



DISCUSSION PAPER

Remuneration disclosure and reporting requirements

6 July 2022

Disclaimer Text

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Executive summary

In 2021, APRA finalised *Prudential Standard CPS 511 Remuneration* (CPS 511), which is intended to strengthen remuneration practices and increase the accountability of Boards at APRA-regulated entities for remuneration decisions. This was an important first step in enhancing the prudent management of incentives and consequences for poor risk outcomes.¹ The aim of disclosure and reporting requirements are to reinforce this approach.

APRA is consulting on disclosure and reporting proposals to support the implementation of CPS 511, which in combination, will provide greater transparency on remuneration practices across all APRA-regulated entities. The graphic below sets out the four key components of APRA's prudential remuneration reforms.



Disclosure requirements

The remuneration disclosures required under the Corporations Act and SIS Act provide some transparency of remuneration arrangements for some, but not all, APRA-regulated entities.² APRA's objective in setting disclosure requirements in CPS 511 is to improve the transparency of remuneration arrangements in a prudential context and facilitate more consistent comparisons across all APRA-regulated entities.

APRA proposes to require all APRA-regulated entities to publicly disclose information on remuneration design, governance and consequence management. These disclosures are intended to allow entities to transparently demonstrate how their remuneration practices have strengthened under CPS 511. In particular, CPS 511 disclosures will require entities to set out:

- how remuneration is aligned with performance and risk;

¹ See <https://www.apra.gov.au/consultation-on-remuneration-requirements-for-all-apra-regulated-entities>.

² See *Corporations Act 2001* (Cth) section 300A and *Superannuation Industry (Supervision) Act 1993* (Cth) section 29QB.

- consequence management for poor outcomes; and
- for variable remuneration, how non-financial measures have been incorporated in remuneration outcomes.

Detail of the required disclosures are set out in the proposed amendments to CPS 511, released alongside this discussion paper. In designing these proposals, APRA has had regard to the disclosure principles from international standard-setting bodies such as the Financial Stability Board (FSB) and the Basel Committee for Banking Supervision (BCBS).³ In addition, APRA has engaged with the Australian Securities and Investments Commission (ASIC) to ensure that existing remuneration disclosures that would apply to listed APRA-regulated entities and RSE licensees have been considered.

A proportionate approach

CPS 511 disclosure requirements will be proportional to account for entity size and the complexity of remuneration arrangements:

- larger entities would be required to set out how they have given material weight to non-financial measures in setting remuneration outcomes and disclose quantitative information on variable remuneration and deferrals for key executives and other specified roles such as material risk-takers; and
- smaller entities would only be required to make simplified qualitative disclosures on remuneration frameworks and governance.

APRA's expectation is that entities will meet their collective disclosure obligations in a concise, cost-effective and efficient manner, and explain how their remuneration framework promotes effective management of financial and non-financial risks. For example, an entity could decide to meet its Corporations Act or SIS Act disclosure requirements and CPS 511 disclosure requirements in the same document.

Reporting requirements

The proposed reporting requirements will underpin APRA's supervisory activity, to ensure remuneration practices at APRA-regulated entities remain aligned with risk, performance and long-term soundness. Having access to data on key aspects of remuneration addresses a gap highlighted by the Royal Commission.⁴

APRA also intends to utilise this new collection to regularly publish key quantitative information on variable remuneration across all APRA-regulated entities. This will enable

³ See FSB, *Principles for Sound Compensation Practices*, 2009, and, *Implementation Standards*, 2009, and Basel Committee for Banking Supervision, *Disclosure Requirements DIS 35 Remuneration*, December 2019. For banks, many of the proposed disclosure requirements are based on existing requirements in *Prudential Standard APS 330 Public Disclosure (APS 330) Attachment G – Remuneration*; updated to align with CPS 511.

⁴ The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, see <https://www.royalcommission.gov.au/banking/final-report>.

stakeholders to more easily compare and analyse information on variable remuneration and any adjustments arising from poor risk or performance outcomes.

Next steps

APRA requests responses to this consultation on the proposed disclosure and reporting requirements by 7 October 2022. Following review of industry feedback, APRA plans to finalise the requirements by the end of 2022.

APRA proposes that the disclosure and reporting requirements would take effect in line with the staggered implementation of CPS 511, that differ by entity size and industry. As disclosure and reporting requirements are on a financial year-end basis, public disclosure and reporting to APRA would occur after a full financial year under CPS 511. CPS 511 comes into force for authorised deposit-taking institutions (ADI) that are significant financial institutions (SFI) from January 2023; insurance and RSE licensee SFIs from July 2023; and for all other entities from January 2024.⁵ The proposed timing is set out in the diagram below.

Prudential standard CPS 511



Disclosure and reporting (indicative timeline)



APRA publication of key quantitative information (indicative timeline)



⁵ As with CPS 511, disclosure and reporting requirements are proposed to be on a financial year-end basis, commencing from the relevant staggered implementation dates. Once CPS 511 is in-force for an entity, the proposed disclosure and reporting requirements would be due four-months after the end of the entity's financial year. For example, for an ADI that is an SFI with a September year end, the first disclosure consistent with CPS 511 and reporting requirements would be due by the end of January 2025. APRA's proposed centralised publication would occur after all entities have commenced reporting under the proposed reporting collection.

Glossary

ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
APRA Act	<i>Australian Prudential Regulation Authority Act 1998</i>
APS 330	<i>Prudential Standard APS 330 Public Disclosure</i>
ASIC	Australian Securities and Investments Commission
BCBS	Basel Committee for Banking Supervision
Corporations Act	<i>Corporations Act 2001</i>
CPS 511	<i>Prudential Standard CPS 511 Remuneration</i>
CRS 511.0	<i>Draft Reporting Standard CRS 511.0 Remuneration</i>
EBA	European Banking Authority
FSB	Financial Stability Board
FSCODA	<i>Financial Sector (Collection of Data) Act 2001</i>
Non-SFI	Non-significant financial institution as defined in CPS 511
Privacy Act	<i>Privacy Act 1988</i>
PRA	UK Prudential Regulation Authority
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
RSE	Registrable superannuation entity
RSE licensee	Registrable superannuation entity licensee as defined in section 10(1) of the <i>Supervision Industry (Supervision) Act 1993</i>
SFI	Significant financial institution as defined in CPS 511
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>

Chapter 1 - Disclosure

Public disclosure of remuneration arrangements improves transparency, market discipline and reinforces accountability. As APRA has highlighted previously, many current remuneration disclosures lack clarity on how risk considerations have been factored into remuneration decisions, and how individuals in important roles are held to account for poor outcomes.⁶ Disclosures can also be difficult to compare across entities, which is an impediment to effective market discipline and could obscure transparency.

