Director and Executive Disclosures by Disclosing Entities
AASB 1046 *Director and Executive Disclosures by Disclosing Entities* is issued by the Australian Accounting Standards Board.

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Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* is set out in paragraphs 1 to 12.2.2 and Appendices 1, 2 & 6. All paragraphs have equal authority. Terms in italics are defined in Section 12.1. Appendices 3, 4 and 5 are provided for illustration only.
ACCOUNTING STANDARD AASB 1046

Director and Executive Disclosures by Disclosing Entities

Reasons for Issuing AASB 1046

The aim of this Standard is to improve the quality of disclosures relevant to individuals responsible for the governance of listed entities. It provides a configuration that incorporates features of overseas reporting adapted to accord with requirements in the Corporations Act 2001.

The majority of the disclosures in this Standard were initially proposed in Exposure Draft ED 106 Part 1 Director and Executive Disclosures by Disclosing Entities (May 2002). Those proposals have been amended to reflect the responses received, subsequent decisions of the International Accounting Standards Board (IASB) addressing share-based payment and redeliberation by the AASB.

It is expected that reporting requirements for reporting entities other than disclosing entities will be reviewed when considering the adoption of IAS 24 Related Party Disclosures. The main categories of entities not covered by this Standard are:

- corporate non-disclosing entities (subject to the Corporations Act but not a disclosing entity, such as an unlisted public company or a large proprietary company);
- Commonwealth, State and Territory Governments;
- other public sector entities (including government departments, local governments and bodies such as statutory authorities); and
- non-corporate, non-public sector entities (neither subject to the Corporations Act nor a public sector entity, such as an unincorporated charity).
Main Features of AASB 1046

Application

This Standard applies to disclosing entities as defined in the Corporations Act, such as a listed company, in annual reporting periods ending on or after 30 June 2004. If the disclosing entity is a parent entity in an economic entity, the disclosures are required only in respect of the economic entity.

Remuneration

Removal of Banding Requirements

This Standard removes the requirements for banded disclosure by disclosing entities of remuneration for directors (paragraph 4.2(b) of AASB 1017 Related Party Disclosures) and for executives of disclosing entities (Section 6 of AASB 1034 Financial Report Presentation and Disclosures). It also removes the requirement for consolidated accounts to disclose the aggregate remuneration of directors of each entity in the economic entity (paragraph 4.3 of AASB 1017).

These changes provide a reduction in disclosures for disclosing entities because of the reduction in the number of executives included in remuneration disclosures compared to banding disclosures (which include all executives earning over $100,000 per annum) and in the number of directors included in aggregate remuneration.

Disclosure of Remuneration

This Standard requires disclosing entities to disclose the remuneration of each specified director and specified executive; specified directors being the directors of the entity required to prepare the financial report and specified executives being at least five executives in the economic entity (or entity) with the greatest authority.

The categories of director and executive are treated as mutually exclusive such that if a person is a specified director and an executive then that person is treated as a specified director and excluded from the executive category. The specified directors and specified executives are to be individually named and each component of their remuneration be disclosed. The components are classified under the main headings of (1) primary, (2) post-employment, (3) equity compensation and (4) other benefits. These components represent an attempt to amalgamate as far as possible the differing classifications used by the IASB and in the USA. The tabular form of presentation that is recommended is not mandatory.

Specified Executives

The category of specified executives comprises at least five executives having the greatest authority within the economic entity and employed by
any entity within the economic entity. In the case of a disclosing entity that is not a parent entity, specified executives would be employed by the disclosing entity and chosen on the basis of their authority in respect of that entity.

The concept of specified executive is consistent with the definition of “key management personnel” used in IAS 24 and other relevant international accounting rules including those in the USA, UK and New Zealand. A high level of remuneration alone is not sufficient to classify an executive as a specified executive nor is a low level of remuneration sufficient to exclude an executive from specification.

**Grouped Aggregates**

Disclosure of the aggregate remuneration of specified directors and the aggregate for specified executives is required as well as disclosure of the aggregates for each component. Comparative figures for the preceding reporting period are required to be disclosed even though it is likely that the individuals included in any group will differ from those in the preceding reporting period.

The cost of meeting the requirement to disclose aggregate amounts will be minimal since it will represent the sum of the individual amounts disclosed. If disclosing entities were not required to provide aggregates of individual amounts, users would be able to calculate them, so as to obtain a succinct overview of the amounts for the reporting period. However, for a meaningful comparable amount for the preceding reporting period, users would need access to the previous annual report to obtain the relevant individual amounts to be aggregated. Since the total cost of this approach (leaving it to users to calculate totals) would be likely to exceed the cost of the alternative proposed in ED 106, the proposal in ED 106 is adopted in this Standard. For disclosing entities previously required to include all executives earning over $100,000 per annum in the banded remuneration disclosures and all directors in the aggregate remuneration, the changes are expected to result in a reduction in costs and in information provided.

**Measurement of Remuneration**

The relevant requirements in AASB 1028 *Employee Benefits* are taken as the basis for measuring the components of remuneration other than share-based payment compensation. This confirms the accrual basis is to be used, ensuring disclosed remuneration does not necessarily comprise solely what is paid in one reporting period.

**Share-based Payment Compensation**

This Standard requires that the values of equity instruments (including options and rights) provided to specified directors and specified executives are included in remuneration disclosures, in line with current disclosure requirements in the USA and UK for listed entities. The principles for
measuring and allocating the values of grants of share-based payment compensation are specified in Appendix 6. They reflect the most recent decisions of the IASB on their forthcoming Standard, IFRS 2 *Share-based Payment*. Following the introduction of the Australian equivalent Standard, AASB 2 *Share-based Payment*, it is intended that this Standard be revised, removing Appendix 6 and inserting references to AASB 2. Directions on how the principles are applied to individuals, rather than groups of employees, is provided in Appendix 2. This Standard does not require share-based payments to be recognised as an expense.

This Standard includes the following features.

- The fair value of equity compensation is measured at grant date and the estimated amount is allocated pro rata to remuneration disclosed in reporting periods between grant date and vesting date.
- Discounts in share acquisition schemes are not excluded from remuneration.
- Remuneration does not include any additional or “excess” value realised when shares or units are issued on subsequent exercise of an option or right.
- Benefits arising from altering the terms of vested options or rights are included in remuneration in the reporting period in which the alteration is made. The benefits from alterations made before vesting are included in the allocation of the grant to reporting periods prior to vesting.
- Cash Stock Appreciation Rights (cash SARs: incentive bonus schemes involving cash payments calculated on the difference between the market value of a share at grant date and at exercise date) are measured in accordance with the principles in Appendix 6 and allocated, in a manner similar to equity compensation, pro rata to remuneration disclosed in reporting periods between grant date and vesting date. The amounts are included in the non-equity compensation component of remuneration.
- Hybrid share-based payment compensation (where settlement may be in cash or equity instruments) will be classified as equity or non-equity compensation depending on the nature of the instrument.
- Disclosure is required of the terms and conditions of grants of equity instruments in the period when granted and in subsequent reporting periods until vested.

**Equity Interests**

Disclosure of the equity interests of directors of disclosing entities, previously required by AASB 1017, is required by this Standard and
extended to the specified executives. Although this Standard applies only to disclosing entities, it is noted that some of the disclosures relating to options granted as remuneration are equivalent to those required by the Corporations Act (Section 300) from all corporate reporting entities about the five most highly remunerated executives.

**Loans**

This Standard requires disclosing entities to provide details of the aggregate of loans to specified directors and the aggregate of loans to specified executives. Details are also required on an individual basis for each specified director and specified executive whose indebtedness exceeded $100,000 at any time during the reporting period.

**Other Transactions and Balances**

This Standard requires disclosure of other transactions with specified directors and specified executives. The disclosures are substantially the same as previously required by AASB 1017, except for separating disclosures of loan details and extending requirements to apply to specified executives.

**Comparative Information**

Comparative information is required for all aggregates of individual disclosures but, on an individual basis, only for the remuneration of those individuals specified for the current reporting period who were also specified in the preceding reporting period. Requiring inclusion of comparative amounts for every amount required to be disclosed in respect of the reporting period would impose an onerous burden on disclosing entities, particularly the retrieval and reclassification of prior period data for individuals not previously specified.

**Consequential Amendments**

This Standard operates to exempt disclosing entities from compliance with Section 4 of AASB 1017. It is expected that the issue of a new Australian Standard based on IAS 24 *Related Party Disclosures* will operate to supersede the existing AASB 1017.

This Standard removes the current requirements for banded disclosure of remuneration for executives of disclosing entities (Section 6 of AASB 1034).
ACCOUNTING STANDARD AASB 1046

The Australian Accounting Standards Board makes Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities under section 334 of the Corporations Act 2001.

D. G. Boymal
Chair – AASB
Dated 27 January 2004

Accounting Standard AASB 1046

Director and Executive Disclosures by Disclosing Entities

1 Application

1.1 This Standard applies to each disclosing entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act.

1.2 Where a disclosing entity is the parent entity in an economic entity and the financial report of the parent entity is presented with the consolidated financial report of that economic entity, this Standard applies only to the consolidated financial report.

1.2.1 The majority of disclosing entities are parent entities that are required by the Corporations Act to include in the financial report two sets of financial statements, one for the parent entity and one for the consolidated entity (comprising the parent and its subsidiaries). In this Standard, references to the economic entity are to the consolidated entity, in which the disclosing entity is the parent entity. When the disclosing entity is not a parent entity, references to subsidiaries are irrelevant and the requirements of this Standard apply to the disclosing entity itself.

1.3 The disclosures required by this Standard are deemed material.

1.3.1 AASB 1031 Materiality identifies where information resulting from the application of standards is material and provides guidance on the role of materiality in making judgements in the preparation and presentation of financial reports. Because of the nature of the
relationship between the reporting entity and its directors and executives, the items, transactions and balances required to be disclosed by this Standard are deemed material in all circumstances, irrespective of the amounts involved.

