

Introduction

From 1 July 2014, as a result of the Stronger Super Reforms, a Registrable Superannuation Entity licensee ("RSE licensee") is required to make publicly available and to keep up to date at all times on its website, the remuneration details of executive officers and individual trustees ("EO information"). This is required under s 29QB of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act"). The prescribed details are included in the *Superannuation Industry (Supervision) Regulations 1994* ("SIS Regulations"). The superannuation law is prescribed and regulated by the Australian Prudential Regulatory Authority ("APRA"). APRA is responsible for the prudential supervision of superannuation entities and their trustees.

Separately, the Australian Accounting Standards, AASB 124 *Related Party Disclosures*, requires remuneration disclosures for key management personnel in the superannuation's annual financial statements ("KMP disclosures").

The Australian Securities & Investments Commission ("ASIC"), which is responsible for monitoring, regulating, enforcing corporations and financial services law and promoting market integrity and consumer protection, has also released a Consultation Paper ("CP219"). CP219 sets out to provide draft guidance for how remuneration on the superannuation's website may be kept up to date under s29QB of the SIS Act.

Below we look at the key differences and similarities between the AASB 124 and the SIS Act requirements for these remuneration disclosures and provide some recommended next steps to help you prepare for the impending reporting deadline.

Applicable entities

The EO information is required for all RSE licensees.

In most instances the RSE licensee is required to prepare and lodge audited general purpose

financial statements with APRA and ASIC. KMP disclosures are required for all general purpose financial statements. Additional conditions, including the requirement to prepare general purpose financial statements, are often imposed by APRA on RSE licensee under s 29EA of the SIS Act.

Publicly Available Information

Financial statements, which include KMP disclosures, that are lodged with ASIC are available from the ASIC website for a fee. The EO information is required to be publicly available on the RSE's website.

Timing of disclosures

Periods covered

The KMP disclosures included in the financial statements of the RSE licensee cover two years of information; the current financial year and the prior period's comparatives. Similarly, the EO information is required to include the two most recently completed financial year periods.

Reporting deadlines

The financial statements of an RSE licensee are generally required to be submitted to ASIC within four months after the financial year end.

The EO information published on the website of the RSE licensee must be "kept-up-to-date". CP219 considered some alternatives to what "kept-up-to-date" means. At the date of this paper, there has been no release of a class order or regulatory guide defining further the terms of "kept-up-to-date". However, we expect the release of further guidance on this in the coming months.

ASIC proposes to give trustees a 'safe harbour', so that they are taken to comply with the updated obligation in s 29QB if they disclose the EO information and update the fund's website within a specified time (i.e. 14 days). This would mean that the required remuneration information would need to be disclosed on the RSE licensee's website by 14 July 2014. This is more than three months

earlier than the submission of the KMP disclosures in the financial report.

Covered persons

KMP disclosures are required for personnel who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

EO information is required for a person who is concerned, or takes part, in the management of the entity. ASIC regards an executive officer as:

- a director of the RSE licensee, or
- a senior manager of the RSE licensee as defined in APRA's Prudential Standard SPS 520 *Fit and Proper*. Broadly, this is a person other than a director of the RSE licensee, who may significantly influence the RSE licensee's financial standing and or a substantial part of its business operations.

ASIC considers a Chief Executive Officer and General Manager of Risk Management to be executive officers. A Call Centre Manager, on the other hand, is generally not an executive officer, as he or she does not participate in decisions affecting a substantial part of the RSE licensee's business, nor have the capacity to significantly affect the RSE licensee's business operations or financial standing.

In most circumstances we would expect the persons captured under the KMP disclosures and the EO information to be the same, however, we recommend that RSE licensees review the roles and responsibilities of all relevant management and directors to ensure that the appropriate disclosures are made.

Relevant activities and allocation

KMP disclosures are required for compensation paid on behalf of the RSE licensee, in exchange for services rendered to the entity either directly or indirectly.

The SIS Regulations state that if an executive officer receives payment from a related entity for work performed for the RSE licensee then to the extent that the payment, benefit or compensation relates to that work it must be disclosed.

Therefore, when key management personnel and executive officers are paid a single salary in respect of services to more than one entity within the RSE licensee's group, the amounts paid should be allocated between the services provided to the different group entities for the purposes of their separate or individual financial statements.

There is no guidance provided by ASIC or contained in the Australian Accounting Standards on how an allocation may be performed.

Options may include:

- actual billing information on the services performed at each RSE licensee, or
- other means such as survey completed and signed by the key management personnel and executive officer which reasonably reflects the actual portion of services performed, or
- allocation based on FUM

Adequate supporting documentation and input from the KMP and executive officers should be obtained and retained on the RSE licensee's file. Further, any differences between the allocation for KMP disclosures and the EO information should be substantiated and explained in file.