Disclosures that are aligned with the key objectives of CPS 511 will provide an important mechanism for entities to demonstrate to external stakeholders that they are meeting their obligations to prudently manage remuneration practices. This includes demonstrating that remuneration design and governance promotes effective management of financial and non-financial risks, and that there are remuneration consequences for poor performance or risk outcomes.

1.1 Overview of proposed requirements

APRA is proposing amendments to CPS 511 to set out disclosure requirements for all APRA-regulated entities. APRA's proposals are that:

- SFIs would be required to publicly disclose, on an annual basis, information on remuneration design, governance and quantitative information on remuneration outcomes. This includes how non-financial measures impact variable remuneration decisions, the remuneration outcomes of the Chief Executive Officer (CEO) and, on a cohort basis, the outcomes for individuals in specified roles. SFIs would also need to disclose deferral arrangements, outcomes and consequence management for the CEO and other specified roles;
- non-SFIs would be required to publicly disclose, on an annual basis, summary information on remuneration design, governance, and where offered, key aspects of variable remuneration. Non-SFIs would not be required to disclose any quantitative information for the purposes of CPS 511;⁷ and
- APRA would publish key quantitative information on remuneration outcomes, on a cohort basis for specified roles, for all APRA-regulated entities. This will enable consistent comparison across entities by interested parties and will utilise data from APRA's proposed data collection. The proposed data collection is discussed in Chapter 2. APRA's proposed publication is discussed in Chapter 3.

⁶ See [Response Paper, Strengthening prudential requirements for remuneration](#), November 2020, p36. Specified roles are defined in paragraph 18(u) of CPS 511.

⁷ RSE licensees would still be required to make quantitative disclosures under section 29QB of the SIS Act regardless of SFI or non-SFI status.

Disclosure requirements would take place after there has been a full financial year following the implementation date of CPS 511. APRA proposes that all entities disclose information on remuneration no later than four months after the end of their financial year. This is to align with other disclosure requirements that some APRA-regulated entities may have under the *Corporations Act 2001* (Corporations Act) or the *Superannuation Industry (Supervision) Act 1993* (SIS Act). Attachment A sets out a comparison of CPS 511 disclosure proposals with requirements under the Corporations Act or the SIS Act and how entities may adjust existing disclosure practices to incorporate the CPS 511 proposals.

APRA is proposing that disclosure requirements come into effect in line with the implementation date of CPS 511, which will differ for SFIs and non-SFIs. A high-level summary of the proposed disclosure requirements is set out below.

Table 1. Summary of proposed disclosure requirements

Category	SFI	Non-SFI
Governance	<ul style="list-style-type: none"> • Summary of Board oversight • Key findings and actions from the latest reviews of the remuneration framework 	<ul style="list-style-type: none"> • Summary of Board oversight
Design	<ul style="list-style-type: none"> • Primary design features of the remuneration framework • How material weight is applied to non-financial measures, including the proportion of variable remuneration that would be impacted by non-financial measures • Description of variable remuneration plans for specified roles 	<ul style="list-style-type: none"> • Primary design features of the remuneration framework
Deferral	<ul style="list-style-type: none"> • Overview of the deferral and vesting policy 	<ul style="list-style-type: none"> • No disclosure requirements
Consequence management	<ul style="list-style-type: none"> • Description of adjustment tools and how remuneration and risk outcomes are aligned • How consequence management is applied in the event of a material breach, or misconduct 	<ul style="list-style-type: none"> • How consequence management is applied in the event of a material breach, or misconduct
Quantitative disclosures	<ul style="list-style-type: none"> • Disclosures for CEO on an individual basis, and persons in specified roles on a cohort basis: <ul style="list-style-type: none"> - Fixed and variable remuneration outcomes - Special payments such as guaranteed bonuses, sign-on or severance payments - Deferral and adjustments relating to the financial year 	<ul style="list-style-type: none"> • No disclosure requirements

Category	SFI	Non-SFI
Implementation	<ul style="list-style-type: none"> Entities must publish disclosures no later than four months after the end of their financial year 	<ul style="list-style-type: none"> Entities must publish disclosures no later than four months after the end of their financial year

Proportionality

APRA is proposing a proportionate approach to remuneration disclosure requirements. SFIs would be subject to enhanced requirements for qualitative and quantitative disclosures to reflect that these entities are more likely to have complex remuneration arrangements and higher proportions of variable remuneration. This is in line with the heightened expectations within CPS 511 for SFIs, such as the requirements for minimum deferral periods of variable remuneration and for material weight to be given to non-financial measures in determining variable remuneration.

By imposing stronger disclosure on SFIs, APRA expects to improve the rigour with which Boards oversee remuneration practices. SFIs not only have more complex operations and incentive structures, but also have a greater impact and influence on market practices across the financial system.

Non-SFIs would still be required to provide some level of public disclosure on remuneration. These requirements are intended to be relatively simple and qualitative in nature, to reflect typically less complex remuneration arrangements. This approach seeks to balance the additional burden of detailed disclosures for non-SFIs with improving transparency and market practices on a consistent basis across all APRA-regulated entities.

Quantitative disclosures for SFIs

APRA is proposing that SFIs disclose quantitative information on remuneration, in line with the higher standards in CPS 511. This includes the disclosure of deferral and remuneration outcomes for staff in specified roles.⁸ For SFIs with staff in specified roles, APRA is proposing that quantitative remuneration disclosures cover the remuneration outcomes of:

- the CEO on an **individual** level;
- senior managers, highly paid material risk-takers and other material risk-takers at a **cohort** level; and
- risk and financial control personnel that report directly to senior managers at a **cohort** level.