2 Operative Date

2.1 This Standard applies to annual reporting periods ending on or after 30 June 2004.

2.2 This Standard may be applied to annual reporting periods ending before 30 June 2004 provided an election has been made in accordance with subsection 334(5) of the Corporations Act.

2.3 When applied, this Standard supersedes the requirements that affect disclosing entities in:

(a) Section 4 of AASB 1017 Related Party Disclosures, as notified in the Commonwealth of Australia Gazette, No. S66, on 28 February 1997; and

(b) Section 6 of AASB 1034 Financial Report Presentation and Disclosures, as notified in the Commonwealth of Australia Gazette, No. S485, on 14 October 1999.

2.3.1 Apart from the exemption for disclosing entities provided in paragraph 2.3(a), this Standard does not affect the operation of AASB 1017.

2.3.2 Notice of this Standard was published in the Commonwealth of Australia Gazette on 28 January 2004.

3 Purpose of Standard

3.1 The purpose of this Standard is to require disclosure of information relating to individuals who are responsible for the governance of the entity, including remuneration, transactions and balances with the entity.

3.1.1 Directors and executives who are entrusted with the governance of an entity hold positions of responsibility within that entity. Accordingly, there is a need for a high level of accountability through disclosure in the financial report of their transactions with the entity and the benefits they gain as a result of positions held within the entity.
4 Disclosure of Responsible Individuals

4.1 The responsible individuals of a disclosing entity are its:

(a) ***specified directors***, being all the directors of the entity required to prepare the financial report; and

(b) ***specified executives***, being the five or more executives (other than specified directors) with the greatest authority for the strategic direction and management of the entity.

4.2 The following details about each specified director and specified executive must be disclosed:

(a) the name of the individual;

(b) the position held; and

(c) where the period of responsibility in the current reporting period is less than the reporting period, the date or dates identifying the period of responsibility during the current reporting period.

4.2.1 The definitions of specified director and specified executive are given in paragraph 12.1 and discussed in paragraphs 12.1.1 to 12.1.7. The group of specified executives comprises at least five executives specified in accordance with the definition in paragraph 12.1.

4.2.2 The type of description of position provided for an individual is likely to vary according to classification as director or executive. For specified directors, a position description would identify whether the individual was the chairman, an executive, non-executive or alternate director, and, for an executive director, the job title. For specified executives, the job title and, where different from the entity preparing the report, the name of the employer entity will frequently provide sufficient description.

4.3 If any of the following changes occur in the period after the reporting date and prior to the date of signing the Directors’ Declaration of the financial report, the name, position and date for each individual involved must be disclosed for:

(a) each change in the chief executive officer and directors of the disclosing entity; and

(b) the retirement of a specified executive.

4.3.1 Appointment in the period following the reporting date would not cause a director or executive to be specified in the reporting period or...
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included in the other disclosures required by this Standard. Resignation or other retirement after the reporting date does not affect an individual’s classification in the current reporting period.

5 Determination of Remuneration

5.1 Remuneration is any money, consideration or benefit paid, payable, provided or otherwise made available, directly or indirectly, to directors or executives (including personally-related entities) by the disclosing entity or any related party in connection with the management of the affairs of the entity and its subsidiaries, and:

(a) includes, but is not limited to, salaries, bonuses, fees, commissions, expense allowances, perquisites, personal benefits, equity instruments and post-employment benefits; but

(b) excludes reimbursement for expenses incurred for the benefit of the entity or any of its subsidiaries.

5.1.1 Remuneration includes all benefits received, receivable or otherwise made available as a consequence of the position held. Appendix I provides additional guidance on items that comprise remuneration of directors and executives in accordance with this Standard.

5.1.2 The phrase “directly or indirectly”, as used in this Standard with reference to remuneration, has the effect of including all amounts paid, payable, provided or otherwise made available to specified individuals in connection with the management of the entity and its subsidiaries, whether directly to them or indirectly through an intermediary or through their personally-related entities (including relatives). In some cases it may be difficult to determine whether an amount concerned is remuneration or an “other transaction” required to be disclosed by Section 10 of this Standard. For example, a specified director may be a partner in a partnership that receives fees from the disclosing entity. The partnership is a personally-related entity. Whether payments by the disclosing entity to such a partnership form part of remuneration or are “other transactions” of the specified director will be a matter of fact, determined by reference to the meaning of remuneration. If, for example, the fees were solely for professional services rendered by the partnership, then they would be disclosed as part of “other transactions” of the specified director. However, if the fees were paid in respect of services rendered by the specified director in managing the entity, then the amount would be included in the remuneration of the specified director.
Components of Remuneration

5.2 Where this Standard requires disclosure of the components of remuneration for a reporting period, the aggregate amount of remuneration must be disaggregated to disclose at least the following components, grouped into four categories:

(a) primary benefits, but excluding any benefits disclosed under paragraphs 5.2(b) or 5.2(c). Amounts in this category (including any deferred amounts and regardless of when the amount is paid) must be divided into at least the following components:

(i) cash salary, fees and commissions;

(ii) cash profit-sharing and other bonuses, separately identifying amounts attributable to long-term incentive plans; and

(iii) non-monetary benefits;

(b) post-employment benefits, including retirement benefits and contributions by, or changes in the liability of, the entity to pension or superannuation plans and other arrangements to benefit employees following cessation of employment. Amounts in this category must be divided into at least the following components:

(i) pension and superannuation benefits;

(ii) prescribed benefits (being post-employment benefits that are required by the Corporations Act to be approved by members); and

(iii) other post-employment benefits;

(c) equity compensation. Amounts in this category must be divided into at least the following components:

(i) the value of shares and units;

(ii) the value of options and rights;

(iii) if the terms of vested options or rights have been altered during the reporting period, the increase in value determined in accordance with paragraph 7.6(e); and

(iv) the value of other equity compensation; and

(d) other compensation benefits not disclosed under paragraphs 5.2(a), (b) or (c). Amounts in this category must be divided into at least the following components:
(i) termination benefits;
(ii) prescribed benefits (being benefits that are required by the Corporations Act to be approved by members and are not post-employment benefits); and
(iii) all other benefits, separately identifying significant items.

5.2.1 This Standard does not prescribe a specific format for disclosure of the components of the remuneration of individuals. A tabular method of presentation that is recommended as a basic structure for individual disclosures is illustrated in Appendix 3. Additional columns may be added in any category to identify types of benefits specific to the entity. If one of the components listed above is not provided, it is not required to include a column with zero amounts. The components are grouped into four categories for convenience but it is not required to show subtotals for each category for each individual or as a whole. The following paragraphs in this Section provide guidance on what is included as remuneration and the classification of different types of remuneration. Section 6 specifies how the amounts are to be measured.

Primary Benefits

5.2.2 This category of benefits includes salary, fees, commissions, profit sharing and bonuses and generally will comprise the most significant amount of remuneration for most individuals. The purpose of separating this category into at least the three components identified in paragraph 5.2(a) is to assist users to identify the types of primary benefits provided by an entity to the individual and be able to compare this with the remuneration for other individuals in the entity or in other entities. This Standard does not require the amounts disclosed to be separated on the basis of whether payable in the short or long term.

5.2.3 Paragraph 5.2(a)(ii) refers to all bonuses, other than equity compensation, earned by an individual in the reporting period. It includes all forms of profit sharing, incentive schemes, performance pay plans and share-based payment compensation other than equity compensation. If several types of incentive scheme are provided, disclosure of separate amounts for each scheme may provide more information to users on the performance of an individual. In the case of long-term incentive plans, separate disclosure is required. A long-term incentive plan means any plan or arrangement providing benefits, other than equity compensation, as an incentive for performance to occur over a period longer than one reporting period, whether such performance is measured by reference to the financial performance or
share price of the disclosing entity or any entity in the economic entity or any other measure.

5.2.4 To the extent that a cash bonus earned by an individual in a reporting period has not been paid in that period, it gives rise to a liability of the entity. Measurement of the benefit (liability) and changes in it are addressed in Section 6. A change in the value of the benefit in a subsequent reporting period is included in remuneration disclosed in that subsequent reporting period until settled, including the final period in which the benefit is paid. Although it is not required that an increase in an accrued amount be disclosed separately from a bonus earned in the same reporting period, disclosures that distinguish between these amounts are likely to be more informative than those that do not. Where a bonus was earned in the preceding period but not disclosed, the amount paid or payable is included in remuneration disclosed in the current reporting period.

5.2.5 Some entities provide bonuses in the form of stock appreciation rights (SARs) where the benefit to the employee depends on the future value of equity instruments of the entity. Such schemes are included in the definition of share-based payment compensation. However, cash SARs, which can only be settled with cash and not equity instruments, are no different in substance from other cash-settled profit-sharing and bonus plans. Amounts calculated in accordance with paragraph 6.4 are included in the component of remuneration disclosed in accordance with paragraph 5.2(a)(ii).

5.2.6 Some forms of share-based payment compensation may be subject to reclassification after grant date if the mode of settlement is not fixed at the time of granting. Benefits that confer on an employee the right to decide whether to accept cash or equity instruments are treated the same as cash SARs for as long as the choice remains. Following a decision on mode of settlement, the benefit will be reclassified as equity compensation if the employee chooses equity instruments; otherwise the benefit will continue to be treated as a cash SAR. Benefits that confer on the entity the right to decide whether to settle with cash or equity instruments are treated the same as equity compensation for as long as the choice remains. Following a decision on mode of settlement, the benefit will be reclassified as a cash SAR if the entity chooses cash; otherwise the benefit will continue to be treated as equity compensation. Changes in the value of cash SARs are measured in accordance with paragraph 6.4 until settlement or reclassification and are included in remuneration disclosed under paragraph 5.2(a)(ii) in the reporting period in which the event occurs. In cases where equity compensation is reclassified as a cash SAR, the amount of the change in value is measured in accordance with
paragraph 6.5 and included in remuneration disclosed under paragraph 5.2(a)(ii) in the reporting period.

