



Heads Up

Proposed amendments to remuneration report disclosures

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"In summary"

The Parliamentary Secretary to the Treasurer recently released exposure draft legislation and explanatory material to amend remuneration report disclosures under section 300A of the *Corporations Act 2001*.

The exposure draft proposes the following key changes to remuneration report disclosures:

- limiting the requirement to prepare a remuneration report to only listed disclosing entities that are companies
- requiring a general description of the company's remuneration governance framework
- requiring disclosure of all payments made to key management personal (KMP) in relation to their retirement from the company
- requiring disclosure of the remuneration of each KMP in three separate categories; granted before the year and paid during the year; granted and paid during the year; and granted during the year but not yet paid
- requiring disclosure of, for each KMP, the details of any reduction, repayment or other alteration of the person's remuneration, that has been made or will be made, as a result of a material misstatement or omission in the financial statements; or if no alteration is made, an explanation of why.

If enacted, the amendments would apply to directors' reports for financial years commencing on or after 1 July 2013.

The comment period for the exposure draft ends on 15 March 2013

Application limited to listed disclosing entities that are companies

The exposure draft proposes that the requirement to prepare a remuneration report should be limited to only listed disclosing entities that are companies. Section 300A of the *Corporations Act 2001* currently applies to disclosing entities [listed and unlisted] that are companies.

Remuneration governance framework

The exposure draft proposes that the remuneration report should disclose a general description of the company's remuneration governance framework. The explanatory memorandum indicates that such disclosure should include a general description of the company's process for determining remuneration of KMP, including such information as the qualifications and experience of each member of the remuneration committee and changes in composition of the remuneration committee since the last report.

Retirement benefits

The exposure draft proposes that the remuneration report should disclose details of payments made to each KMP in relation to their retirement from the company, categorised as follows:

- statutory and other accumulated benefits to be given in connection with retirement, e.g., annual leave and long service leave
- other benefits to be given in connection with retirement
- benefits to be given following retirement from the company, where the retiring KMP will provide consultancy services to the company in the future.

Remuneration outcomes

The exposure draft proposes that the remuneration report should disclose remuneration for each KMP in three separate categories:

- the total amount of remuneration that was granted to the person before the start of the year and paid to the person during the year
- the total amount of remuneration that was granted, and paid, to the person during the year
- the total amount of remuneration that was granted to the person during the year (whether or not payment is dependent on satisfaction of a performance condition), that is not to be paid to the person until after the end of the year.

Alteration of remuneration arising from material misstatements

If the company becomes aware during the financial year of a material misstatement or omission in the company's financial statements in any of the previous three financial years, the exposure draft proposes that the remuneration report should disclose, for each KMP:

- the details of any reduction, repayment, or other alteration of the person's remuneration made, or to be made, because of the misstatement or omission; or
- if a reduction, repayment or alteration of the person's remuneration has not been made, and will not be made, because of the misstatement or omission — an explanation of why.

External links

- [Treasury website](#)

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