It is important for Boards to be transparent on the remuneration outcomes of specified roles because they are individuals whose decisions and behaviours have the potential to materially

⁸ Specified roles are defined in CPS 511 as the CEO, other senior managers, highly paid material risk-takers, other material risk-takers and risk and financial control personnel. Individuals in these roles are recognised in CPS 511 as having the most material influence on and accountability for risk and performance outcomes.

impact the entity. In APRA's view, disclosing quantitative information about their remuneration outcomes, alongside qualitative disclosures on remuneration design and governance, will provide meaningful insight on how incentive design impacts risk and performance outcomes over time.

APRA is proposing to distinguish the CEO from other specified roles. This recognises the importance and accountability of the CEO for managing the business in a prudent manner. Under CPS 511, CEOs have longer and larger deferral requirements for variable remuneration, relative to other persons in specified roles.

The proposed requirements would allow entities to not disclose remuneration outcomes relating to specified role cohorts with fewer than five individuals, with the exception of the CEO. This is intended to address the risk that individual outcomes may be discernible from cohort disclosures where the cohort size is small.

Additionally, APRA recognises that the risk and financial control personnel cohort may be very large at some entities. For this cohort, APRA would require remuneration disclosures for risk and financial control personnel that report directly to senior managers rather than the entire cohort. Disclosure of this targeted population provides external stakeholders with clarity on how these risk functions are rewarded for the outcomes they are driving. Despite this targeted disclosure, Boards would still be required to oversee remuneration design and outcomes of the entire population of the risk and financial control cohort under CPS 511.

APRA's proposals seek to balance the value to the community and stakeholders from greater transparency of remuneration for persons in key roles at large and complex entities, with protecting the privacy of those individuals in relation to their remuneration information.

International comparisons

The table below compares the proposed CPS 511 requirements for SFIs with international approaches set by the UK Prudential Regulation Authority (PRA), the European Banking Authority (EBA), BCBS and the FSB. Where there are differences to other jurisdictions, these typically reflect differences in the underlying prudential requirements rather than in disclosure requirements alone: an example of this is the importance of weighting towards non-financial measures in CPS 511, which would be reinforced by the proposed disclosure requirements.

In line with international peers, APRA recognises the benefits of transparency in disclosure of the remuneration outcomes of senior management and material risk-takers, on an aggregate basis. APRA does not propose to require the granular breakdown of pay bands for highly paid material risk-takers. However, APRA proposes to place greater transparency on CEO remuneration and the remuneration of key risk and financial control personnel. This is intended to provide greater insight into how the principles-based requirements of CPS 511 are applied in practice. APRA's remuneration disclosure and reporting proposals also seek to incorporate findings from recent reviews of the FSB disclosure principles, and implementation standards on financial sector compensation reforms at peer regulators.⁹

⁹ See FSB, [Principles for Sound Compensation Practices](#), 2009, and, [Implementation Standards](#), 2009.

Table 2. International comparisons

Topic	Description of disclosure requirements	APRA	PRA	EBA	BCBS	FSB
Remuneration governance	Information on the remuneration committee, decision-making, and the use of consultants	✓	✓	✓	✓	✓
	Description of the inputs from the Risk Committee and the risk function in remuneration determination	✓	✗	✗	✗	✗
Remuneration design	Main components of remuneration, criteria used for assessment, deferral and vesting	✓	✓	✓	✓	✓
	How material weight has been applied to non-financial measures in the determination of variable remuneration	✓	✗	✗	✗	✗ [‡]
	How risk management outcomes are assessed and consequence management applied in the event of a material breach or misconduct	✓	✗ [†]	✗	✗	✗
Remuneration outcomes	Aggregate quantitative information on remuneration by cohorts of senior management and material risk takers	✓	✓	✓	✓	✓
	Separate disclosure for the CEO	✓	✗ [†]	✗ [‡]	✗	✗
	Remuneration of key risk and financial control personnel on an aggregate basis	✓	✗	✗	✗	✗
	Remuneration of highly paid material risk-takers by pay bands	✗	✓	✓	✗	✗
Deferrals	Description of how entities defer and adjust variable remuneration	✓	✓	✓	✓	✓
	Amount and form of variable remuneration that is reduced through adjustments	✓	✓	✓	✓	✓

[†] Non-PRA regulatory disclosure requirements for listed entities broadly incorporate these requirements.

[‡] Draft guidance to support Directive (EU) 2017/828 of the European Commission recommend listed entities disclose remuneration outcomes for the CEO and other executives individually.

[±] The FSB has noted that in the absence of regulatory requirements, an increasing number of firms were voluntarily disclosing more information in relation to non-financial measures.

1.2 Impact of proposed disclosure requirements

The impact of APRA's proposed disclosure requirements will vary by industry and between SFIs and non-SFIs. Entities with less complex or no variable remuneration, or with fewer specified roles, would be required to disclose less information than entities with more

complex remuneration arrangements or operations. APRA-regulated entities must already make changes to systems and governance to support the implementation of CPS 511, such as to support the decision making of the Board or the Board Remuneration Committee. Attachment A provides more information on the alignment of the proposed disclosure requirements in CPS 511 with other remuneration disclosures.

While the amount of information disclosed may change for some entities, APRA does not expect the incremental cost of disclosures itself to lead to a material increase in compliance costs for entities that comply with CPS 511. APRA welcomes feedback on the compliance costs of the proposals in this discussion paper.

1.3 Consequential amendments

APRA intends to remove remuneration requirements that sit in other areas of the prudential framework, so that remuneration requirements, including disclosures, are all housed within CPS 511. This includes:

- revoking the remuneration components in *Prudential Standard CPS 510 Governance* (CPS 510) and *Prudential Standard SPS 510 Governance* (SPS 510);
- phasing out Attachment G to *Prudential Standard APS 330 Public Disclosure* (APS 330) from 1 January 2024; and
- revoking *Prudential Practice Guide PPG 511 Remuneration* and *Prudential Practice Guide SPG 511 Remuneration*, which have been superseded by *Prudential Practice Guide CPG 511*, released in October 2021.

APRA is consulting this year on a revised APS 330 as part of the finalisation of the bank capital reforms. APRA is also in the process of finalising its consultation on centralising the definition of SFIs across the prudential framework.¹⁰ A consequence of that consultation would be amendments to CPS 511 to align and centralise the definition of SFIs and non-SFIs. A version of CPS 511 incorporating the disclosure and SFI proposals has been released alongside this discussion paper.