5.2.7 Benefits disclosed in accordance with paragraph 5.2(a)(iii) include items where an individual has received the benefit during the reporting period, such as discounts on goods (in excess of that available to trade customers, shareholders or other employees), medical care or subsidised housing. Such benefits are not usually cumulative.

Post-Employment Benefits

5.2.8 Post-employment benefits referred to in paragraph 5.2(b) include retirement benefits and other post-employment benefits (such as post-employment life insurance and post-employment medical care). This Standard requires inclusion in remuneration of all benefits arising in the reporting period that are paid, payable or to be provided in respect of post-employment benefits for the specified persons. This includes the entity’s obligations to contribute to any pension, superannuation or other plan on behalf of the specified person for the reporting period, irrespective of whether a plan is a defined contribution or defined benefit plan or whether it is currently funded or unfunded.

5.2.9 This Standard distinguishes between retirement benefits payable in the normal course of events and termination benefits arising when an individual’s employment is terminated before the normal retirement date. Accruals in relation to normal retirement benefits are included in the category of benefits described in paragraph 5.2(b)(ii) or 5.2(b)(iii), whereas termination benefits constitute a component specifically identified in the category of other benefits, paragraph 5.2(d)(i). The Corporations Act describes all benefits for cessation of employment (irrespective of cause) as “termination benefits” and identifies those benefits that require approval by members (prescribed benefits). Accordingly, companies may find it necessary to divide a “termination benefit” prescribed by the Corporations Act into two amounts, to disclose each in the applicable component. When shareholders have approved retirement benefits for non-executive directors, for example to be calculated on retirement as a multiple of director’s fees pro rata for years of service, the amount accruing in the reporting period is disclosed as a prescribed benefit in the component described in paragraph 5.2(b)(ii).

Equity Compensation

5.2.10 Equity compensation includes benefits in such forms as:

(a) ordinary shares, units, options and other equity instruments of the entity provided to employees at less than the fair value at which
(b) rights to equity instruments that may, at the discretion of the entity, be settled by either cash payments or the issue of its equity instruments.

5.2.11 The values of equity instruments, including options and rights, are estimated in accordance with paragraphs 6.2 and 6.3 and the principles for measurement and allocation in Appendix 6. The amount shown as remuneration is the value after deducting any amount payable to the entity for those equity instruments. Amounts initially paid or payable do not include an amount that may be paid in the future for the issue of another equity instrument, such as an ordinary share issued on exercise of an option or right.

5.2.12 The term equity compensation includes those forms of SARs that permit settlement in the form of cash or an equity instrument of the entity where the choice between cash or shares can be made by the entity. Obligations to pay cash based on the entity’s share price that cannot be settled by the issue of equity instruments are not included in the category of equity compensation, since such obligations, when vested, constitute liabilities of the entity. Similarly, schemes where an employee, and not the entity, holds the choice to receive on exercise either cash or equity instruments are not classified as equity compensation schemes. Such schemes are functionally equivalent to complex bonus plans and are included in the component identified in paragraph 5.2(a)(ii).

5.2.13 Although sometimes described as equity compensation, any scheme that provides benefits in the form of equity in an entity other than the disclosing entity or any of its subsidiaries, such as an overseas listed parent company, is not classified as an equity compensation scheme. Such compensation gives rise to a liability, since the obligation cannot be settled by issuing equity instruments of the disclosing entity or any of its subsidiaries and the instruments must be purchased on market or from the issuing entity.

5.2.14 Any value in excess of the amount disclosed up to vesting date that is realised later on the exercise of an option or right for shares or units of the entity is not included in remuneration for any reporting period or disclosed.

5.2.15 Many companies provide broad-based employee share purchase plans or share acquisition schemes that permit employees to purchase options, shares or units at a discount from market value.
such as these and dividend reinvestment plans offered to shareholders enable companies to raise subscribed capital over time without incurring the costs associated with public share offers. The purchase discount may be viewed as encouraging employees to participate in the plan or as equivalent to the avoided cost of raising capital. An employee share purchase plan or share acquisition scheme would be considered non-compensatory when there is no link between services provided by the individual and the extent to which the individual may participate in the scheme.

5.2.16 When an employee share acquisition scheme includes loans to facilitate employees purchasing shares, this does not necessarily make the scheme compensatory in nature. When such loans are offered interest free or at a concessional rate of interest, the difference between the zero or concessional rate and the equivalent commercial rate is disclosed in accordance with paragraph 9.2(c). The benefit to the individual of interest not payable is included in remuneration, in the component identified in paragraph 5.2(a)(iii).

Other Employee Benefits

5.2.17 It is expected there will be a variety of different types of benefits provided to individuals that are not easily classified into the categories identified in paragraphs 5.2(a) to 5.2(c). For example, a disclosing entity may pay insurance premiums to protect a director against various legal costs that may arise. Chapter 2D.2 of the Corporations Act specifies restrictions on indemnities, insurance and termination payments by a company in relation to its officers, identifying which payments are prohibited and which do or do not need members’ approval. Prescribed benefits are those that require approval by members. Chapter 2E of the Corporations Act, Related Party Transactions, Part 2E.1, Division 2, specifies several exceptions to the requirement for member approval, including reasonable remuneration and small amounts (less than $2,000) given to a director or their spouse. Paragraph 5.2(d) requires that amounts paid under member approval be disclosed separately from amounts that are termination benefits or did not require member approval. An exception from member approval does not mean an exception from disclosure. Additional examples of other benefits that are included as remuneration are identified in Appendix 1 of this Standard.

Termination Benefits

5.2.18 An entity may be committed, by legislation, contract or other agreements with employees or their representatives or by a constructive obligation based on business practice, to make payments or provide other benefits to employees when it terminates their
employment before normal retirement date. An entity may offer benefits to individuals to encourage voluntary redundancy and these are termination benefits, as referred to in paragraph 5.2(d)(i).

Accounting for termination benefits, including those related to restructuring, is determined in accordance with AASB 1028. Termination benefits are typically lump-sum payments, but sometimes include:

(a) enhancement of retirement benefits or of other post-employment benefits, either indirectly through an employee benefit plan or directly; and

(b) salary until the end of a specified notice period during which the individual renders no further service to the entity.

5.2.19 Some benefits provided on termination of service to the entity are receivable by the employee regardless of reasons for the departure. Although the timing and amount may be uncertain, it is certain in such cases that the entitlement exists and payment of the benefit will occur. Such benefits are retirement benefits and must be included in post-employment benefits, despite any description such as “termination gratuities”. In some cases, a contract may provide for different levels of retirement benefit to be paid depending on the cause of departure. Any additional benefits generated because the termination is involuntary or at the request of the entity are termination benefits as defined in this Standard. By definition, the nature of termination benefits is such that they arise in one reporting period and, unlike most retirement benefits, are not accrued over several reporting periods.

6 Measurement of Remuneration

Non-Share-based Payment Compensation

6.1 The amounts disclosed in respect of remuneration other than share-based payment compensation must be measured in accordance with the requirements in AASB 1028 Employee Benefits or, when that Standard does not prescribe measurement requirements for a particular item of remuneration, on the basis of the cost to the entity providing that item.

6.1.1 Where an entity provides non-monetary benefits to a specified person, the remuneration includes the effective net cost to the entity of providing the benefits. For example, where an entity provides a director or executive with the personal use of a house rented by the entity, the cost of that benefit includes the rental incurred by the entity and any related fringe benefits tax. Where an entity provides low
interest or interest-free loans (including loans assisting the acquisition of its equity instruments by employees), the amount is based on the marginal cost to the entity of borrowing those funds less any interest payable by the employee. The marginal cost to the entity should be based on arm’s length interest rates and not on a concessional rate that an entity may obtain from a related party.

6.1.2 AASB 1028 does not prescribe measurement requirements for items such as commissions that are not employee benefits or post-employment benefits that are superannuation benefits or medical benefits. In such cases, the amount included in the remuneration disclosed is measured as the net marginal cost incurred, directly or indirectly, by the entity providing the benefit.

Accrual Basis

6.1.3 Remuneration may be earned by a director or executive in one reporting period and paid in a subsequent period. Consistent with the accrual basis of accounting adopted in general purpose financial reports, such items are included in the amount of the remuneration disclosed in respect of the reporting period in which the benefits were earned. For example, amounts that will be paid in a period after an individual has resigned are accrued and disclosed in the period in which the individual earned the right to be paid. An item of remuneration included in the amount disclosed in one reporting period is not also included in remuneration in a subsequent reporting period when that amount is paid. This ensures that the same amount is not included twice in remuneration disclosed.

6.1.4 In some cases, a bonus payable at the end of the preceding reporting period may have increased in value during the reporting period and remain unpaid at the end of the reporting period. Any change in value is included in remuneration in the current reporting period and the amount disclosed is measured as the amount owed at the end of the reporting period less the amount owed at the start of the reporting period. The change in value in the final period in which the benefit is paid is measured as the amount paid less the amount owed at the start of the reporting period.

6.1.5 The total amount disclosed as remuneration for a reporting period may not be equal to the sum of amounts recognised as expenses in the statement of financial performance. Differences may arise for a number of reasons, including the fact that remuneration can include amounts paid, payable or otherwise made available by a related party that is not included in the economic entity. An amount disclosed as remuneration in respect of a specified director may have been
included in an amount recognised as a management fee or there may be differences arising from the timing of recognition as an expense.

Present Value Measurement of Non-Current Items
6.1.6 In accordance with AASB 1028, when items other than share-based payment compensation and some specified types of compensation are expected to be settled more than twelve months after the reporting date, such items are measured as the present value of the estimated future cash outflows. In cases where the mechanics of discounting lead to the amount disclosed in the preceding reporting period being less than the amount either paid in or still owing at the end of the reporting period, the increase in the amount is included in remuneration disclosed in the reporting period.

