



# OWNERSHIP MATTERS

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General Manager, Policy  
Policy and Advice Division  
Australian Prudential Regulation Authority  
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**RE: Consultation on remuneration disclosure & reporting requirements under CPS 511**

Dear APRA,

Thank you for the opportunity to comment on APRA's draft proposals on remuneration disclosures & reporting under the new Prudential Standard 511. Ownership Matters (OM), formed in 2011, is an Australian owned governance advisory firm serving institutional investors. This submission represents the views of OM and not those of its clients.

OM supports the proposed remuneration disclosure requirements for APRA-regulated entities and agrees with APRA's assessment that much of the disclosure required by this standard is already provided in remuneration disclosures by listed APRA-regulated entities (OM's area of focus). The comments below highlight areas where the proposed disclosure requirements would be of particular benefit to users of these disclosures such as investors in listed APRA-regulated entities:

- **Adjustments for poor outcomes:** The most beneficial element of disclosure for investors is that required by paragraphs 70 & 71 and Table 4 in the proposed amendments to CPS 511 requiring disclosure by cohort of total downward adjustments to variable remuneration made in a year for the CEO, and then by cohort, other senior managers, material risk takers and risk & financial control personnel. At present disclosure of this type by listed entities is often vague and general, with OM's experience that directors of listed entities outside extreme circumstances – such as major public regulatory interventions by AUSTRAC – prefer to keep disclosure of specific adjustments relating to poor outcomes confidential. Even in cases such as that of Insurance Australia Group in 2020 & 2021, where the board disclosed adjustments of more than \$3mn in each of the two years across a range of individuals, the actual adjustments even for the former CEO were difficult to determine.
- Requiring this disclosure will enable investors to assess the rigour of a listed entity's approach to incorporating risk outcomes over time in remuneration. It will also be critical to make clear that such disclosure applies to staff who departed an entity during the year, or includes adjustments to variable pay retained by former staff, to ensure the information is complete. The requirement under paragraph 71 for entities to disclose the “main trigger” for adjustments will also be beneficial as it should prevent entities relying on generic descriptions of ‘past risk failures’.

- **Disclosure by cohort:** This proposed required disclosure for groups where remuneration outcomes are typically not reported to investors in listed APRA-regulated entities will also be beneficial. Investors will be able to ascertain if downward adjustments to current year or prior incentives are confined only to staff below the most senior manager level and whether this pattern is consistent. Conversely, at an entity where risk adjustments are regularly applied only to the most senior group of executives investors would also be able to seek additional information from a listed entity as to why other groups – such as highly paid material risk takers, for example - do not receive similar adjustments.
- Compulsory disclosure of this information may also encourage greater rigour in consequence management by boards as it will be visible not only to external parties such as investors but also to employees. This will create an incentive for boards and senior management to ensure adjustments are consistent across the employee cohort but also, done well, demonstrate to employees generally that adjustments for poor outcomes from poor risk management are real.

In relation to the specific guidance sought by APRA as to policy options, OM supports policy option 3 where disclosure requirements are comprehensive but with disclosure requirements introduced in a proportionate manner by APRA. In addition to APRA and investors in large listed entities, depositors and policyholders in smaller entities should still be able to gain an understanding through public disclosures of how risks are managed via remuneration in the entities holding their trust, although the disclosure required by these entities need not be as detailed and comprehensive as that provided by systemically important institutions. OM also supports APRA's initial view that CRS 511 data be non-confidential, allowing APRA to publish "statistical publications on remuneration or insights using aggregated entity-level data".

Please feel free to contact us concerning any aspect of our submission. For the avoidance of doubt we are happy for our submission to be made public.

Yours sincerely,



Ownership Matters Pty Ltd