1.4 Balancing APRA's objectives

The *Australian Prudential Regulation Authority Act 1998* (APRA Act) requires APRA to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, promote financial stability in Australia.

APRA considers that, on balance, the proposals in this discussion paper will strengthen accountability for remuneration arrangements and outcomes, and in turn the incentives within APRA-regulated entities to effectively manage prudential risks, improving financial safety and financial system stability.

¹⁰ See APRA's consultation on [bank public disclosures](#) and on [proportionality and significant financial institutions](#).

PRIMARY OBJECTIVES	
Financial safety 	Financial system stability 
<p>Improved: Remuneration disclosure requirements increases accountability in regulated entities to demonstrate how incentives are aligned with their long-term soundness, in turn supporting prudent risk management. Reporting requirements supports APRA’s supervision of remuneration practices.</p>	<p>Improved: Increasing transparency of remuneration arrangements for all APRA-regulated entities supports market discipline and promotes sound remuneration practices. APRA’s ability to publish statistical data and insights using the proposed reporting collection supports greater comparability of remuneration practices.</p>
OTHER CONSIDERATIONS	
Efficiency 	<p>Improved: The proposals are expected to improve long-term efficiency by providing greater transparency on how APRA-regulated entities are aligning incentives, and on accountability for poor risk or performance outcomes.</p>
Competition 	<p>No change: The disclosure and reporting proposals are proportionate to the size and complexity of remuneration arrangements, and therefore are not expected to disadvantage smaller entities relative to larger competitors.</p>
Contestability 	<p>Marginally reduced: The proposals may have a negative impact on the ability of new entrants to attract and retain staff with relevant skills if there were greater public disclosure of remuneration arrangements. This would be most relevant to staff that would not have previously been subject to remuneration disclosure requirements in a previous role. The approach to privacy issues should, to some extent, counterbalance this.</p>
Competitive Neutrality 	<p>No change: The proposed remuneration disclosure and reporting requirements would not create an advantage for public sector entities relative to private sector entities in APRA-regulated industries.</p>

Chapter 2 - Reporting to APRA

To enable the proposed publication on remuneration, as outlined in Chapter 3 below, and supervision of CPS 511, APRA is also consulting on a proposed reporting standard. Reporting requirements on remuneration are set out in the draft *Reporting Standard CRS 511.0* (CRS 511.0), which would require all APRA-regulated entities to report qualitative and quantitative remuneration data. This is consistent with APRA's strategic initiative to enable data-driven decision making, which will broaden the scope of APRA's data collection to cross-industry and non-financial risks.

This new reporting collection on remuneration will provide granular and consistent data, to support supervision of CPS 511 and APRA publications on remuneration practices.

APRA acknowledges the sensitive nature of this data collection. Data will be collected via APRA Connect and would be subject to security and access controls. These will ensure that the collection meets obligations under section 56 of the APRA Act and the *Privacy Act 1988* (Privacy Act) surrounding the collection of personal information.

APRA's reporting requirements would be proportionate to the complexity of an APRA-regulated entity's remuneration arrangements. Entities with less complex or no variable remuneration, or with few specified roles, would report less data than those with more complex arrangements or operations. CRS 511.0 will have a staggered implementation date in line with CPS 511 and will be an annual collection of financial year-end data. APRA proposes that entities would submit data under CRS 511.0 four months after the end of their financial year, in alignment with the disclosure requirements discussed in Chapter 1.

2.1 Data to be collected

The proposed reporting requirements are based on a remuneration data study APRA conducted in 2021, which involved a sample of 15 entities across all APRA-regulated industries. Under CRS 511.0, APRA proposes to collect qualitative and quantitative information on entities' remuneration governance and variable remuneration design and outcomes. This would include information on specified roles, deferrals and consequence management. In many cases, entities already supply much of this data to third-party remuneration consultants for the purposes of benchmarking.

The proposed CRS 511.0 and a sample template have been released alongside this discussion paper. A high-level summary of the data items proposed in CRS 511.0 is set out below.

Table 3. High-level summary of CRS 511.0 reporting requirements

Category	Data item
Reporting consolidation	<ul style="list-style-type: none"> For ADIs and insurers, at the highest level of consolidation of the APRA-regulated entity level In the case of superannuation, at the RSE licensee level in respect of their business operations¹¹
Remuneration governance	<ul style="list-style-type: none"> Details of Board oversight and approval of remuneration policy, including consultation with risk Evidence of, and findings from, compliance and effectiveness reviews
Variable remuneration design	<p>Applies to entities that offer variable remuneration to specified roles¹²</p> <ul style="list-style-type: none"> Purpose of variable remuneration component Performance period of the variable remuneration component Number of employees eligible Forms of remuneration Description and weight given to non-financial measures for a variable remuneration component Total and risk-adjusted variable remuneration pool
Variable remuneration adjustments	<p>Applies to entities that offer variable remuneration to specified roles</p> <ul style="list-style-type: none"> Application of adjustment tools in determining the risk-adjusted variable remuneration pool Whether the Board exercised its discretion to challenge and override adjustment tools Variable remuneration triggers
Specified roles	<ul style="list-style-type: none"> Specified role titles, including whether the individual is an Accountable Person under the proposed Financial Accountability Regime Reporting level from the CEO, or functional equivalent Performance, risk and conduct ratings Level of fixed remuneration
Specified roles - variable remuneration outcomes	<p>Applies to entities that offer variable remuneration to specified roles, at the role level:</p> <ul style="list-style-type: none"> Weight of non-financial measures applied to variable remuneration Target and maximum variable remuneration Variable remuneration awarded pre- and post-adjustment(s) Actual variable remuneration deferred and vesting schedule Variable remuneration vested in the period Malus and clawback of variable remuneration

¹¹ As per paragraph 2 of CPS 511, an RSE licensee's business operations includes all activities of an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.

¹² APRA proposes that an APRA-regulated entity would only report those risk and financial control personnel that report directly to a senior manager, rather than for the entire cohort. This is aligned with the disclosure proposals for CPS 511.