Stock Appreciation Rights
6.1.7 Cash stock appreciation rights (SARs) and hybrid SARs (that may be settled with cash or equity instruments at the discretion of the employee) are included in the definition in paragraph 12.1 of share-based payment compensation but are not included in equity compensation. The cost to an entity is measured as prescribed in paragraph 6.4 and included in the remuneration component disclosed in accordance with paragraph 5.2(a)(ii).

Share-based Payment Compensation
6.2 Equity compensation provided as remuneration by the disclosing entity or any of its subsidiaries must be measured using the fair value of its equity instruments at the grant date, as described in paragraph 6.3, less any amount paid or payable by the recipient for that instrument. The amounts disclosed as remuneration for the reporting period are determined in accordance with the directions in Appendix 2 and the principles in Appendix 6.

6.2.1 The amount payable by the recipient on the acquisition of an equity instrument does not refer to any amount payable in the future to acquire another equity instrument, such as the price to be paid for a share when an option is exercised. In situations where an employee is granted a share and is required to pay an amount less than the market value of the share at the grant date, the benefit to the recipient as remuneration is measured as the difference between the market value of the share and the amount payable to the issuing entity.

6.2.2 Share-based payment compensation benefits that are not equity compensation are measured in accordance with paragraph 6.4 and are included in the component disclosed in accordance with
paragraph 5.2(a)(ii). They are not included in the equity compensation components required by paragraph 5.2(c).

6.3 The fair value of equity instruments at grant date is:

(a) in the case of shares and units, the market price at grant date (or estimated market price if not publicly traded) of an equivalent share or unit (being paid up to the same extent and carrying equivalent entitlements or restrictions);

(b) in the case of options and rights that are publicly traded, the market price at grant date;

(c) in the case of options and rights that are not publicly traded over publicly-traded shares or units, estimated using an option-pricing model that takes into account, as at grant date, the exercise price and expected life of the instrument, the current price of the underlying share or unit and its expected volatility, expected dividends and the risk-free interest rate for the expected life of the instrument;

(d) in the case of options and rights over shares or units not publicly traded, estimated as at grant date using an option-pricing model and the six variables identified in paragraph 6.3(c), and using as the volatility variable the expected average volatility in the entity’s industry; and

(e) in the case of any other equity instrument, estimated using the method in paragraphs 6.3(a), (b), (c) or (d) that most closely reflects the functional characteristics of the instrument.

6.3.1 The amount included in the equity compensation components disclosed as the remuneration of directors and executives is derived from the fair value of the equity instrument at the grant date, less any amount due from the recipient, and allocated in accordance with the principles in Appendix 6. Where an equivalent instrument is traded on an active and liquid market, the fair value is the market value at the grant date.

6.3.2 In the case of share options and rights, the method of determining the fair value of the equity instrument depends on the circumstances. If an equivalent option or right is quoted on an active and liquid market, the market value at the grant date is used. If an option or right is not traded but the underlying instrument is publicly traded, an accepted option-pricing model, such as the Black-Scholes (modified for dividends) or a binomial model, can be used, provided it is appropriate for the type of option or right and takes into account the six variables prescribed in paragraph 6.3(c).
6.3.3 In the case of options or rights over shares or units that are not publicly traded, it is unlikely there will exist a reliable estimate of expected volatility specific to the underlying equity instruments. Paragraph 6.3(d) requires the volatility variable to be taken as the average expected volatility for the industry of the entity responsible for issuing the shares or units underlying the options or rights.

6.3.4 In respect of the variables for volatility, dividends and option life to be used in estimating the value of options or rights, it would not be acceptable to use unadjusted historical data unless currently-available information indicated the future would be little different from the past. The expected values for these variables are determined as the best estimates from the range of reasonable expectations based on historical information modified to reflect current knowledge and the extent to which past experience has been shown to be a reliable predictor of future experience.

6.3.5 The risk-free interest rate referred to in paragraph 6.3(c) is the implied yield on zero-coupon national government bonds with a remaining life equal to the life of the option or right that is being valued.

6.3.6 A reasonable estimate of the fair value at grant date of options, rights and other equity instruments can usually be obtained by using a generally accepted option-pricing model. Performance rights will usually be measured in the same way as options, since commonly they are functionally equivalent to options without an exercise price. The option-pricing model adopted is determined with reference to the terms of the performance right and the trading status of the underlying equity instrument. In some circumstances, it may be necessary to adopt an option-pricing model that has been specifically modified to take into account unusual features of the equity compensation scheme. For example, where the exercise price decreases (or increases) by a specified amount linked with specified changes in the price of the underlying share, compensatory modifications are made. It is assumed that equity compensation schemes will only be created and accepted when directors and executives can estimate the fair value of the equity component and compare it with alternative forms of compensation. The option-pricing model that generated the values used when deciding on the structure of a remuneration package may continue to be the most appropriate model.

6.3.7 When the value of an equity instrument has changed from that at grant date as a consequence of external influences changing one or more of the six variables included in the option-pricing model, the value of the instrument is not remeasured in reporting periods subsequent to granting.
6.3.8 Changes in value caused by a decision of the entity to alter the terms of options or rights (such as changing the remaining life or exercise price) are included in remuneration, unlike changes resulting from external influences that affect all shareholders equally. Remeasurement is required and the details are disclosed in accordance with paragraph 7.6. When the issuing entity alters the terms of vested options or rights, the effect of the change (identified in paragraph 7.6(e)) is included in remuneration in the reporting period in which the decision is made, in the component identified in paragraph 5.2(c)(iii). When the alteration occurs before vesting date, the change in value identified in paragraph 7.6(e) is added to the value of the grant remaining to be allocated to reporting periods up to vesting date, as determined in Appendix 6. Unlike changes to vested options or rights, a change before vesting date causes an increase in the remuneration component identified in paragraph 5.2(c)(ii) and the total is not disclosed in the component in paragraph 5.2(c)(iii).

6.3.9 Gains made when a vested option or right is exercised are not remuneration under this Standard and are not required to be disclosed. Similarly, a loss occurring when vested options or rights expire unexercised is not included in (or deducted from) remuneration disclosed.

6.3.10 When equity instruments other than shares, units, options or performance rights are provided, they are measured in accordance with paragraph 6.3(e). The amount disclosed as a component of remuneration in accordance with paragraph 5.2(c)(iv) is determined by applying the principles in Appendix 6 and the directions in Appendix 2. References to options in the Appendices are taken to include other equity instruments that are functionally equivalent even though the name of the equity instrument does not include the word “option”.

6.3.11 Further details on the measurement of equity compensation for individuals in accordance with the principles in Appendix 6 are provided in Appendix 2.

6.4 Share-based payment compensation that is not equity compensation must be measured initially in the reporting period in which the benefit is granted using the method required in paragraph 6.3(e) (substituting reporting date for grant date) and the allocation principles in Appendix 6 to determine the amount included as remuneration in the reporting period. Until the grant is settled or reclassified, changes in value are included in remuneration and must be measured using the same method and allocation principles in subsequent periods as follows:
(a) the value must be measured at the end of each reporting period prior to settlement, or reclassification as equity compensation, and the change in value calculated as the difference between the values at the beginning and end of the reporting period;

(b) in the period in which settlement or reclassification to equity compensation occurs, the value is measured at the date of settlement or reclassification and the change in value is calculated as the difference between that value and the value at the beginning of the reporting period; and

(c) if and when an employee decides irrevocably to receive equity instruments (and not cash) as settlement, a benefit must be reclassified as equity compensation and from that point onwards treated as equity compensation and not subsequently remeasured.

6.5 When an equity compensation grant is reclassified during the reporting period as a cash SAR following a decision by the entity to settle in cash (and not equity instruments), the change in value is included as remuneration under paragraph 5.2(a)(ii) and, in accordance with the principles in Appendix 6:

(a) the change in value must be measured as the difference between the value at grant date and the value at the reporting date or, if settled during the reporting period, at the date of settlement; and

(b) in subsequent reporting periods until settled, changes in value must be measured in accordance with paragraph 6.4.

6.5.1 Share-based payment compensation benefits that are not equity compensation are treated as bonus plans. They comprise:

(a) cash SARs, being stock (or share) appreciation rights where the employee has been granted, conditionally or otherwise, an amount that depends on the future price of the underlying equity instruments; and

(b) hybrid rights, where the employee has the right to decide in the future whether to receive equity instruments or cash (instead of the equity instruments).

6.5.2 A liability recognised in respect of a cash SAR is first disclosed and measured in the reporting period in which the benefit is granted. Any change in the value of the benefit (being an increase or decrease in the liability in accordance with Appendix 6) in a subsequent reporting period...
period is disclosed as remuneration (included in the cash bonus component, paragraph 5.2(a)(ii)) in each reporting period until settled in cash.

6.5.3 When the benefit is a hybrid right and the terms are such that the employee is able to choose at some point prior to settlement that settlement will be in equity instruments and not cash, the benefit is treated as a cash SAR until the decision is made. If the employee chooses cash settlement, classification remains the same and any changes in value of the cash SAR continue to be measured and disclosed at the end of each reporting period until settled. If the employee chooses equity at or prior to the date of settlement, the change from the accrued value at the start of the reporting period to the value at the date of the decision is measured in accordance with paragraph 6.4(b) and included in the amount of remuneration disclosed under paragraph 5.2(a)(ii). In situations when equity settlement is chosen prior to settlement, the benefit is classified as equity compensation and is not subsequently remeasured. Although it could be argued that a change in value on choosing equity would be more properly included with other equity compensation, it may be misleading to associate only the change in value with the number of equity instruments involved. In effect, any amount previously accrued as a liability would be transferred to the appropriate equity account, but that amount would not constitute remuneration for the period in question. Only the change in value during the reporting period until the decision was made is included in remuneration disclosures.

7 Disclosures of Remuneration of Specified Directors and Specified Executives

7.1 In respect of each specified director and specified executive, the following details must be disclosed:

(a) total remuneration for the reporting period, remuneration being determined in accordance with paragraph 5.1 and measured in accordance with Section 6; and

(b) the components of each individual’s remuneration, as categorised and prescribed in paragraph 5.2.

