**

- 1.1 This Schedule establishes minimum requirements that persons holding key positions in the Fund, also known as responsible persons, must be assessed for the purposes of being deemed fit and proper.
- 1.2 Responsible persons for the Fund include:
- (i) board members;
  - (ii) senior management ;and
  - (iii) head of control functions
- 1.3 While the requirements of this Schedule focus on responsible persons, the Fund must ensure that all their current and imminent employees are evaluated against the requirements of this Schedule.

### **2.0 Objectives**

- 2.1 The objectives of this Schedule are:
- (i) to safeguard the interests of Fund members and stakeholders by ensuring that the Fund is soundly and prudently managed and directed;
  - (ii) to set out a minimum framework which can be used by the Fund when determining whether a responsible person is fit and proper;
  - (iii) to address the risk of mismanagement of, and inadequate or inappropriate control or influence over, the Fund; and
  - (iv) to facilitate consultation and the exchange of information between the Reserve Bank and the Fund, to achieve the above.

### **3.0 Fit and Proper Assessment Criteria**

- 3.1 Fit and proper status for responsible persons, as a minimum, is assessed against the following criteria:
- (i) Good Character;
  - (ii) Competence and Capability; and
  - (iii) Financial Soundness.

#### ***(i) Good Character***

Good character qualities include honesty, integrity, fairness and reputation that are demonstrated over time. In assessing good character the board should consider all appropriate factors, but are not limited to the following:

- (i) whether the person has been convicted or found guilty of a criminal or disciplinary offence;
- (ii) where the person is a controlling shareholder or has significant influence;
- (iii) where the person has been disciplined or suspended by a regulatory or professional body, a court or tribunal, publicly or privately;
- (iv) whether the person has been the owner of, or held a responsible person position within, a company or organisation that has been refused registration or had its licence revoked, withdrawn or terminated;
- (v) whether the person has been dismissed or asked to resign from employment because of concerns over their integrity and honesty;
- (vi) whether the person has ever been disqualified from acting as a director or serving in a managerial position because of wrongdoing;
- (vii) whether the person has not been ethical, truthful and forthcoming in dealings with customers, superiors, auditors and regulatory authorities; and
- (viii) whether the person demonstrates a readiness and willingness to comply with the requirements and standards of both the Reserve Bank and the Fund.

**(ii) Competence and Capability**

A person must exhibit the competence and ability to understand the technical requirements of the business, the inherent risks and the management processes required to conduct its operations effectively, with due regard to the interests of all stakeholders.

In evaluating the competence and capability of a person, the board should consider the following factors:

- (i) whether the person has demonstrated, through qualification and experience, the capacity to successfully undertake the responsibilities of the position;
- (ii) whether the person has any medical condition that may affect competency;
- (iii) whether the person has ever been disciplined by a professional, trade or regulatory body, dismissed or requested to resign from any position or office for negligence, incompetence, fraud or mismanagement; and
- (iv) whether the person has a sound knowledge of the business and the responsibilities of the position.

**(iii) Financial Soundness**

Proper and prudent management of his/her own financial affairs is a demonstration of the person's capacity to contribute to the safety and soundness of a financial institution and its interests. All relevant factors must be considered, including but not limited to:

- (i) whether the person has been the subject of any judgment or award that remains outstanding or was not satisfied within a reasonable period; and

- (ii) whether the person has made any arrangements with his/her creditors, filed for bankruptcy, been adjudged bankrupt, had assets confiscated, or has been involved in proceedings relating to any of the above mentioned.

#### **4.0 Minimum Requirements of this Schedule**

##### **4.1 Fit and Proper Schedule**

- 4.1.1 The Fund must establish and implement an in-house “Fit and Proper Policy”, approved by the Board, which must at a minimum, include the requirements of this Schedule.
- 4.1.2 The Fit and Proper Policy must be reviewed every two years.
- 4.1.3 The Fund must submit a copy of the in-house Fit and Proper Policy to the Reserve Bank within 30 calendar days of it being approved/reviewed.