Basis of collection and review

APRA proposes that CRS 511.0 data would be submitted on a licensed entity basis. APRA's objective is to ensure its remuneration data collection supports supervisory activity and facilitates appropriate benchmarking. APRA seeks entity feedback on how reporting can be designed to minimise duplication of reporting on specified roles across regulated entities in a group, while still meeting APRA's objectives to support the effective supervision of CPS 511.¹³

APRA does not propose to require external audit of remuneration data reported to APRA. However, the data must be subject to internal quality control, including processes and controls for the completeness and reliability of the information submitted. This would be part of the assurance given on compliance with applicable prudential requirements, and the reliability of data provided to APRA consistent with the *Financial Sector (Collection of Data) Act 2001* (FSCODA).

2.2 Determining CRS 511.0 data as non-confidential

APRA routinely publishes statistical information using data collected from entities. In APRA's view, greater transparency on remuneration outcomes supports market discipline and leads to better prudential outcomes. Publishing benchmarking data and insights could lead to greater scrutiny of remuneration practices across all APRA-regulated entities. In turn, this will support the ability of stakeholders to hold entities to account for prudent remuneration arrangements.

Data collected by APRA under FSCODA is protected information under section 56 of the APRA Act. APRA may only disclose protected information in accordance with the APRA Act, where APRA determines that all or a part of a reporting document does not contain confidential information under section 57 of the APRA Act. APRA can determine a reporting document as non-confidential if, after considering responses to the consultation, it considers that the benefit to the public from the disclosure of the reporting document outweighs any detriment to commercial interests that increased disclosure may cause.

APRA proposes to determine data collected under CRS 511.0 as non-confidential under section 57 of the APRA Act. This approach would allow APRA the flexibility to release statistical publications on remuneration or insights using aggregated entity-level data. The publication of specified role data, with the exception of CEO information, would be at a cohort level to minimise the risk of the identification of individual information. The proposed APRA publication is discussed in Chapter 3.

As part of this consultation, APRA invites representations on APRA's proposed approach to make the data collected under CRS 511.0 non-confidential.

Making a determination that all or part of a reporting document does not contain confidential information under section 57 of the APRA Act will not affect APRA's obligations under the Privacy Act to appropriately safeguard, manage and use this data.

¹³ In some cases, there may be data on specified roles that would be reported multiple times across licensed entity submissions. For example, this would be the case where the role of an executive is considered to be a material risk-taker at both a group and subsidiary level.

Chapter 3 - APRA publication

APRA publication on remuneration

The Royal Commission highlighted the loss of trust in financial entities. In building and maintaining trust, it is important that stakeholders, such as investors, advisors and the broader community have access to clear information on how key people at APRA-regulated entities, such as senior executives and material risk-takers, are being incentivised and held accountable for poor outcomes.

APRA proposes to publish quantitative statistics on remuneration outcomes for all APRA-regulated entities. As the data collection agency for the financial sector, APRA is uniquely placed to provide consistent and comparable data to increase transparency on remuneration at all APRA-regulated entities.

The APRA publication of quantitative remuneration data will support the proportionate approach to disclosure requirements for non-SFIs. The publication would utilise data drawn from the proposed CRS 511.0 reporting standard and provide aggregated information about specified roles on an entity level across all APRA-regulated industries. APRA would publish this information following the implementation of CRS 511.0. The proposed publication would facilitate benchmarking across regulated entities.

Tables 4 and 5 below set out the remuneration data items that APRA proposes to publish.

Table 4. Total remuneration outcomes for the financial year-end

	Data item	Type of data
	Fixed remuneration	
1	Number of employees on a full-time equivalent basis	Number
2	Total fixed remuneration	AUD
3	Average percentage increase in total fixed remuneration on previous financial year	Percentage
	Variable remuneration	
4	Number of employees, on a full-time equivalent basis, eligible for variable remuneration	Number
5	Number of employees, on a full-time equivalent basis, that received variable remuneration	Number
6	Total variable remuneration	AUD
7	of which: deferred	AUD
8	Average percentage increase on previous financial year	Percentage
9	Total remuneration	AUD

Table 4 would be repeated for the CEO and for each cohort of specified roles. APRA does not propose to collect data on the entire cohort of risk and financial control personnel, but instead on the risk and financial control that report directly to senior managers (see Chapter 2). The risk and financial control cohort in the publication would align with the data collected by APRA via CRS 511.0.

APRA also proposes to publish deferred and retained remuneration information to support greater transparency and comparability of deferred remuneration and consequence management, as set out in the table below.

Table 5. Variable remuneration outcomes for the financial year

	Data item	Type of data
1	Total amount of outstanding deferred variable remuneration post adjustments	AUD
2	<i>of which, CEO</i>	AUD
3	<i>of which, other senior managers</i>	AUD
4	<i>of which, material risk-takers that are not senior managers</i>	AUD
5	<i>of which, risk and financial control personnel that report directly to senior managers</i>	AUD
6	Total amount of other variable remuneration not deferred post adjustments	AUD
7	<i>of which, CEO</i>	AUD
8	<i>of which, other senior managers</i>	AUD
9	<i>of which, material risk-takers that are not senior managers</i>	AUD
10	<i>of which, risk and financial control personnel that report directly to senior managers</i>	AUD
11	Total amount of downward adjustments to variable remuneration	AUD
12	<i>of which, CEO</i>	AUD
13	<i>of which, other senior managers</i>	AUD
14	<i>of which, material risk-takers that are not senior managers</i>	AUD
15	<i>of which, risk and financial control personnel that report directly to senior managers</i>	AUD

Chapter 4 - Consultation and next steps

Consultation questions

APRA welcomes feedback on the proposed disclosure requirements, reporting requirements and centralised publication. The following questions are intended to identify specific areas for feedback that would assist APRA in finalising remuneration disclosure and reporting requirements. They are intended to support, but not limit, responses.