7.2 The aggregate of the total remuneration for individuals and the aggregate for each component must be disclosed for each of the following groups:

(a) specified directors; and

(b) specified executives.
7.2.1 In accordance with paragraph 11.1, disclosure of comparative amounts for the preceding reporting period is not required for individuals who were not specified in the preceding reporting period. Disclosure of comparative amounts for the preceding reporting period is required for each aggregate of total remuneration and aggregate of components. Appendix 3 provides an illustration of disclosures required by paragraphs 7.1 and 7.2.

7.2.2 It is not necessary to separate disclosure of the remuneration of the specified executives into parent entity and economic entity, based on which entity it is that employs them.

Remuneration for Part-period Employees

7.3 Where a specified individual has been employed by the entity for part of the reporting period when neither a director nor an executive, remuneration received in the capacity of employee is not included in the remuneration required to be disclosed in accordance with paragraph 7.1.

7.4 Where a specified director has been a director of the disclosing entity for part of the reporting period and an executive of the disclosing entity or any of its subsidiaries for some other part of the reporting period, all remuneration from these entities during the reporting period must be disclosed as that director’s remuneration, separately identifying the amount of remuneration attributable to the part of the reporting period during which the executive was a director.

7.4.1 The definition of specified director in paragraph 12.1 includes any director of the disclosing entity holding that office at any time during the reporting period. In some cases, an executive of the disclosing entity (or any other entity in the economic entity) may also be a director of the disclosing entity for part of a reporting period. This would occur if an executive were appointed as a director of the disclosing entity at some point after the start of the reporting period or if a director of the disclosing entity resigned from the office of director before the reporting date but remained an executive of an entity within the economic entity.

7.4.2 In determining the extent of remuneration provided in the reporting period to a specified director, it would be inappropriate to permit exclusion of amounts arising during the part or parts of the period when the person was an executive of the disclosing entity or any of its subsidiaries but was not a director of the disclosing entity. If such amounts were excluded and remuneration restricted solely to that
arising during the period of directorship, then it is possible for considerable gaps in disclosure to arise. In such cases, the remuneration for the entire reporting period would effectively relate to the activities of the individual as part of the key management team and permitting its non-disclosure would understatement the cost of corporate governance. However, separate identification of amounts arising while holding the position of director and amounts related to employment as an executive (when not a director) will assist users to distinguish how an entity pays its directors from how it structures remuneration of other executives.

7.4.3 The distinction between those employees who are executives and those who are not is less easily defined than a distinction based on status as director. However, an employee who was not an executive would not have been part of the key management team and it is appropriate that remuneration for that part of the period be excluded.

7.5 The following details concerning the remuneration of specified directors and specified executives must be disclosed:

(a) the principles used to determine the nature and amount of remuneration;
(b) whether, and if so how, the principles establish a relationship between remuneration and the entity’s performance;
(c) for each contract for services between a specified director or specified executive and the disclosing entity (or any of its subsidiaries), such explanations as are necessary in addition to those prescribed in paragraph 7.5(d) to provide an understanding of how the amount of remuneration in the current reporting period was determined and how the terms of the contract affect remuneration in future periods; and
(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 remuneration in this or future reporting periods and including:

(i) the grant date;
(ii) the nature of the remuneration granted;
(iii) the service and performance criteria used to determine the amount of remuneration; 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.
7.5.1 Entities may enter into contracts for services with directors or executives that may have notice periods or provide for pre-determined compensation on voluntary or involuntary retirement of the person or on takeover of the entity. Disclosure of the existence of each such contract is required by this Standard. The details required by paragraph 7.5(c) include such items as the length of notice or contract periods, whether or not the contract provides for pre-determined compensation, the basis for determining compensation and the timing and manner of payment of any such compensation. Where a contract involves a grant of benefits that is not fully vested by reporting date, disclosure will include the details required in accordance with paragraph 7.5(d).

7.5.2 Examples of terms and conditions to be disclosed in addition to those explicitly specified in paragraph 7.5(d) include:

(a) whether shareholder approval is required (or has been obtained and, if so, when);
(b) whether benefits are payable (or vest) annually during the performance period or only at the end of the grant (or performance) period; and
(c) any restrictions on transfer of equity instruments after vesting.

7.5.3 Paragraph 7.5(d) requires specific details of bonus plans to be disclosed in addition to the general description of principles in respect of remuneration required by paragraphs 7.5(a) and 7.5(b) and the contractual terms required by paragraph 7.5(c). It requires that the terms and conditions of each grant of performance-based benefits to a specified director or specified executive be disclosed in all reporting periods during which the grant is operative, including the initial reporting period in which granted. It requires identification of the type of compensation, the period over which the grant is operative, the performance criteria (for example, measures such as return on assets, return on equity, share price, continued service) and, if applicable, details of alterations. While it is expected that most grants will be prospective, benefits covered by paragraph 7.5 include retrospective grants, bonuses and allocations, whether cash, equity or other benefits, that have not previously been disclosed as remuneration.

7.5.4 Where contracts with directors and executives apply to services and performance over a period longer than one reporting period, the dollar amount of such benefits disclosed as remuneration in the reporting period is determined in accordance with Appendices 2 and 6. Paragraph 5.2(a)(ii) requires disclosure of the amount of bonuses (excluding equity compensation) earned in the current reporting period, specifically identifying amounts resulting from any long-term
Long-term incentive benefits in the form of equity compensation are included in disclosures required by paragraph 5.2(c), as remuneration allocated to the reporting period.

Section 8 of this Standard requires disclosure of a comprehensive account of all equity transactions with and holdings by specified directors and specified executives.

**Altering the Terms of Options or Rights**

Where the terms of options or rights provided as remuneration to a specified director or specified executive have been altered by the issuing entity during the reporting period, the following details must be disclosed for each specified person:

(a) the date of each alteration of the terms;

(b) the market price of the underlying equity instrument at the date of alteration;

(c) the terms of the option or right immediately prior to alteration, including the number and class of the underlying equity instruments, exercise price, time remaining until expiry and each other condition in the terms affecting the exercise of the option or right;

(d) the new terms; and

(e) the difference between the total of the fair value of the options or rights affected by the alteration immediately before the alteration and the total of the fair value of those options or rights immediately after the alteration.

Paragraph 7.6 applies to those persons who are specified directors and specified executives for the current reporting period, whether or not they were specified at the vesting date or grant date. It does not apply to a person who is not a specified person in the current reporting period but was so included in the reporting period in which vesting occurred or the grant was made.

The purpose of disclosures in respect of the alteration of the terms of options or rights is to show the benefit provided to directors and executives in the reporting period from the adjustment of exercise prices or other terms.

An alteration of terms or other repricing that occurs on or after the vesting date will require inclusion of the total benefit calculated under paragraph 7.6(e) as a component of remuneration in the reporting period.
period in which repricing occurs, disclosed under paragraph 5.2(c)(iii). When the terms are altered before vesting date, the total benefit is disclosed in accordance with paragraph 7.6(e) but not included as remuneration under paragraph 5.2(c)(iii). In such cases, the total benefit is added to the original value of the grant and included in the allocations to remuneration over the remainder of the vesting period, thus increasing remuneration disclosed in accordance with paragraph 5.2(c)(ii).

7.6.4 When a specified director or specified executive leaves the entity earlier than expected and this results in premature vesting of equity compensation, this constitutes an alteration of terms in accordance with paragraph 7.6, affecting those equity instruments that would not otherwise have yet vested. Any balance of the grant that remains to be allocated in accordance with Appendix 6 is included as remuneration of that person in that period, disclosed under paragraph 5.2(c)(iii).

8 Disclosures Related to Equity Instruments

Different Classes to be Separately Identified

8.1 All disclosures required by paragraphs 8.2 to 8.6 refer to equity instruments issued or issuable by the disclosing entity and any of its subsidiaries and must be separated into each class of equity instrument identifying each class by:

(a) the name of the issuing entity;

(b) the class of equity instrument; and

(c) if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

8.1.1 An equity instrument such as a performance right, that may entitle the holder to receive a share without further payment, is classified separately from options that incorporate exercise prices. Options over fully-paid ordinary shares in the same entity comprise a class separate from performance rights. Options over fully-paid ordinary shares are not treated as separate classes based on different exercise prices or expiry dates. Options over different numbers of underlying equity instruments are treated as separate classes based on the number per option: for example, an option exercisable for one share is treated as a class separate from an option that may be exercised for two shares. Similar classification based on the number of underlying equity instruments is also applicable to rights. Restricted shares, where the full beneficial entitlement will pass to the employee only if specified
performance or service criteria are satisfied at some date in the future, are classified separately from vested ordinary shares.

8.1.2 Appendix 4 provides illustrations of numeric disclosures required by Section 8.

Options and Rights Provided as Remuneration

8.2 The following details of options and rights over equity instruments provided as remuneration to each specified director and specified executive must be disclosed:

(a) the number of options and the number of rights that, during the reporting period, have;
   (i) been granted; and
   (ii) vested;
(b) particulars of the terms and conditions of each grant made during the reporting period, including:
   (i) the value per option or right at grant date;
   (ii) the exercise price per share or unit;
   (iii) the amount, if any, paid or payable by the recipient;
   (iv) the expiry date;
   (v) the date or dates when the options or rights may be exercised; and
   (vi) a summary of the service and performance criteria that must be met before the beneficial interest vests in the individual.

8.2.1 In addition to the requirements of paragraph 8.2, disclosure of the details of options granted as remuneration during or since the end of the reporting period to any of the directors or any of the five most highly remunerated officers is required by the Corporations Act, subsection 300(1)(d), to be included in either the annual directors’ report or in the financial report of each company, disclosing entity and registered scheme. Apart from the fact that this Standard permits more than five executives to be specified, the specified executives may not be the same as the five most highly remunerated officers because this Standard bases selection on managerial authority and not remuneration. This Standard applies to both options and rights granted as remuneration to specified persons during the reporting period, unlike the Corporations Act which includes grants made since the end of the reporting period and does not refer to rights.
8.2.2 If an entity has disclosed the information required by paragraph 8.2(b) when providing details specified in paragraph 7.5(d) in respect of all grants of equity compensation, it is not necessary to repeat those details.