##### **4.2 Fit and Proper Assessment by the Reserve Bank**

- 4.2.1 Section 7 (3)(a) and section 119 (1) of the FNPf Act 2011 provides the Reserve Bank the powers to assess and review an elected or appointed responsible person of the Fund to ensure that he/she satisfies the fit and proper requirements.
- 4.2.2 Moreover, the Reserve Bank will review the fitness and propriety of a proposed responsible person prior to the finalisation of his/her appointment. The Reserve Bank will not be able to confirm that it has no objection to an appointment until it has received and reviewed the appropriate information.
- 4.2.3 In assessing the fitness and propriety of an appointed or proposed responsible person, the Reserve Bank would require the submission of the curriculum vitae of the responsible person. The curriculum vitae should clearly indicate the professional qualifications, previous and current positions, names and contact details of three professional and two character referees and any financial connections they may have with the Fund.
- 4.2.4 The Reserve Bank may conduct an interview with the appointed or proposed responsible person as and when deemed necessary.
- 4.2.5 The Fund must inform the Reserve Bank in writing, within 30 calendar days after any resignation, retirement or removal of a responsible person. The Reserve Bank must also be updated on any changes to details of a responsible person.
- 4.2.6 Should the Reserve Bank object to a proposed appointment of a responsible person, the Reserve Bank will advise the Fund or the Minister not to appoint the person. In extreme cases, the Reserve Bank will direct the Fund upon consultation with the Minister not to appoint the proposed responsible person.

#### **4.3 Actions to be taken should a responsible person not qualify as being fit and proper**

- 4.3.1 Should the Fund conclude that a responsible person is not fit and proper, the Fund must ensure that the person:
- (i) is not appointed; or
  - (ii) for an existing responsible person, is relieved of his/her position as a responsible person

#### **4.4 Role of the Board**

- 4.4.1 The FNPF board is responsible for the safety and soundness of the Fund by identifying and understanding the major risks faced by the Fund.
- 4.4.2 The board must ensure that all senior management and employees are aware of the requirements of the Fit and Proper Policy.
- 4.4.3 Board members should avoid situations that bring about conflicts of interest. The Policy should address conflicts of interest involving both the board, senior management and employees. (Refer Schedule II - Minimum Requirements for the Management of Conflicts of Interest.)

#### **4.5 Role of Senior Management**

- 4.5.1 Senior management responsibilities means any relevant activities for which the person is responsible that may materially affect the whole or a substantial part of the Fund's business or financial standing.
- 4.5.2 Senior management responsibilities mean having primary responsibility for one or more of the following:
- (i) high level decision making;
  - (ii) developing processes that identify, assess, manage and monitor risks incurred by the Fund for Board approval;
  - (iii) implementing strategies and policies approved by the Board; and
  - (iv) monitoring the appropriateness, adequacy and effectiveness of the risk management system.
- 4.5.3 Senior management must ensure that all employees are aware of the requirements of the Fit and Proper Policy.

#### **5.0 Role of the External Auditor**

- 5.1 Subject to the approval of the Reserve Bank, the Fund must, on an annual basis, appoint one or more persons to be the institution's auditors (external auditor). The approval of

auditors to be appointed to carry out the audit responsibilities of the Fund will be conditional on the auditor being able to comply with the requirements set out in this Schedule and in any other relevant supervision rules, regulations, orders, or directives issued by the Reserve Bank.

5.2 The Reserve Bank must be informed within 14 calendar days of the appointment, of the following details regarding the appointed external auditor:

- i) name (i.e. of the firm and the officers involved);
- ii) experience and qualifications;
- iii) date of the appointment; and
- iv) other particulars required by the Reserve Bank.

5.3 At the minimum, the external auditor to be appointed must:

- i) hold a current certificate of public practice issued by the Fiji Institute of Accountants;
- ii) have proficient knowledge and understanding of, and practical experience with, the superannuation sector ;
- iii) have adequate knowledge and competence to respond appropriately to the risks of material misstatement in the Fund's financial statements and to properly meet any additional regulatory requirements that may be part of the statutory audit;
- iv) have proficient knowledge of applicable accounting, assurance and ethical standards in Fiji;
- v) have proficient knowledge of relevant regulatory requirements in the areas of solvency, liquidity and the legal and regulatory framework applicable to the Fund;
- vi) have proficient knowledge and understanding of Information Technology relevant to Fund audits;
- vii) not have any interest in the Fund otherwise as a member;
- viii) not hold the position of board member, employee, or agent of the Fund;
- ix) not have committed an offence against the Act, and any other laws of Fiji, or laws of a foreign country, involving fraud and dishonesty;
- x) not have been declared bankrupt; and
- xi) not pose any conflicts of interest in having to perform the role as external auditor of the Fund.

