

New RSE remuneration reporting and governance requirements

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Applicable for Registrable Superannuation Entities and RSE Licensees

As reported in our **Reporting Update [23RU-10](#) *What's new for superannuation reporting in 2023***, in scope registrable superannuation entities (RSEs) are now subject to the reporting requirements set out in Chapter 2M of the Corporations Act 2001 (Cth) (Corporations Act). One of the specific requirements for an RSE is to prepare an Annual Directors' Report that sets out certain prescribed information, including the Remuneration Report of Key Management Personnel for the RSE.

In conjunction with the above, RSE licensees will also need to consider the requirements of the new Financial Accountability Regime (FAR) as well as APRA Prudential Standard CPS 511 *Remuneration* (CPS 511).

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Registrable Superannuation Entities and RSE Licensees

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In conjunction with the above, RSE licensees will also need to consider the requirements of the new Financial Accountability Regime (FAR) as well as APRA Prudential Standard CPS 511 Remuneration (CPS 511).

Financial Accountability Regime

The Financial Accountability Regime Bill 2023 (FAR), which received Royal Assent on September 2023, imposes a strengthened responsibility and accountability framework for entities in the banking, insurance and superannuation industries and their directors and senior executives. The FAR is designed to improve the risk and governance cultures of Australia's financial institutions.

The FAR, which replaces the Banking Executive Accountability Regime, is jointly administered by APRA and ASIC. RSE licensees have to ensure compliance with FAR from March 2025.

Under FAR, there are implications on the remuneration of Accountable Persons. For example, FAR will require at least 40% of the variable remuneration of Accountable Persons to be deferred for a minimum of 4 years (with cliff-vesting after 4 years). Variable remuneration must be reduced by an amount that is proportionate to any failure to comply with the accountability obligations under the regime.

¹ Note that the requirement for an RSE licensee to publish an executive officer's remuneration on its website under section 29QB of the Superannuation Industry (Supervision) Act 1993 (Cth) has now been repealed. However, the RSEs are required to make the Annual Directors Report, which includes the Remuneration Report, and other fund information available on the website within the relevant timeframe required by the Corporations Act.

Prudential Standard CPS 511 *Remuneration*

CPS 511 requires an RSE licensee to maintain a remuneration framework that promotes effective management of financial and non-financial risks, ensure remuneration outcomes are commensurate with performance and risk outcomes, and to publicly disclose certain remuneration information.

The applicable requirements under CPS 511 will depend on the size of the RSE. For example, if an RSE is a “significant financial institution”, the RSE licensee must disclose the remuneration outcomes for a financial year for specific personnel, including the CEO, Senior Managers and Material Risk-Takers.

Like FAR, CPS 511 also requires the deferral of variable remuneration. For example, at least 40% of the variable remuneration for a senior manager and executive director (other than a CEO) must be deferred over a minimum deferral period of 5 years, vesting no faster than on a pro-rata basis and only after 4 years.

Interaction between requirements

As can be seen, there are similar and sometimes overlapping obligations between the abovementioned remuneration-related requirements. For example, Chapter 2M of the Corporations Act require reporting of certain remuneration details to ASIC, while CPS 511 require disclosure of remuneration outcomes on its website. RSE licensees should ensure that any overlapping information is consistent.

In addition, RSE licensees should consider the definition of Key Management Personnel (Corporations Act), Accountable Persons (FAR) and Senior Manager and Material Risk-Taker (CPS 511) and how these concepts overlap or differ when complying with the respective requirements.

Given that the above regulatory requirements cover similar ground, RSE licensees will need to be mindful of each to ensure consistency in their approach.

Action now

- RSE licensees will have to revisit their remuneration, governance, compliance and risk policies to ensure consistency in their approach to complying with the Corporations Act, FAR and CPS 511.
- RSE licensees should consider the definition of Key Management Personnel (Corporations Act), Accountable Persons (FAR) and Senior Manager and Material Risk-Taker (CPS 511) and how these concepts overlap or differ when complying with the respective requirements.
- RSE licensees will have to be ready to report how Key Management Personnel are being remunerated by 30 June 2024 as this will be disclosed in the 2024 annual reports of RSEs which will be lodged with ASIC.

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