**Equity Instruments Provided on Exercise of Remuneration Options and Rights**

8.3 The following details of the equity instruments provided as a result of the exercise during the reporting period of options and rights granted as remuneration to each specified director and specified executive must be disclosed:

(a) the number of equity instruments;
(b) when the number of options or rights exercised differs from the number of equity instruments disclosed under (a), the number of options or rights exercised;
(c) the amount paid per instrument; and
(d) the amount unpaid per instrument.

8.3.1 Paragraph 8.3 requires disclosure of the number of equity instruments provided as a result of the exercise of options or rights originally granted as remuneration to specified individuals. Paragraph 8.3 does not apply to the exercise of options or rights otherwise acquired by the individual, for example, through a rights issue by a company to all shareholders.

8.3.2 Paragraph 8.3 applies to those persons who are specified directors or specified executives for the current reporting period, whether or not they were specified at the vesting date or grant date. It does not apply to a person who is not included as a specified person for the current reporting period but was so included in the reporting period in which the grant or vesting occurred.

8.3.3 All shares or units provided as a result of the exercise of options or rights originally granted as remuneration are included in the disclosures required by paragraph 8.3, irrespective of any arrangement whereby the equity instruments are issued, on exercise, in the name of a party other than the original recipient.

**Options and Rights Holdings**

8.4 In respect of options and rights held, whether directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, disclosure must be made of the number:
(a) held at the start of the reporting period;
(b) granted during the reporting period as remuneration;
(c) exercised during the reporting period;
(d) resulting from any other change during the reporting period;
(e) held at the reporting date;
(f) vested at the reporting date;
(g) vested and exercisable at the reporting date; and
(h) vested and unexercisable at the reporting date.

8.4.1 The aggregate in each of the above categories for each specified individual includes the total of that class of equity instrument held by parties related to that individual. In accordance with paragraph 8.1, separate aggregates are disclosed for each class of option or right. Separate disclosure of lapsed or forfeited options and rights is not required. Except for paragraph 8.4(b), the number disclosed will include all options or rights whether or not received by the individual as remuneration. An illustration of the disclosures required by paragraph 8.4 is provided in Table 4C, Appendix 4.

8.4.2 The number of options or rights disclosed under paragraph 8.4(b) is the same as required by paragraph 8.2(a)(i) and is repeated in this context for convenience, to provide a complete statement for the reporting period.

8.4.3 A reduction in the number of instruments held because of lapse or forfeit is included, together with any other increases and decreases, in the number disclosed under paragraph 8.4(d).

8.4.4 Options or rights may be exercisable immediately following vesting and frequently the exercise period extends for some years. Some options have fixed terms, being exercisable (or expiring) only on maturity. In other cases, the exercise period or date may not begin or occur until some years after vesting but during the intervening time the recipient is beneficially entitled to the options or rights. An option or right, whether or not “in-the-money”, is exercisable even if there exist restrictions on its transfer or if exercise is limited to specific times in relation to the entity’s reporting cycle.

**Equity Holdings and Transactions**

8.5 In respect of equity instruments (other than options and rights) held directly, indirectly or beneficially by each specified director
and specified executive, including their personally-related entities, disclosure must be made of the number:

(a) held at the start of the reporting period;
(b) granted during the reporting period as remuneration;
(c) received during the reporting period on exercise of options or rights;
(d) resulting from any other change during the reporting period;
(e) held at the reporting date; and
(f) if any such are included in the number disclosed under paragraph 8.5(e), held nominally at the reporting date.

8.5.1 Paragraph 8.5 requires disclosure of details of all classes of shares or other equity instruments excluding options and rights held by specified persons, such as ordinary shares, preference shares, restricted stock awards, share grants or any convertible instruments not classified as liabilities. Paragraph 8.1 requires separate disclosure for each class. With the exception of the number disclosed in accordance with paragraph 8.5(b), it is unnecessary to distinguish the numbers of equity instruments acquired as remuneration.

8.5.2 The number of equity instruments disclosed in accordance with paragraph 8.5(b) includes only those instruments granted in this reporting period to a specified person as remuneration. It includes equity instruments held by a trustee on behalf of the specified person and those to which the beneficial entitlement will not pass until satisfaction of the qualifying service or performance criteria. The value of equity instruments required by paragraph 5.2(c) to be shown in the components of remuneration is unlikely to relate to the number of instruments granted in the same period.

8.5.3 The number of shares or other equity instruments referred to in paragraph 8.5(c) includes all those issued (or otherwise provided) during the reporting period on the exercise of options or rights by individuals, irrespective of whether the options or rights were received as remuneration or acquired through transactions or entitlements not related to remuneration.

8.5.4 A reduction in the number of shares or other equity instruments held because of sales is included, together with any other increases and decreases (including forfeiture), in the number disclosed in accordance with paragraph 8.5(d).
8.6 If transactions involving equity instruments, other than equity compensation, have occurred between a specified individual (including personally-related entities) and the issuing entity during the reporting period, the nature of each different type of transaction must be disclosed where the terms or conditions were more favourable than those which it is reasonable to expect the entity would have adopted if dealing at arm’s length with an unrelated individual. For each such transaction, the details of the terms and conditions must be disclosed.

8.6.1 Disclosure of details is required only in respect of equity transactions other than equity compensation undertaken by the disclosing entity (or any subsidiary) that are with and favourable to specified individuals of the disclosing entity and their personally-related entities. Such transactions include dividend reinvestment, share issues, unit issues, sales and purchases of shares or units, share buy-backs and selective capital reductions, where the terms are more favourable than those available to other shareholders or investors.

8.6.2 The details of equity instrument transactions between directors or executives and entities other than the disclosing entity (or any of its subsidiaries), whether on-market or otherwise, are not required to be disclosed. Disclosure of the net effect of increases and decreases in the number of equity instruments held by each specified person is required by paragraph 8.5(d).

9 Disclosures of Loans

9.1 The details required by paragraph 9.2 must be disclosed separately in respect of each aggregate of loans made, guaranteed or secured, directly or indirectly, by the disclosing entity and any of its subsidiaries to:

(a) all specified directors, including their personally-related entities;

(b) all specified executives, including their personally-related entities; and

(c) each specified director and specified executive by name whose aggregate loan amount (including personally-related entities) exceeded $100,000 at any time during the reporting period.

9.1.1 The aggregate loan of a specified person is included in their group aggregate (either paragraph 9.1(a) or 9.1(b)) if any amount was owing during the period and is not excluded on the grounds that no amount was owing at the end of the reporting period nor on the grounds that
the amount owed was less than $100,000 at all times during the reporting period.

9.1.2 Individual disclosure is required only where the aggregate amount of loans attributable to a specified person (and personally-related entities) exceeded $100,000 at any time during the reporting period. Even if only one personal aggregate exceeded $100,000 during the year, details are required in respect of that person. Comparative amounts are not required in respect of personal aggregates.

9.2 In respect of each aggregate of loans to each group of specified persons and to each specified person as required by paragraph 9.1, the following details must be disclosed:

(a) the amount outstanding at the start of the reporting period;
(b) the amount of interest paid and payable in respect of the reporting period to the disclosing entity and any of its subsidiaries;
(c) the difference between the amount disclosed in accordance with paragraph 9.2(b) and the amount of interest that would have been charged on an arm’s-length basis;
(d) each write-down and each allowance for doubtful receivables recognised by the disclosing entity and any of its subsidiaries;
(e) the amount outstanding at the reporting date;
(f) for specified persons only, the highest amount of indebtedness during the reporting period;
(g) for each group of specified persons only, the number of individuals included in each group aggregate at the reporting date; and
(h) a summary of the terms and conditions of the loans.

9.2.1 In respect of aggregates for groups, it is not necessary to disclose the highest amount during the reporting period as this is relevant only to individuals. Disclosure of each group aggregate is required irrespective of whether the amount is more or less than $100,000, or whether the amount includes a loan that exceeded $100,000. Comparative amounts are required in respect of group aggregates. Appendix 5 provides an illustration of disclosures required by paragraph 9.2.

9.2.2 Any amount calculated in accordance with paragraphs 9.2(c) or 9.2(d) is included in the remuneration of the person involved, irrespective of the level of total indebtedness of that person. The amount is disclosed
10 Disclosures of Other Transactions and Balances

10.1 In respect of transactions during the reporting period between the disclosing entity (and any of its subsidiaries) and the specified directors (including their personally-related entities), other than transactions covered by Sections 7 to 9 or excluded by paragraph 10.5, the following details must 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 directors involved; and

(ii) the aggregate amount recognised.

10.2 In respect of transactions during the reporting period between the disclosing entity (and any of its subsidiaries) and the specified executives (including their personally-related entities), other than transactions covered by Sections 7 to 9 or excluded by paragraph 10.5, the same details required by paragraph 10.1 for specified directors must be disclosed for specified executives.

10.3 In respect of each aggregate amount disclosed in accordance with paragraphs 10.1 and 10.2, the following details must 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
10.4 In respect of assets and liabilities at the reporting date recognised in relation to transactions identified in accordance with paragraphs 10.1 and 10.2, disclosure must 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 reporting date; and

(b) the total of all liabilities, classified into current and non-current liabilities.

10.4.1 Transactions between a disclosing entity or any of its subsidiaries and its specified directors and specified executives may occur only because of the relationship. Directors and executives hold positions of fiduciary responsibility in relation to an entity and are accountable to those who provide resources to the entity, through disclosure of their transactions with the entity. Examples of such transactions include goods or services provided or received, property, plant and equipment leased to or from an entity in the economic entity and sales, purchases or transfers of assets at fair value or otherwise. For example, if a disclosing entity had an investment in the equity of a company controlled by a specified director, then dividends received from that company would be disclosed in accordance with paragraph 10.3(a)(ii) and the investment in accordance with paragraph 10.4(a).