Other

KMP disclosures are prepared on an accruals basis. KMP disclosures will include amounts payable at year end and exclude any prepayments.

The SIS Regulations require that the RSE licensee must apply the requirements of the relevant Australian Accounting Standards on the disclosed EO information in the website. As such, the EO information is similarly prepared on an accruals basis (rather than cash basis).

Disclosure requirements

We note that while AASB 124 requires aggregated disclosures for the remuneration of KMP, the SIS Act requires information on individual KMP for each of the different categories of remuneration.

The Stronger Super disclosures are modelled on the remuneration disclosure requirements for Australian listed companies under section 300A of the *Corporations Act 2001*.

In the table on the following page, we recommend the RSE licensees to consider the relevant disclosure requirements for its website under SIS Requirements (refer to column “EO Info (SIS) for websites”) and for its financial statements under the Australian Accounting Standards (refer to column “KMP (AASB) for financial statements”). The column to the far right of the table (referred to as “s300A Corps Act”) is not applicable to RSE licensees and is relevant to listed disclosing companies only. It has been included in the table for comparison purposes only.

Next Steps:

- *Review the definition of KMP and executive officer and assess which employees or officers will meet the definition such that their remunerations are captured and disclosed*
- *Review the allocation of compensation across multiple RSE licensees and ensure these are captured and disclosed appropriately for each relevant entities*
- *Retain adequate support in file to substantiate the disclosures*
- *Retain adequate support to explain, if applicable, the differences between KMP disclosures in the financial statements vs. that disclosed in the EO information on the website*
- *Revisit your systems and process capabilities to prepare for these disclosures*
- *Allocate adequate resources and time to prepare for these disclosures prior to the upcoming deadline*

RSE Executive Remuneration Disclosures



Disclosure Requirements	EO Info (SIS) for websites	KMP (AASB) for financial statements	s300A (Corps Act) listed companies only
General			
Name	✓	X*	✓
Position start and end date	✓	X*	✓
Position change details	✓	X*	✓
Payments and benefits			
The short-term employee benefits divided into: <ul style="list-style-type: none"> • cash salary, fees and short-term compensated absences; • short-term cash profit-sharing and other bonuses; • non-monetary benefits; • other short-term employee benefits 	✓***	✓**	✓
Post-employment benefits divided into: <ul style="list-style-type: none"> • pension and superannuation benefits; • other post-employment benefits 	✓***	✓**	✓
Other long-term employee benefits (i.e. incentive plan)	✓***	✓**	✓
Termination benefits	✓***	✓**	✓
Payments made as part of the consideration for the person agreeing to hold the position but paid before the person started to hold the position	✓***	X	✓
Share-based payments divided into: <ul style="list-style-type: none"> • equity-settled share-based payment transactions, showing separately shares and units and options and rights; • cash-settled share-based payment transactions; • all other forms of share-based payment compensation (including hybrids) 	✓***	✓**	✓
Compensation***			
Details of the terms and conditions of bonuses and share-based payments granted affecting compensation in the reporting period or a future reporting periods including: <ul style="list-style-type: none"> • grant date • nature of the compensation • criteria used to determine the compensation • alterations to terms and conditions since grant date • the percentage that was paid or vested during the year • the percentage forfeited by the person • the financial years that the bonus will become payable • estimate of the maximum and minimum total value for future financial years 	✓***	X	✓
Details of any contract for services between an RSE licensee and executive officer including how the amount of compensation was determined and how the terms of the contract may impact future compensation.	✓***	X	✓
Any alteration of share based payment terms: <ul style="list-style-type: none"> • the date of alteration • market price at alteration date • terms of compensation grant • new terms • differences in the total fair value before and after the alteration 	✓***	X	✓
Details of the options and rights over an equity instrument issued or issuable, including: <ul style="list-style-type: none"> • the number of options granted and vested • the terms and conditions of each grant including fair value, exercise price, any amounts paid or payable, expiry date, when the options can be exercised, and service and performance criteria 	✓***	X	✓
Details of any equity instrument that is issued or issuable by the entity which has been granted as compensation to a person <ul style="list-style-type: none"> • the number of equity instruments • the amount paid per instrument • the amount payable per instrument 	✓***	X	✓
If money for Director service is not paid to the Director, the amount paid for this service and the name of the organisation or entity to which this money is paid to.	✓***	X	✓

* Individual key management personnel information is no longer required due to AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

** Totals only

*** Payments, benefits and compensations received from a related entity of the RSE licensee for the services provided to the RSE licensee must also be included in the Super disclosures.

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