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General Manager, Policy
Policy and Advice Division
Australian Prudential Regulation Authority

By email: policydevelopment@apra.gov.au

APRA Remuneration disclosure and reporting requirements

Industry Super Australia (ISA) is a collective body for funds that carry the Industry SuperFund symbol. ISA manages research, advocacy and collective projects on behalf of those funds and their five million members. Our aim is to maximise the retirement savings of nearly five million industry super members.

ISA welcomes the opportunity to comment on APRA's Discussion Paper on Remuneration Disclosure and Reporting Requirements.

ISA has consistently advocated for transparency in the superannuation industry, including in relation to remuneration structures. The way that remuneration is set creates important incentives for how funds make decisions and treat their members.

ISA is generally supportive of the proposed disclosure and reporting requirements. The emphasis and scrutiny placed on variable remuneration structures in particular is warranted, and the integration of both financial and non-financial risks within remuneration structures is welcome.

However, further clarity from APRA is required on how data provided by funds will be used and secured, and how these reporting and disclosure requirements will interact with other reporting frameworks.

Prudential Standard CPS 511

ISA lodged a submission as part of APRA's process of drafting and finalising Prudential Standard CPS 511 in which we advocated for a number of inclusions and amendments to strengthen Prudential Standard CPS 511.¹ We are pleased that many of these were adopted.

While there are some aspects of CPS 511 that could be further strengthened and improved, ISA's views in this submission are confined to the proposed reporting and disclosure requirements intended to support the implementation of the current standard.

Disclosure requirements

ISA supports the emphasis on both financial and non-financial measures in determining variable remuneration, and remuneration frameworks that promote sustainable long-term performance and

¹ ISA 2019, Strengthening Prudential Requirements for Remuneration, Submission to APRA, at: <https://www.industrysuper.com/media/strengthening-prudential-requirements-for-remuneration-cps-511/>

effective management of financial and non-financial risks. This supports the effective management of all relevant risks and reinforces the importance of non-financial measures.

It is positive to see variable remuneration is a key focus of CPS 511 and the proposed disclosure requirements given the adverse findings by the Royal Commission into Banking, Superannuation and Financial Services Industry around this form of remuneration arrangement.

As noted in the Discussion Paper, complex variable remuneration is not common in the superannuation industry, particularly in profit-to-member industry funds. The limited pool of funds that offer variable remuneration might limit meaningful analysis. While significant additional quantitative disclosures are therefore unlikely to be required, multiple disclosure requirements inevitably create additional compliance work. To avoid regulatory duplication, it will be important to align these proposed requirements with existing SIS Act requirements as well as the upcoming introduction of the Financial Accountability Regime. APRA could consider delaying commencement to ensure alignment.

In determining whether an entity is a Significant Financial Institution and therefore subject to the additional prudential standards and reporting requirements, ISA urges APRA to exercise its determination powers and have closer regard to entities that form part of broader corporate structures, not just those which hold assets of \$30 billion or more. As APRA acknowledges, size per se is not a reliable indicator of complexity in operations. ISA has previously suggested a better alternative to guide disclosure requirements could be salary and variable remuneration quantum thresholds.

Reporting requirements

As noted in the Discussion Paper, remuneration data is highly sensitive and commercial-in-confidence. In light of this, further information is needed from APRA on the following:

- ▶ The security and access arrangements that will apply to data supplied by funds. A number of recent high-profile data security breaches such as the Optus data breach have given funds a heightened sense of the risks around data storage.
- ▶ The purpose of collecting data on specified roles when it is only proposed that information will be published at an aggregated level. This is also linked to concerns around data security, and the sensitivity around holding data on individuals when it is only proposed to publish data in aggregated cohorts.
- ▶ The form and manner in which the data will be published. How entity-level data is published, and how cohort-based data will be presented, could have implications for confidentiality and the potential to discern the remuneration outcomes of individuals. ISA suggests further consultation with the industry on this point.

Please contact me if you have any questions in relation to this submission.

Yours sincerely

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Senior Policy Adviser, Economics
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