10.4.2 Paragraphs 10.1 to 10.4 require detailed disclosures for transactions between the entity and those primarily responsible for its governance (including their personally-related entities), but exempt from disclosure transactions that either qualify under paragraph 10.5 or are covered in the requirements in any of Sections 7 to 9, including the exclusions therefrom. For example, the share, unit, option and other equity instrument transactions of directors or executives of an entity, including their personally-related entities, are covered by Section 8 and thus are excluded from the scope of Section 10. This means that share, unit, option and other equity instrument transactions with directors of subsidiaries in the economic entity, that are not required to be disclosed by Section 8, are not subject to additional disclosure requirements under this Section. All benefits provided by an economic entity that constitute remuneration of its directors or executives are not subject to additional disclosure requirements under this Section.
10.4.3 When an individual has been a director of the entity required to prepare the financial report for only part of the reporting period, they are classified as a specified director for the reporting period. All their transactions with the disclosing entity and any of its subsidiaries during the period are included in the scope of this Section, not just those occurring during the period of responsibility.

10.5 Transactions with and amounts receivable from or payable to the specified directors and specified executives are excluded from the requirements of paragraphs 10.1 to 10.4 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 individual; and

(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 report, or the discharge of accountability by the director or executive; and

(c) they are trivial or domestic in nature.

10.5.1 For transactions and amounts meeting all three conditions set out in paragraph 10.5, it is not necessary to provide any details, general description or indication of their existence. The conditions include the requirement that the transactions were, or balances receivable or payable are, subject to terms and conditions no more favourable than those which it is reasonable to expect would have applied if the entity had been dealing at arm’s length with an unrelated individual. It is also required that the transactions or balances be trivial or domestic in nature. Transactions or balances are trivial in nature when they are of little or no interest to the users of the financial report in making and evaluating decisions about the allocation of scarce resources. Transactions or balances are domestic in nature when they relate to the personal household activities of individuals.

11 Comparative Information

11.1 Financial information for the preceding reporting period that corresponds to the disclosures required by this Standard for the reporting period must be disclosed, except:

(a) for the disclosures in relation to specified persons required by Sections 8, 9 and 10; or
(b) where the disclosures did not apply to a specified person or a group of specified persons in the preceding reporting period.

11.1.1 When disclosure is required of the remuneration of a specified person in the reporting period (Section 7) and that person was also specified in the preceding period, then disclosure is required of the comparative remuneration of that person. In respect of a person subject to the detailed remuneration disclosures of the Standard for the first time, it is not necessary to provide comparative information.

11.1.2 Comparative information is not required for disclosures about the equity holdings of an individual (Section 8) or loans to an individual (Section 9) because the disclosures required include the balances at the beginning and the end of the reporting period and this is expected to provide sufficient information. The benefit of requiring comparative information for all irregular items is likely to be exceeded by the cost. An entity can provide additional comparative information in any situation where it considers the information would be useful.

11.1.3 In respect of the disclosures of aggregates for groups of individuals, comparative information is required to be disclosed in the financial report except for the first financial report to which this Standard applies. For example, an entity is required to include in the current reporting period’s financial report the total aggregate remuneration for specified executives that was disclosed in the preceding annual financial report, even when the persons specified in the current period differ from the prior period and comparative information is not required for any individual specified in this period. If a reporting entity became a disclosing entity during the reporting period, it would not be necessary to provide comparative information for the preceding reporting period in respect of the remuneration of specified directors or specified executives on either an individual or aggregate basis.

12 Definitions

12.1 In this Standard:

chief executive officer (CEO) means a person holding the position or office that is accepted legally or constructively to have the most authority within the reporting entity, whether or not subject to a governing body;

director means:

(a) a person who, regardless of the name that is given to the position, is appointed:
(i) to the position of a director; or  
(ii) to the position of an alternate director and is acting in that capacity; or  
(iii) in the case of entities governed by bodies not called a board of directors, to the position of member of the governing body, council, commission or authority;  
(b) unless the contrary intention appears, a person who is not validly appointed as a director if:  
(i) the person acts in the position of a director; or  
(ii) the directors of the entity are accustomed to act in accordance with the person’s instructions or wishes (except where the directors act on advice given by the person in the proper performance of functions attaching to the person’s professional capacity, or the person’s business relationship with the directors or the entity);  

disclosing entity is defined in the Corporations Act;  

economic entity means a group of entities comprising the parent entity and each of its subsidiaries;  

employee means a natural person (including a director) appointed or engaged under a contract for services who is subject to the direction of an employer in respect of the manner of execution of those services, whether on a full-time, part-time, permanent, casual or temporary basis;  

equity compensation means employee benefits in the form of:  
(a) equity instruments of the entity required to prepare the financial report or any of its subsidiaries; or  
(b) rights to equity instruments that may, at the discretion of the entity, be settled either by cash payments or equity instruments of the entity required to prepare the financial report or any of its subsidiaries;  

equity instrument means any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities;
executive means a person who is directly accountable and responsible for the strategic direction and operational management of the entity;

grant date means the date on which the entity and another party (including an employee) agree to the terms of a bonus or share-based payment compensation, being when the entity and the counterparty have a shared understanding of the terms and conditions of the grant. At grant date, the entity confers on the counterparty the right to cash (or other assets) or equity instruments of the entity on vesting date provided the specified conditions, if any, are met. If the grant is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained;

long-term incentive plan means any plan or arrangement providing benefits, other than equity compensation, as an incentive for performance to occur over a period longer than one reporting period, whether such performance is measured by reference to the financial performance or share price of the reporting entity (or any of its subsidiaries) or any other measure;

parent entity means an entity which controls another entity;

personally-related entities means, in relation to a particular individual, the relatives of the individual, the spouses of the relatives and any other entity under the joint or several control or significant influence of the individual, relatives of the individual or spouses of relatives;

post-employment benefits means employee benefits (other than termination benefits and share-based payment compensation) that are payable after the completion of employment;

prescribed benefit means a benefit specified in the Corporations Act as requiring the approval of the shareholders or members of the corporate entity;

relative means, in relation to a person, the spouse, parent or remoter lineal ancestor, son, daughter or remoter issue, or brother or sister of the person;
repricing in relation to options or rights means any change to the terms or conditions of an option or right over shares or units that benefits the holder;

retirement means cessation of employment and includes loss of office, resignation and death at the time of holding that office;

retirement benefits means post-employment benefits other than pension, superannuation and termination benefits and includes prescribed benefits as well as benefits which, if earned progressively over the period of employment, are recognised on an accrual basis;

share-based payment compensation means, in respect of employees, benefits in the form of:

(a) equity compensation; or

(b) rights to equity instruments that may, at the discretion of the employee, be settled either by cash payments or the issue of equity instruments of the entity required to prepare the financial report or any of its subsidiaries; or

(c) other compensation, the amount of which depends on the future value of the equity instruments of the entity required to prepare the financial report or any of its subsidiaries;

specified director means a person who was, at any time during the reporting period, a director of the entity required to prepare the financial report;

specified executive means one of the five or more executives who:

(a) have the greatest authority for managing the economic entity or, where there are no subsidiaries, the entity required to prepare the financial report;

(b) are employed at any time during the reporting period by the entity or any of its subsidiaries; and

(c) are not specified directors;

subsidiary means an entity that is controlled by a parent entity;
termination benefits means employee benefits payable as a result of either:

(a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or
(b) an employee’s decision to accept voluntary redundancy in exchange for those benefits;

vesting date means the date on which are satisfied the conditions precedent to an employee becoming beneficially entitled to the equity instrument or other bonus.

Specified Directors

12.1.1 The term director is defined to include any member of a governing board, body, council, authority or commission. It includes alternate directors as well as shadow directors (who acted in the capacity of director although not formally appointed as such). It also includes trustees and liquidators in relation to the entities they have responsibility for liquidating. The specified directors referred to in this Standard comprise all those who acted at any time during the reporting period as a director of the entity required to prepare the financial report.

12.1.2 When a disclosing entity is the parent entity in an economic entity, it is required by the Corporations Act to include in the financial report its own financial statements as well as consolidated financial statements (incorporating other entities that are its subsidiaries). Individuals who are directors of subsidiaries within an economic entity but not directors of the parent entity are not classified as specified directors.

12.1.3 Individuals who were directors during the reporting period but not at the reporting date of an entity required to prepare the financial report are classified as specified directors. The description of former specified director applies to those individuals who held the position of director in prior reporting periods and did not hold that position or did not act in that capacity at any time during the reporting period. This Standard does not include former specified directors in its disclosure requirements. Former specified directors are treated as related parties in respect of transactions with an entity that relate to their former position and that provide a benefit not included in remuneration previously disclosed. For example, benefits to be paid to a director who resigned from office during the current reporting period would be included in disclosure of the remuneration of the specified director (excluding accrued benefits disclosed previously as remuneration). Benefits paid in the current reporting period to a former specified
director who resigned in an earlier reporting period are disclosed, not as remuneration under this Standard but in accordance with AASB 1017, unless the payment comprised only accrued benefits previously disclosed as remuneration.

Specified Executives

12.1.4 An executive is defined as a person who is directly accountable and responsible for the strategic direction and operational management of an entity. The specified executives comprise at least five executives with the greatest authority for managing the economic entity or, where applicable, the disclosing entity, other than those executives who are also directors of the parent entity (specified directors). They may be employed in the reporting period by the disclosing entity or by any of its subsidiaries within the economic entity. Where a disclosing entity is a parent entity, it is not required to specify five executives in respect of the parent entity and five executives employed by other entities within the economic entity.

