

EXPOSURE DRAFT

EXPLANATORY STATEMENT

Corporations Amendment (Remuneration Disclosures) Regulation 2014

The purpose of the proposed amendments is to achieve the policy objectives of the *Corporations and Related Legislation Amendments Regulation 2013 (No. 1)* (the Regulation Amendment) which amended, amongst other things, the disclosures that companies were required to make in relation to the remuneration of key management personnel.

It is proposed that the following amendments to the *Corporations Regulations 2001* (the Regulations) be made:

- limiting disclosure of equities that relate to the disclosing entity to reduce the unintended burden of requiring disclosure on all equity holdings;
- requiring certain remuneration disclosures to be separated into classes of equity instruments in order to increase the usefulness of the information;
- clarifying the scope of the disclosures in relation to certain limited-recourse loans to ensure that the scope of disclosures is consistent with accounting practices; and
- minor amendments to ensure consistency between these provisions and existing reporting requirements.

Remuneration disclosures draw shareholder attention to the possibility that company financial position and profit and loss may be affected by such transactions. The Regulations identify the remuneration disclosures relating to transactions between key management personnel (KMP), or related parties that exert control or influence, and the listed entity, for inclusion in the Remuneration Report.

The proposed amendments seek to address potential issues relating to the unintentional expansion, and the reduced clarity, of remuneration disclosures following the entry into effect of the Amendment Regulation.

Proposed Amendments

Minor amendments

The proposed amendment clarifies that the disclosures required by subregulation 2M.3.03(1) apply to disclosing entities. [*Schedule 1, Item 1 and 4*]

The proposed amendment restructures certain Items in the table in 2M.3.03(1) to ensure that these are dealt with consistently. [*Schedule 1, Item 2*]

Disclosures relating to equity instruments

Item 18 of subregulation 2M.3.03(1) currently requires the disclosure of information relating to “any equity instrument (other than an option or a right) held by each key management person...”.

EXPOSURE DRAFT

The proposed amendment limits disclosures under Item 18 to equity instruments issued or issuable by the disclosing entity, ensuring that only relevant disclosures are included in the Remuneration Report. *[Schedule 1, Item 2]*

Disclosures relating to classes of equity instruments

Subregulation 2M.3.03(3) currently requires certain disclosures relating to equity instruments (Items 15 and 16) to be separated into classes of equity instrument. However, similar Items inserted by the Amendment Regulation (Items 17, 18 and 19) are not subject to this provision, requiring that companies produce aggregate, and less useful, information.

The proposed amendment changes the scope of subregulation 2M.3.03(3) to include the disclosures relating to classes of equity instruments inserted by the Amendment Regulation (Items 17, 18 and 19) to ensure that relevant company information is disclosed and prevent inconsistencies between disclosures of similar information. *[Schedule 1, Item 3]*

Disclosures relating to non-recourse loans

Subregulation 2M.3.03(3A) currently excludes non-recourse loans from the remuneration disclosures required in relation to loans offered by the disclosing entity to certain persons, including KMP. This clarifies that the same loan does not have to be disclosed both in relation to remuneration and in relation to loans to employees.

The original accounting standard excluded “*loans involved in transactions that are in substance options, including non-recourse loans*” from remuneration disclosures relating to loans.

The proposed amendment clarifies the operation of subregulation 2M.3.03(3A) to ensure that it replicates the operation of the original accounting standard, to prevent unnecessary changes in company disclosure practices. *[Schedule 1, Item 5]*

Application

The amendments made by Schedule 1 of the Regulation Amendment will apply in relation to financial years ending on or after the day the instrument enters into effect. *[Schedule 1, Item 7]*