

Supplementary Requirements for Disclosure of GOC Directors and Chief and Senior Executives Remuneration

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1.0 Background

On 15 December 2009, the Australian Accounting Standards Board (AASB) updated and issued Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) under section 334 of the *Corporations Act 2001*.

On 7 July 2011, the AASB issued an amending standard AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*. This removes all the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3 and applies to relevant reporting entities from their first annual reporting period beginning on or after 1 July 2013 with early adoption not permitted.

In mid-2012 Queensland Treasury provided advice to Government-owned corporations (GOCs) that modified the disclosure requirements as set out in the *Minimum Disclosure Requirements for Directors and Chief and Senior Executives of GOCs* for application to reporting periods 2011-12 and 2012-13. This advice also signalled that the *Minimum Disclosure Requirements for Directors and Chief and Senior Executives of GOCs* would be updated in the context of the AASB.

2.0 Purpose

This updated guidance clarifies the supplementary Key Management Personnel (KMP)-related remuneration disclosures that will continue to be required of GOCs beyond the requirements applied by AASB 124 for reporting periods beginning on or after 1 July 2013.

3.0 Application

All GOCs, Queensland Rail, Seqwater, and their respective and subsidiaries are to adopt the supplementary disclosure requirements as set out in this guidance document, unless otherwise indicated below. Additional disclosures as set out in this guidance document are to be made in the financial report section of the annual report. The guidance set out in this document reflects the minimum disclosure requirements expected of GOCs. A GOC may provide additional information where it considers it to be useful.

4.0 Definitions

AASB 124 provides definitions (e.g. compensation; KMP) that should be used to guide a GOC's compliance with the additional disclosure requirements set out in this document.

5.0 Additional Disclosure Requirements

The supplementary disclosure requirements applying to GOCs are to be based on paragraphs Aus29.2 to Aus29.9.3 (as extracted below) from AASB124 *Related Party Disclosures* December 2009 made by the AASB on 15 December 2009 under section 334 of the *Corporations Act 2001*.

Extract

Aus29.2 The following details about each key management person shall be disclosed:

- (a) the name of the person;
- (b) the position held; and
- (c) where the period of responsibility is less than the reporting period, the date or dates identifying the period of responsibility.

Aus29.3 If any of the following changes occur after the reporting period and prior to the date when the financial statements are authorised for issue, the name, position and date for each person involved shall be disclosed for:

- (a) each change in the chief executive officer and *directors* of the entity; and
- (b) the retirement of any key management person (other than a director or chief executive officer).

Compensation

Aus29.4 For each key management person, the following components of the categories required by paragraph 17, shall be disclosed:

- (a) short-term employee benefits. Amounts in this category shall be divided into at least the following components:
 - (i) cash salary, fees and short-term compensated absences;
 - (ii) short-term cash profit-sharing and other bonuses;
 - (iii) non-monetary benefits; and
 - (iv) other short-term employee benefits;
- (b) post-employment benefits. Amounts in this category shall be divided into at least the following components:
 - (i) pension and superannuation benefits; and
 - (ii) other post-employment benefits;
- (c) other long-term employee benefits, separately identifying amounts attributable to long-term incentive plans;
- (d) termination benefits; and
- (e) share-based payment. Amounts in this category shall be divided into at least the following components:
 - (i) equity-settled share-based payment transactions:
 - (A) shares and units;
 - (B) options and rights;
 - (ii) cash-settled share-based payment transactions; and
 - (iii) all other forms of share-based payment compensation (including hybrids).

