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General Manager, Policy  
Policy and Advice Division  
Australian Prudential Regulation Authority  
By email: [policydevelopment@apra.gov.au](mailto:policydevelopment@apra.gov.au)

Dear Sir/Madam

## **DISCUSSION PAPER - REMUNERATION DISCLOSURE AND REPORTING REQUIREMENTS – CPS 511**

Thank you for the opportunity to provide feedback in relation to the above consultation.

We understand that the disclosures proposed by APRA are intended to allow entities to transparently demonstrate how their remuneration practices have strengthened under CPS 511. We support the intent for entities to be transparent about how their remuneration practices are structured; our feedback is mostly concerned with the impact of the proposed standard on significant financial institutions (SFIs).

It is our view that entities should provide the required information to APRA, so that APRA can determine the appropriateness of remuneration arrangements in a prudential context; however, we do not believe that public disclosure of remuneration that goes over and above the Corporations Act is appropriate nor desirable.

We reiterate our strong concern from previous rounds of consultation, that the requirements of CPS 511 are likely to divert executive talent and investment away from the Australian financial services sector.

AIA Australia Limited is classed as an SFI for the purposes of CPS 511, and we also have an APRA-regulated private health insurance company, AIA Health Insurance, which is not classified as an SFI. We are part of the AIA Group Limited, which has a presence in 18 markets. Our parent company is listed on the Hong Kong Stock Exchange and as such is subject to the Hong Kong listing rules and disclosure requirements. Our comments in this letter are made with that global context in mind.

### **Public disclosure requirements are unnecessary overreach**

As an unlisted SFI, the extensive disclosure requirements proposed by APRA constitute a significant change. The burden of these additional requirements will be substantial, given the systems and process changes required to capture and report the data, as well as the additional auditing requirements.

Our parent company complies with public company regulations and disclosure requirements in Hong Kong. We do not believe that it is necessary or appropriate to extend an additional level of disclosure in Australia.

It is difficult to understand the public interest in the publication of the required information.

The discussion paper states that the disclosures “will provide an important mechanism for entities to demonstrate to external stakeholders that they are meeting their obligations to prudently manage remuneration practices.”

We question who the external stakeholders are that require this information, outside of the prudential regulator and (for listed companies) shareholders. For a wholly owned subsidiary as we are, this information should be relevant only to our Board, our parent company, and APRA.

There is information proposed to be disclosed that we believe is commercially sensitive and could reveal an organisation's strategy and competitive advantage – namely, design features of remuneration frameworks, non-financial measures and variable remuneration, and CEO remuneration.

Publication of quantitative remuneration – for CEOs on an individual basis and for specified roles on a cohort basis – may feel like an invasion of privacy to some and could make these roles less appealing to candidates.

Public disclosure of CEO remuneration also risks exposing organisations like ours to increased attempts at poaching, as competitors will be armed with information they would not otherwise possess. This places pressure on boards to increase CEO remuneration, which we believe is an unintended and presumably undesired outcome.

There is no question that APRA needs to have access to the remuneration details outlined in the discussion paper and we support this in order to help determine whether an entity's remuneration arrangements are producing appropriate incentives and outcomes. We would be very comfortable reporting this information to APRA, as we do a host of sensitive company information.

However, it is not clear to us how the publication of the proposed data on our corporate website will assist consumers, and therefore the public benefit in releasing the data may not outweigh the potential unintended consequences.

### **A global view of remuneration frameworks and requirements should be taken**

As we noted in earlier feedback on CPS 511 requirements, we are concerned that what has been proposed by APRA has gone further than international practices. The proposed disclosure requirements are broader than the international approaches set by the UK's Prudential Regulation Authority, the European Banking Authority, the Basel Committee on Banking Supervision and the Financial Stability Board.

To the extent that the requirements are likely to deter individuals, this will cause Australia to lag behind in terms of attracting and retaining talent.

### **The application of the requirements to groups of companies is uncertain**

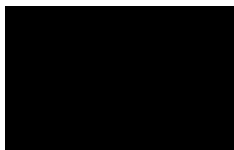
We would be grateful if there was greater clarification and guidance on the application of CPS 511 where there are multiple APRA-regulated entities in a group.

It is unclear how entities within the same group of companies are to report, where different requirements may apply to them (for example, SFI and non-SFI related entities, as AIA Australia and AIA Health Insurance are).

APRA may wish to clarify whether multiple APRA-regulated entities within the same group of companies must comply individually with the proposals, or whether the expectation is that all entities must comply collectively with the highest requirements required within the group.

Should you wish to discuss any aspects of our response please do not hesitate to contact [REDACTED], GM, Communications and Corporate Affairs in the first instance on [REDACTED] or [REDACTED].

Yours sincerely



[REDACTED]  
CEO and Managing Director  
AIA Australia