5.4 The Reserve Bank may at its discretion, rescind or reject the appointment of an external auditor that is deemed to have inadequate expertise or independence, or is not subject to or does not adhere to established professional standards.

5.5 The Fund must inform the Reserve Bank in writing, within 30 calendar days after any resignation, termination of an external auditor. If the appointed external auditor is terminated prior to the end of their contract, the Reserve Bank must be informed of the grounds for termination.



5.6 The Fund must rotate the appointed auditor (either by firm or by partner-in-charge) every 5 years, at the most. Where the rotation is not by firm, the Fund must ensure that the officers involved are replaced to meet the rotation requirement.

5.7 Failure to appoint an external auditor or fill a vacancy may result in the Reserve Bank's appointment of an external auditor for the Fund, whose remuneration will be paid by the Fund.

## **6.0 Oversight by the Reserve Bank**

6.1 In addition to ongoing monitoring, the Reserve Bank, during its on-site examination of the Fund will determine whether the Fund has adequate policies, procedures and resources for compliance with the requirements of this Schedule.

## **Schedule II – Minimum Requirements for the Management of Conflicts of Interest**

### **7.0 Purpose**

7.1 The purpose of these requirements are to assist the board, senior management, employees and internal committee members of the Fund, to effectively identify, disclose and manage any actual, potential or perceived conflicts of interests in order to protect the integrity of the Fund and manage its risks.

### **8.0 Objective**

8.1 The objective of this Schedule is to set out a minimum framework which can be used by the Fund in determining that board members, senior management, employees and internal committee members are aware of their obligations to disclose any conflicts of interest that they may have, and to comply with this Schedule to ensure they effectively manage those conflicts of interest as representatives of the Fund.

### **9.0 Scope**

9.1 This Schedule applies to board members, and members of board committees, senior management and employees of the Fund.

### **10.0 Definition of Conflict of Interest**

10.1 A 'conflict of interest' involves a conflict between the public duty and private interests of a public official, in which the public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities.

### **11.0 Minimum Requirements for the Management of Conflicts of Interest**

11.1 This schedule has been developed because conflicts of interest commonly arise, and do not need to present a problem to the Fund if they are openly and efficiently managed.

11.2 It is the policy of the Fund as well as a responsibility of the board, that ethical, legal, financial or other conflicts of interest be avoided and do not conflict with the obligations to the Fund. The Fund will manage conflicts of interest by requiring board members, senior management, employees, and committee members in the organisation to:

- (a) avoid conflicts of interest where possible;
- (b) identify and disclose any conflicts of interest;
- (c) carefully manage any conflicts of interest;and
- (d) follow this Schedule and respond to any breaches

## **12.0 Responsibility of the board ,senior management and employees**

12.1 The board, senior management and employees of the Fund are responsible for:

- a.) establishing a system for identifying, disclosing and managing conflicts of interests across the Fund;
- b.) monitoring compliance with this Schedule; and
- c.) reviewing the Conflict of Interest policy every three years to ensure that the policy is operating effectively.

The Fund must ensure that the board, senior management, employees, and internal committee members are aware of the Funds governance standards, and that they disclose any actual or perceived material conflicts of interest as required.

## **13.0 Identification and disclosure of conflicts of interest**

13.1 Once, a potential conflict of interest is identified, it must be recorded in the Fund's register of interests, as well as being raised with the board or senior management.

13.2 Where all of the other board members or senior management shares a conflict, the board or senior management should refer to the corporate governance policy to ensure that proper disclosure occurs. The register of interests must be maintained by the board secretary, and this register must record information related to a conflict of interest.

13.3 The confidentiality of disclosures regarding the board and senior management are completely confidential and must not be disclosed to a third party.

## **14.0 Compliance with this Schedule**

14.1 If the board or senior management has a reason to believe that a person subject to this schedule has failed to comply with the requirements, it will investigate the circumstances. If it is found that this person has failed to disclose a conflict of interest, the board or senior management may take action against the person.

14.2 This may include seeking to terminate relevant relationships with the Fund.