

**Joint Submission to the
Productivity Commission's
Executive Remuneration Inquiry**

**Proposed simplified section 300A and
associated regulations**

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Remuneration Reports

1. Proposed Amendment to Corporations Act

300A Annual directors' report—specific information to be provided by listed companies

- (1) The directors' report for a financial year for a company must include a separate section titled the "Remuneration Report" that includes the following information:
 - (a) a plain English summary of the remuneration policies for key management personnel that discusses the matters prescribed in the regulations;
 - (b) the remuneration for each member of key management personnel in the format prescribed by the regulations; and
 - (c) all other information as is prescribed.

Note: Regulation 2M.3.03 prescribes the information for section 300A.

- (2) For the purposes of subsection (1), *key management personnel* has the same meaning as in the accounting standards and:
 - (a) if consolidated financial statements are required, includes – each member of the key management personnel for the consolidated entity; and
 - (b) if consolidated financial statements are not required, includes – each member of the key management personnel for the company.
- (3) This section applies to any disclosing entity that is a company.
- (4) This section applies despite anything in the company's constitution.

2. Proposed Amendment to Corporations Regulations

Prescribed details (Act s 300A)

2M.3.03 (1) Remuneration Policies For paragraph 300A(1)(a) of the Act, the plain English summary of the remuneration policies for key management personnel must give the reader an informed understanding of those policies and include or discuss the following matters in the following order:

- (a) a summary of the key policies used in determining remuneration including where relevant:
 - (i) the use of fixed remuneration, short term incentives and long term incentives and how the incentives are used to balance short term

performance with the medium to long term performance of the company;

- (ii) the use of comparator groups for benchmarking the remuneration of key management personnel and why these comparator groups are appropriate;
 - (iii) the extent to which incentive pay arrangements were subject to sensitivity analysis to determine the impact of unexpected changes;
 - (iv) the use of constraints or caps to guard against extreme outcomes from formula based contractual obligations;
- (b) the persons responsible for setting and those responsible for implementing the remuneration policies;
 - (c) how the remuneration policies are reviewed and evaluated, including a discussion of the objectives and structure of performance based components; and
 - (d) how the remuneration policies align with the risk management framework of the company.

(2) Remuneration For paragraph 300A(1)(b) of the Act, for each member of the key management personnel, the company must disclose realisable remuneration and grants received for the financial year and total shareholding in the company in the following format or other format that clearly discloses such remuneration and shareholding:

(a) Realisable Remuneration

Name	Position	Total Amount of Realisable Remuneration

The company must also provide a description of the key components of the total realisable remuneration amount for each member of the key management personnel including:

- (A) the amount of remuneration that was granted and realisable during the relevant year;
- (B) the amount of remuneration that was granted in prior years but became realisable in the relevant year;

- (C) where an amount became realisable due to the fulfilment of a condition or other restriction which applied to that remuneration, a description of that condition or restriction;
- (D) the amount that constituted a termination benefit; and
- (E) the amount and proportion of realisable remuneration attributable to fixed remuneration and the amount and proportion attributable to each other component of realisable remuneration such as vested incentives or termination benefits.

(b) Grants Received

Name	Position	Fixed Remuneration	Short Term Incentives	Long Term Incentives	Benefits given in connection with a person's termination	Other Benefits	Total Remuneration

- (i) Grants received during the relevant year must be presented at fair value.
- (ii) The company must also provide a detailed summary of any conditions attaching to remuneration before it becomes realisable or any other restrictions before the remuneration can be realised.

(c) Shareholding

Name	Position	Total Shareholding

Definitions

benefit drafting note - benefit will have the same meaning as provided in the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* and associated regulations

benefits given in connection with a person's retirement drafting note- benefits given in connection with a person's retirement will have the same meaning as given in section 200A of the *Corporations Act 2001* (as amended by the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* and associated regulations)

fair value means the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction

financial year means the financial year to which the directors' report relates

fixed remuneration means the aggregate of any of the following:

- (A) a short term benefit, including cash salary, a short-term compensated absence, a non monetary benefit or other short term employee benefit;
- (B) a superannuation contribution;
- (C) a share based payment, including a cash settled share based payment and any other form of share based payment (including options and hybrids); or
- (D) a liability or prospective liability to pay tax of a fringe benefit taxable under the *Fringe benefit Tax Assessment Act 1986* or the *Fringe Benefits Tax Act 1986* that relates to the provision of a matter specified in paragraphs (A)-(C);
that is:
 - (i) not dependent on the satisfaction of a performance condition; and
 - (ii) is paid during the relevant year

long term incentive means any remuneration contingent on or subject to performance measured over a period of greater than 12 months

realisable remuneration in respect of a financial year means the fixed remuneration for that year and the fair value of any other incentive, termination or other benefit that vests in the financial year irrespective of when it was granted

short term incentive means any remuneration contingent on or subject to performance measured within a 12 month period