Principles of Compensation

Aus29.5 The following details concerning the compensation of each key management person shall be disclosed:

- (a) discussion of board policy for determining the nature and amount of compensation of key management personnel of the entity;
- (b) discussion of the relationship between such policy and the entity's performance;
- (c) if an element of the compensation of a key management person is dependent on the satisfaction of a performance condition:
 - (i) a detailed summary of the performance condition;
 - (ii) an explanation of why the performance condition was chosen;
 - (iii) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and
 - (iv) if the performance condition involves a comparison with factors external to the entity:
 - (A) a summary of the factors to be used in making the comparison; and
 - (B) if any of the factors relates to the performance of another entity, of two or more other entities or an index in which the securities of an entity or entities are included – the identity of that entity, of each of those entities or of the index;
- (d) for each grant of a cash bonus, performance-related bonus or share-based payment compensation benefit, whether part of a specific contract for services or not, the terms and conditions of each grant affecting compensation in this or future reporting periods, including:
 - (i) the grant date;
 - (ii) the nature of the compensation granted;
 - (iii) the service and performance criteria used to determine the amount of compensation; and
 - (iv) if there has been any alteration of the terms or conditions of the grant since the grant date, the date, details and effect of each alteration;
- (e) for each contract for services between the key management person and the disclosing entity (or any of its subsidiaries), such further explanations as are necessary in addition to those prescribed in subparagraphs (c) and (d) to provide an understanding of how the amount of compensation in the current reporting period was determined and how the terms of the contract affect compensation in future periods;
- (f) if an element of the compensation consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the compensation is not dependent on the satisfaction of a performance condition;
- (g) an explanation of the relative proportions of those elements of the person's compensation that are related to performance and those elements of the person's compensation that are not; and
- (h) if the person is employed by the entity under a contract – the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the contract.

Modification of Terms of Share-based Payment Transactions

Aus29.6 *Not Applicable*

Equity Instruments

Different Classes to be Separately Identified

Aus29.7 *Not Applicable*
 Aus29.7.1 *Not Applicable*

Equity Instruments Provided on Exercise of Options and Rights Granted as Compensation

Aus29.7.2 *Not Applicable*

Options and Rights Holdings

Aus29.7.3 *Not Applicable*

Equity Holdings and Transactions

Aus29.7.4 *Not Applicable*
 Aus29.7.5 *Not Applicable*

Loans

Aus29.8 *Not Applicable*
 Aus29.8.1 *Not Applicable*
 Aus29.8.2 *Not Applicable*

Other Transactions and Balances

Aus29.9 In respect of transactions during the reporting period between the disclosing entity and any of its subsidiaries and key management personnel, a close member of the family of those personnel, or an entity over which any of these persons have, directly or indirectly, control, joint control or significant influence, other than transactions covered by paragraphs Aus29.4 to Aus29.8.1 or excluded by paragraph Aus29.9.3, the following details shall be disclosed:

- (a) each type of transaction of different nature;
- (b) the terms and conditions of each type of transaction or, where there are different categories of terms and conditions within each type, the terms and conditions of each category of transaction; and
- (c) for each type of transaction or, where there are different categories within each type, each category of transaction:
 - (i) the names of the persons involved; and
 - (ii) the aggregate amount recognised.

Aus29.9.1 In respect of each aggregate amount disclosed in accordance with paragraph Aus29.9, the following details shall be disclosed:

- (a) the total of amounts recognised as revenue, separately identifying where applicable the total amounts recognised as:
 - (i) interest revenue; and
 - (ii) dividend revenue;
- (b) the total of amounts recognised as expense, separately identifying where applicable the total amounts recognised as:
 - (i) interest expense; and
 - (ii) write-downs of receivables and allowances made for doubtful receivables; and
 - (iii) any further disclosures necessary to provide an understanding of the effects of the transactions on the financial statements.

Aus29.9.2 In respect of assets and liabilities at the end of the reporting period recognised in relation to transactions identified in accordance with paragraph Aus29.9, disclosure shall be made of:

- (a) the total of all assets, classified into current and non-current assets and, where applicable, any allowance for doubtful receivables at the end of the reporting period; and
- (b) the total of all liabilities, classified into current and non-current liabilities.

Aus29.9.3 Transactions with and amounts receivable from or payable to a key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence, are excluded from the requirements of paragraphs Aus29.9 to Aus29.9.2 when:

- (a) they occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person;
- (b) information about them does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the key management person; and
- (c) they are trivial or domestic in nature.

[Extract ends]