Table 6. Key questions

Topic	Questions
Disclosure requirements	<ol style="list-style-type: none">1. Do the proposed disclosures provide sufficient information to support greater transparency and market discipline on remuneration practices, and if not, how could they be improved?2. Are there any further items that should be disclosed, or items that should not be disclosed?3. What are the implementation challenges of APRA's disclosure proposals?4. How would RSE licensees seek to address the disclosure proposals in CPS 511 in a manner consistent with existing SIS Act obligations, particularly in relation to CEO disclosures?5. What is the appropriate level of assurance over disclosed information?6. What are the compliance costs of APRA's proposed disclosure requirements in CPS 511 and how could APRA reduce compliance costs and impacts?
Reporting requirements	<ol style="list-style-type: none">7. Are there any systems or implementation challenges with reporting remuneration data?8. What are views of interested parties on declaring CRS 511.0 to be non-confidential?9. What is the appropriate level of external assurance over remuneration data reported to APRA?10. What are the compliance costs associated with the proposed CRS 511.0? Do the reporting proposals meet APRA's objectives in an efficient and least-cost manner for industry?
APRA publication	<ol style="list-style-type: none">11. Is the proposed publication sufficient to provide comparability of remuneration outcomes across entities?12. What other remuneration data should APRA publish for all entities?13. Is the masking of small cohort sizes sufficient to address the risk that remuneration outcomes of individuals are discernible from published data?

Next steps

APRA invites written submissions on the proposals set out in this discussion paper and the accompanying proposed amendments to CPS 511 and draft CRS 511.0. Written submissions should be sent to policydevelopment@apra.gov.au by 7 October 2022 and addressed to:

General Manager, Policy
Policy and Advice Division
Australian Prudential Regulation Authority

Measurement of costs

Compliance costs are defined as direct costs to businesses of performing activities associated with complying with government regulation. Specifically, APRA is seeking information on changes to compliance costs incurred by businesses as a result of these proposals.

Consistent with the Government's approach, APRA will use the methodology behind the Regulatory Burden Measurement tool to assess compliance costs. This tool is designed to capture the relevant costs in a structured way, including a separate assessment of upfront costs and ongoing costs. It is available at <https://rbm.obpr.gov.au/>.

APRA requests that respondents use this methodology to estimate costs to ensure the data supplied to APRA can be aggregated and used in an industry-wide assessment. When submitting their costs assessment to APRA, respondents should include any assumptions made and, where relevant, any limitations inherent in their assessment. Feedback should address the additional costs incurred as a result of complying with APRA's requirements, not activities that entities would undertake regardless of regulatory requirements in their ordinary course of business.

Important disclosure notice – publication of submissions

All information in submissions will be made available to the public on the APRA website, unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under *the Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the APRA Act, and will therefore be exempt from production under the FOIA.

Attachment A: Alignment with other remuneration disclosures

Current remuneration disclosure requirements vary across APRA-regulated industries:

- ADIs currently have remuneration disclosure requirements set out in Attachment G to APS 330, which is aligned with internationally agreed minimum disclosure requirements for remuneration for banks;¹⁴
- RSE licensees are required to meet disclosure requirements under section 29QB of the SIS Act and *Superannuation Industry (Supervision) Regulations 1994 (Cth) Regulation 2.37*;
- Insurance companies do not currently have prudential remuneration disclosure requirements set by APRA; and
- APRA-regulated entities that are listed in Australia also have disclosure requirements for certain executive and director remuneration under section 300A of the Corporations Act.

In designing the proposed disclosure requirements in CPS 511, APRA has engaged with ASIC to ensure that existing remuneration disclosures that would apply to listed APRA-regulated entities and RSE licensees have been considered.

Where there are existing disclosure requirements under the Corporations Act or the SIS Act, the disclosure requirements under CPS 511 are intended to align, complement and facilitate greater transparency, rather than duplicate disclosures. Listed entities already disclose some remuneration details for key management personnel at an individual level. APRA's CPS 511 disclosure proposals would broaden this to specified roles and provide greater focus on how risk has influenced variable remuneration outcomes.

APRA does not expect there to be any changes to how entities comply with remuneration disclosure requirements under the Corporations Act or the SIS Act. APRA has not set out a prescribed format or layout for disclosures under CPS 511, providing entities the flexibility in determining how they can best meet APRA's proposed remuneration disclosure requirements, including the format and location. This may include expanding existing disclosures to incorporate CPS 511 requirements. That said, disclosures should be accessible and of high quality to ensure that interested stakeholders can constructively engage with the information.

Comparison with Corporations Act disclosures

Section 300A of the Corporations Act requires listed entities to prepare an audited remuneration report discussing both qualitative and quantitative information of the

¹⁴ See Basel Committee for Banking Supervision, *Disclosure Requirements DIS 35 Remuneration*, December 2019.

remuneration of key management personnel (KMP). At a high level, these requirements are that:

- qualitative information needs to include a discussion of the link between remuneration and the entity's overall performance;
- entities are required to disclose awards consistent with accounting standards; and
- remuneration granted during the year constituting short-term employee benefits, post-employment benefits, long-term employee benefits and termination benefits must be set out.

APRA has reviewed current remuneration disclosures for a sample of listed entities. Table 7 below sets out an indicative summary of how the proposed CPS 511 requirements would complement existing Corporations Act disclosures and enhance transparency for stakeholders. APRA has observed that many entities already make voluntary disclosures to provide more information to stakeholders, but this better practice is not yet consistent across all entities.

Table 7. Impact of proposed CPS 511 requirements on existing disclosure

Proposed CPS 511 requirements	How current entity disclosures would change for an indicative sample of entities to align with CPS 511 proposals	
	Listed ADI SFI	Listed insurance non-SFI
Qualitative disclosure		
Governance – oversight and governance of remuneration	Voluntary disclosure would typically address CPS 511 disclosure requirements	Minimal additions required (to add an explanation of board discretion)
Description of how remuneration framework aligns with risk and performance	Voluntary disclosure typically would address CPS 511 disclosure proposals	
Explanation of non-financial measures	Further additions required (how non-financial measures are incorporated into remuneration design)	N/A
Description of deferral and adjustments	Minimal additions required (to add adjustment process, triggers and deferrals for specified roles)	Voluntary disclosure typically addresses CPS 511 disclosure requirements
Explanation of which positions are considered specified roles	Minimal additions required (to disclose specified role cohorts beyond KMPs)	
Description of main variable remuneration plans for specified roles	Minimal additions required (to add the percentage of the cohort eligible and how awards are determined)	Minimal additions required (to add specified role definition beyond KMPs)

Proposed CPS 511 requirements	How current entity disclosures would change for an indicative sample of entities to align with CPS 511 proposals	
	Listed ADI SFI	Listed insurance non-SFI
Quantitative disclosure		
Fixed and variable remuneration outcomes for specified roles	Typically addressed by voluntary disclosure with minimal additions required (to add specified roles)	N/A
Special payments for specified roles	Minimal additions required (to add specified roles)	N/A
Remuneration outcomes, including deferrals or adjustments for specified roles	Further additions required (to add outstanding variable remuneration and amount of adjustment)	N/A

In summary, for this sample of entities, CPS 511 would complement existing disclosures, including disclosures made to meet the Corporations Act, and expand remuneration disclosures to more roles, and provide insight into how risk and non-financial measures have been incorporated in remuneration design and outcomes.

