

## WHAT'S NEW FOR THE 2011 COMPANY REPORTING SEASON?

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As the annual reporting season is once again upon us, it is timely to review some of the new and varied reporting obligations that will be relevant for our listed company clients in 2011.

### Remuneration Report

#### *Legislative Changes*

Two recent changes to the *Corporations Act* may affect your remuneration report content:

- the prohibition of key management personnel and their closely related parties from entering into hedging arrangements for incentive remuneration; and
- the requirement for a company's annual report to include a statement about whether the board is satisfied that the recommendations of a remuneration consultant were made free from any undue influence by the key management personnel to whom the recommendation relates and the board's reasons for being satisfied of this.

Although these legislative changes don't come into practical effect until next year's reporting season, it is good practice for this year's remuneration report to discuss the effect of, and the board's response to, both the prohibition on hedging incentive remuneration and the restrictions applying to remuneration consultants.

The 2011 remuneration report must still disclose the company's policy on incentive remuneration hedging.

Following legislative changes last year, directors' reports for listed managed investment schemes (as well as listed companies) are now required to include a review of the operations and financial position of the entity.

#### *Regulatory Guidance*

As listed companies prepare for the release of their 30 June 2011 financial reports, ASIC has called for companies to provide more clarity on the remuneration arrangements for their directors and executives. ASIC has identified areas for improvement in 2011 remuneration reports:

- the board's policy on the nature and amount of remuneration of the key management personnel;
- the non-financial performance conditions in short-term incentive plans;
- why performance conditions have been chosen; and
- the terms and condition of incentive plans.

ASIC has identified these areas of improvement based on its review of 60 remuneration reports in 2010.

To assist directors in the preparation of this year's report, ASIC has given some illustrations of what it considers "better examples of disclosure". ASIC recommends that directors prepare this year's reports with the overriding objective in mind of explaining the relationship that exists between company performance and remuneration of executives.

For more details on ASIC's 2011 remuneration report improvements click [here](#).

## Corporate Governance Reporting

On 30 June 2010, the ASX Corporate Governance Council (**Council**) released amendments to its Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings.

These amendments only apply to reports relating to financial years beginning on or after 1 January 2011. However, companies have been encouraged to adopt and transition to the amended principles this year.

Where a listed entity has a balance date of 30 June 2010, the Council considers that the company should be able to report on diversity issues in respect of the year commencing 1 July 2010.

Under Recommendation 3.3, companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving those objectives.

Under Recommendation 3.4, companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. Click [here](#) and [here](#) for our articles on Board Diversity and Equal Opportunity for Women in the Workplace.

Click [here](#) for more information on the ASX Corporate Governance Principles and Recommendations.

## ASIC Focus – Financial Reporting

Following its review of the financial reports of 130 listed entities during 2010, ASIC has recently released its list of “focus areas” for directors in 30 June 2011 financial reports:

- segment reporting;
- consolidation of controlled entities;
- use of the going concern assumption;
- asset impairment;
- fair value of financial assets;
- financial instrument disclosures;
- disclosures of estimates and accounting policy judgements;
- accounting for business combinations;
- related party disclosures;
- operating and financial review; and
- alternative profits.

For more details on ASIC’s 2011 financial report “focus areas” click [here](#).