Comparison with SIS Act disclosures

Section 29QB of the SIS Act requires an RSE licensee to provide remuneration disclosures of executive officers or relevant individual trustees detailing each person's role and remuneration components.

APRA has reviewed current remuneration disclosures for a sample of RSE licensees under the SIS Act. The table below sets out a summary of how CPS 511 would complement existing disclosures and enhance transparency for stakeholders. Generally, due to the lack of complex variable remuneration in current remuneration structures in the superannuation industry, CPS 511 would not result in significant additional quantitative disclosures for most RSE licensees.

Table 8. Impact of proposed CPS 511 requirements for RSE licensees

Proposed CPS 511 requirements	How current RSE licensee disclosures would change for an indicative sample of entities to align with CPS 511 proposals	
	SFI RSE licensee	Non-SFI RSE licensee
Qualitative disclosure		
Governance – oversight and governance of remuneration	Further additions required (to add effectiveness reviews, input from risk, explanation of Board discretion)	Further additions required (to add input from risk, explanation of Board discretion)

Proposed CPS 511 requirements	How current RSE licensee disclosures would change for an indicative sample of entities to align with CPS 511 proposals	
	SFI RSE licensee	Non-SFI RSE licensee
Description of how remuneration framework aligns with risk and performance	Voluntary disclosure would typically address CPS 511 disclosure proposals	Low frequency and complexity of variable remuneration at RSE licensees limits what needs to be disclosed
Explanation of non-financial measures	Further additions required (how non-financial measures are incorporated into remuneration design)	N/A
Description of deferral and adjustments	Further additions required (to add adjustment process, triggers and deferrals for specified roles)	Further additions required (to add risk assessment in the absence of variable remuneration)
Explanation of which positions are considered specified roles	Minimal additions required (to add specified roles beyond executive officers)	
Description of main variable remuneration plans for specified roles	Further additions required (to add the percentage of the cohort eligible and how awards are determined)	Absence of variable remuneration limits what needs to be disclosed
Quantitative disclosure		
Fixed and variable remuneration outcomes for specified roles	Typically addressed by voluntary disclosure with minimal additions required (to add specified roles)	N/A
Special payments for specified roles	Minimal additions required (to add specified roles)	N/A
Remuneration outcomes, including deferrals or adjustments for specified roles	Further additions required (to add outstanding variable remuneration and amount of adjustment)	N/A

Stylised examples

The diagrams below set out stylised examples of how CPS 511 would complement existing remuneration disclosures required under the Corporations Act or SIS Act.

Figure 1 below sets out how CPS 511 would complement existing disclosures on remuneration plans of key executives. In summary, CPS 511 would provide greater insight into how remuneration plans are designed for a broader set of executives and risk-takers and how risk has influenced remuneration design and outcomes.

Figure 1. How disclosure of remuneration plans would change

Stylised remuneration plans for the CEO and other executives

		Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	
<i>Disclosures under the Corporations Act or SIS Act</i>	Chief executive officer	Max %	30%	10%	60%
		Vehicle	Cash	Shares	Shares
		Deferral	No deferral	Deferred for 1 year	Deferred for 6 years
Other Key Management Personnel or Executive Officers	Max %	40%	20%	40%	
	Vehicle	Cash	Shares	Shares	
	Deferral	No deferral	Deferred for 1 year	Deferred for 4 years	

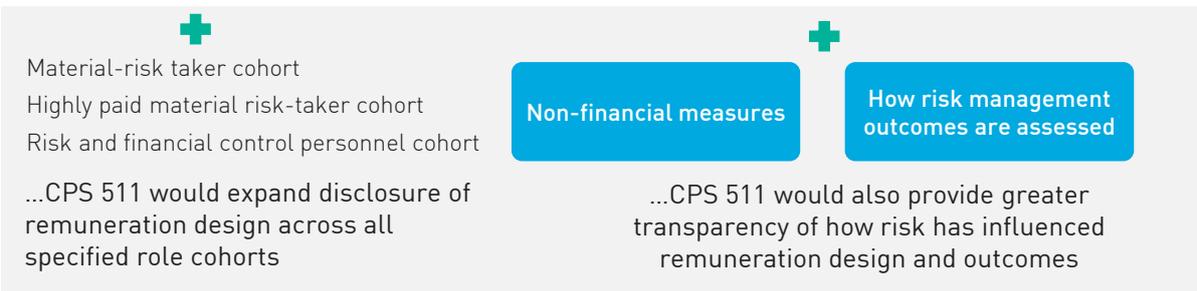
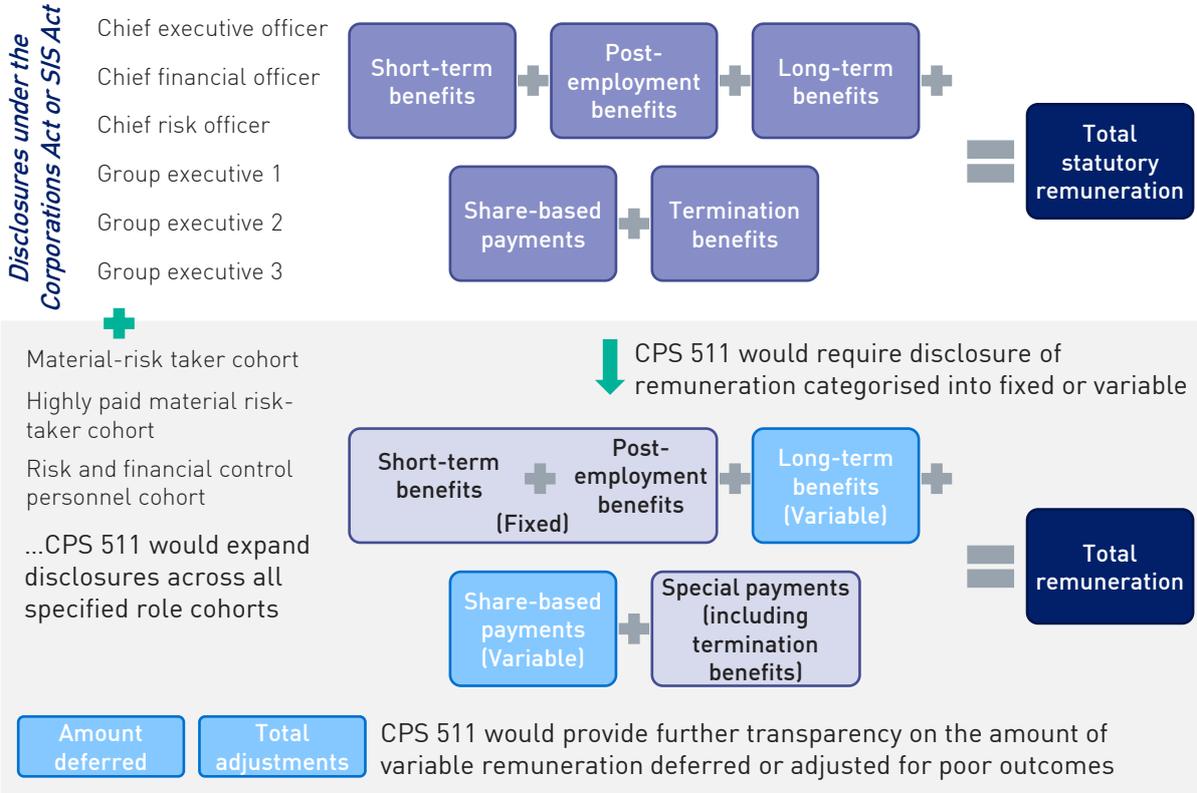


Figure 2 below sets out a stylised example of how CPS 511 disclosures would complement existing disclosures on remuneration outcomes. CPS 511 disclosures would increase transparency on the remuneration outcomes for all specified roles, and on how variable remuneration for these roles have been deferred and adjusted in the event of poor risk, performance or conduct outcomes.

Figure 2. Example of greater transparency on remuneration outcomes

Key management personnel (KMP) or Executive Officers (in the case of RSE licensees)



Attachment B: Policy options

This Attachment sets out three policy options APRA is considering for prudential disclosure and reporting requirements for remuneration, accompanied by a preliminary analysis of the costs and benefits of each option.

Any information provided in response to the request for cost-benefit information will be used to quantify the change in regulatory burden using the Government's Regulatory Burden Measurement Tool and inform APRA's determination of the net benefits of the options.

Table 9. Policy options

Option 1	No disclosure or reporting requirements. Current prudential remuneration disclosure requirements for the ADI industry will remain as per existing standards.
Option 2	Proportionate requirements: <ul style="list-style-type: none">• Introduce new APRA remuneration reporting requirements for all APRA-regulated entities.• Introduce new remuneration disclosure requirements only to significant financial institutions. Smaller and less complex entities would not be subject to disclosure requirements.
Option 3	Comprehensive requirements: <ul style="list-style-type: none">• Introduce new APRA remuneration reporting requirements for all APRA-regulated entities.• Introduce new disclosure requirements for all APRA-regulated entities in a proportional manner.

Option 1 – No disclosure or reporting requirements

Under Option 1, APRA would not introduce public disclosure requirements or reporting to support the implementation of CPS 511. For the ADI industry, APRA would retain current prudential remuneration disclosure requirements in APS 330. APS 330 is currently under consultation and APRA would need to amend its proposals to the revised APS 330 to retain remuneration disclosure requirements. Under APRA's APS 330 proposals, ADIs that are non-SFIs would not be subject to public disclosure requirements.

This option would not have a compliance impact on APRA-regulated entities. Only ADIs that are SFIs would continue to be subject to remuneration disclosure requirements, in alignment with internationally agreed BCBS requirements.

This option would not, however, support greater accountability or transparency of remuneration decisions at APRA-regulated entities. External stakeholders would not be able to readily assess whether remuneration practices have improved in line with the strengthening of prudential requirements under CPS 511.

For ADIs under Option 1, disclosure would also be limited on key factors such as the weighting applied to non-financial measures, deferral arrangements, the influence of risk in remuneration outcomes, and consequence management.

Without a consistent and regular reporting collection or disclosure, APRA's ability to effectively supervise prudent remuneration practices would be severely constrained.

Option 2 – Proportionate requirements

Under Option 2, entities determined by APRA to be SFIs would be required to publicly disclose remuneration information to external stakeholders. All APRA-regulated entities would be required to report remuneration information to APRA. That is, smaller or less complex entities would only be subject to reporting, but not public disclosure requirements. For non-SFIs that are ADIs, this would mean a removal of remuneration disclosure requirements in line with APRA's policy proposals for APS 330.

This option would result in public disclosure of remuneration for larger and more complex APRA-regulated entities. Relative to Option 3 below, however, there would not be public disclosures across all APRA-regulated entities. That said, APRA would receive regular reporting on remuneration information to support its supervision of APRA-regulated entities. Reporting requirements would be proportionate, as entities without complex remuneration arrangements would have a simpler set of reporting requirements.

Option 3 – Comprehensive requirements

Under this option, all APRA-regulated entities would be required to publicly disclose remuneration information to external stakeholders, and all entities would be required to report remuneration information to APRA. Option 3 is the option proposed in this discussion paper.

Option 3 supports greater consistency and public accountability for prudent remuneration practices at all APRA-regulated entities. Non-SFIs would not be required to publicly disclose quantitative remuneration information on specified roles which reduces compliance burden for those entities. Public disclosures would allow greater comparability of remuneration design and governance across all APRA-regulated entities. The compliance impact would be higher than under Option 2, and less proportionate, balanced against the benefits of greater transparency and accountability.



APRA