12.1.5 The number of specified executives is stated as a minimum of five in the definition, to establish a base level and simultaneously enable entities to include more than five in the group if they wish. An entity may consider that its key management group includes more than five executives and it is more informative to include more individuals in the group of specified executives. Rather than eliminating candidates to arrive at a minimum of five specified executives, particularly when several candidates for the fifth place are equally qualified, the number in the group of specified executives is increased to the appropriate level. When the group of specified executives comprises more than five, the requirements of this Standard apply to all those in the group.

12.1.6 The level of remuneration can frequently be taken as indicating the degree of authority of an executive, but where there is reliable evidence that the authority within the economic entity of an executive at a lower level of remuneration is greater than the authority of an executive among the five most highly remunerated, then such an executive is included in addition to or instead of the higher-paid executive. Remuneration by itself does not form the basis for determining specified executives. For example, a currency trader who received high commissions but was not part of the key management team would not be classified as a specified executive of a financial institution even if the trader’s remuneration exceeded that of the CEO.

12.1.7 If a specified director is also an executive, this Standard requires that such a person be included only as a specified director. This means that executive directors of the parent entity are excluded when
determining the specified executives. However, an executive who is also a director of a subsidiary of the parent entity is not excluded from being classified as a specified executive.

**Vesting Date and Grant Date**

12.1.8 The concept of vesting is relevant to many forms of employee benefits that are granted conditionally, whether cash or equity is involved. The conditions precedent, that must be satisfied before an employee becomes beneficially entitled, frequently refer to service conditions (relating to the services the employee provides to the entity) or performance conditions (relating to either the performance of the employee or the performance of the entity, however measured) or both service and performance conditions. The date on which the specified condition or conditions precedent are assessed as being satisfied is the vesting date. From that date, the employee’s right to receive or retain the benefits inherent in the cash or equity instruments granted is no longer contingent on the employee remaining in the service of the employer or on the achievement, by the employee or the entity, of a performance condition.

12.1.9 When an award of equity instruments is granted retrospectively as a reward for past services or performance, the recipient is usually unconditionally entitled to the beneficial interest in those equity instruments as from the grant date. In these circumstances, the grant date is the same as the vesting date.

12.1.10 When a contract with an employee states that the equity compensation or other bonus the employee may receive in the future will be at the discretion of the board of directors, the grant date will be the date on which the board exercises its discretion and not the date of the signing of the contract. In these circumstances, the grant date will only be the same as vesting date if the compensation granted by the board is not conditional on service or performance conditions being satisfied in the future.

**Equity Compensation**

12.2 All grants of equity compensation not fully vested before the start of the reporting period must be included in determining the amounts allocated to the remuneration of specified directors and specified executives disclosed for the reporting period, irrespective of when the grant was made.

12.2.1 When a grant of equity compensation to a specified person has not vested before the start of a reporting period, it is included in
determining the amount of remuneration allocated to that person in accordance with the directions in Appendix 2 and the principles in Appendix 6. This applies only to persons who are specified for the reporting period and it applies irrespective of whether the person was specified in the period in which the grant was made.

12.2.2 Paragraph 12.2 does not apply to a person who is not a specified person in the current reporting period but was so classified in the reporting period in which the grant was made.
The table below is based on Urgent Issues Group UIG Abstract 14 “Directors’ Remuneration” (June 1997) which provides guidance on items included in the remuneration of directors. All items identified in Column 1 of the Table are included when determining the amount of remuneration of a director or executive in accordance with paragraph 5.1 of this Standard. Column 1 is not necessarily exhaustive. Items shown in Column 2 are excluded from remuneration disclosed. An illustration of the classification of Column 1 items in accordance with the components prescribed in paragraph 5.2 is included in {parentheses} with the paragraph reference.

<table>
<thead>
<tr>
<th>COLUMN 1 Included in Remuneration</th>
<th>COLUMN 2 Excluded from Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ fees</td>
<td>Payments made to directors, executives or personally-related entities for consulting services not in connection with the management of the affairs of the entity or any subsidiary. These items are disclosed separately in accordance with the requirements relating to other transactions of directors and executives.</td>
</tr>
<tr>
<td>{primary – fees 5.2(a)(i)}</td>
<td></td>
</tr>
<tr>
<td>Allowances (other than payments or reimbursements of business expenses), including club membership for the director or executive and members of their families except where the membership fees are business expenses {primary – non-monetary 5.2(a)(iii)}</td>
<td>Reimbursements of out-of-pocket business expenses</td>
</tr>
<tr>
<td>Bonuses, profit share, commissions and incentive payments (to the extent determinable at the reporting date) {primary – bonus 5.2(a)(ii)}</td>
<td>Club membership for the director or executive and members of their families where such membership is incurred for business purposes</td>
</tr>
<tr>
<td>COLUMN 1</td>
<td>INCLUDED IN REMUNERATION</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Private assurance and insurance premiums paid in whole or part by the entity or related party, including life, accident, health and policies to indemnify directors or executives</td>
<td>Included in Remuneration</td>
</tr>
<tr>
<td></td>
<td>(other benefits – 5.2(d)(ii))</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Use of services or property of the entity for private purposes, including:</td>
<td>Excluded from Remuneration</td>
</tr>
<tr>
<td>- use of a house;</td>
<td>Telecommunication facilities and computers provided for use on entity-related matters, including such facilities installed in the home of a director or executive</td>
</tr>
<tr>
<td>- use of an office and secretarial services;</td>
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<tr>
<td>- use of other property, such as a company-owned holiday home</td>
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</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Education fees for family members of the director or executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Expatriate package costs and domestic transfer equivalents, including housing subsidy, airfare entitlements, all allowances, utilities, tax return services and tax equalisation costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Fringe benefits tax on benefits provided</td>
<td>Payroll tax</td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Goods and services provided</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
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<tr>
<td>Leave entitlements, including:</td>
<td></td>
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<tr>
<td>- annual leave and leave loading;</td>
<td></td>
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<tr>
<td>- sick leave;</td>
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<tr>
<td>- long-service leave</td>
<td></td>
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<tr>
<td></td>
<td>(primary – salary 5.2(a)(i))</td>
</tr>
<tr>
<td>Low (and zero) interest loans by the entity or related party; interest foregone</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Motor vehicles for private use: expenses including running costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Personal expense payments, including medical and other private insurance, telephone and general household expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Contributions to superannuation funds,</td>
<td>Payments made by a superannuation fund</td>
</tr>
<tr>
<td>(post-employment – 5.2(b)(i) or (ii)) and any other retirement benefits</td>
<td>(post-employment – 5.2(b)(ii), (iii) or (iii))</td>
</tr>
<tr>
<td>(post-employment – 5.2(b)(ii), (iii) or (iii))</td>
<td></td>
</tr>
<tr>
<td>COLUMN 1 Included in Remuneration</td>
<td>COLUMN 2 Excluded from Remuneration</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Shares, units, options and rights in respect of remuneration</td>
<td>Dividends received on shares provided under an employee ownership scheme</td>
</tr>
<tr>
<td>(equity compensation – 5.2(c)(i) or (ii))</td>
<td>Discounts on shares provided under an employee share ownership scheme that does not provide compensation</td>
</tr>
<tr>
<td>Discounts on shares provided under an employee share ownership scheme that form part of the individual’s remuneration package</td>
<td>Travel expenses for spouse or other family of director or executive and associated costs that are incurred in the course of employment</td>
</tr>
<tr>
<td>(equity compensation – 5.2(c)(i))</td>
<td>(primary – non-monetary 5.2(a)(iii))</td>
</tr>
<tr>
<td>Travel expenses for spouse or other family of director or executive and associated costs not incurred in the course of employment</td>
<td>Other benefits including “golden handshakes” in connection with restrictive covenants</td>
</tr>
<tr>
<td>(primary – non-monetary 5.2(a)(iii))</td>
<td>(post-employment – 5.2(b)(ii) or (iii)) or termination – 5.2(d)(i) or (ii))</td>
</tr>
<tr>
<td>Other benefits including “golden handshakes” in connection with restrictive covenants</td>
<td>“sign-on” lump sums</td>
</tr>
<tr>
<td>(post-employment – 5.2(b)(ii) or (iii)) or termination – 5.2(d)(i) or (ii))</td>
<td>(other benefits – 5.2(d)(iii))</td>
</tr>
</tbody>
</table>
APPENDIX 2

EQUITY COMPENSATION FOR INDIVIDUAL REMUNERATION

This Appendix forms an integral part of the Standard

This Appendix provides directions on how the principles in Appendix 6 are applied in the context of this Standard to estimate remuneration to be disclosed for individuals.

Areas addressed are:

- determination and allocation of value of equity compensation; and
- alteration of the terms of remuneration options

References to options in this Appendix shall be read as including other equity instruments with equivalent functionality, such as rights and performance rights.

Determination and Allocation of Value of Equity Compensation

In applying the principles outlined in Appendix 6, the assumptions needed to arrive at the fair value of equity instruments must reflect the realities specific to the grant to a specified director or specified executive at grant date. When a grant vests immediately, the fair value is treated as remuneration of the individual in that reporting period. When several executives are offered share-based payment compensation and each accepts on a different day, technically, the equity compensation for each individual would need to be treated as a separate grant, with a different grant date. When such multiple grants vest immediately, the time difference between grant dates is likely to be small and insufficient to warrant separate estimation of the value of each executive’s grant.

When a grant of equity compensation to an individual will vest over several reporting periods, the process of allocating the value of the grant to each reporting period as remuneration is likely to differ from the process appropriate to a grant for hundreds of employees. In cases of multi-employee grants of options subject only to service conditions, the value allocated in the first period is estimated as

\[
\text{fair value of the option at grant date} \times \text{the total number of options per employee} \times \text{the percentage of the vesting period elapsed to date} \times \text{the number of employees expected to be employed at vesting date}
\]

and satisfying the vesting conditions.
In subsequent periods prior to vesting date, the entity is required to reestimate the number of employees likely to be employed at vesting date, recalculate the value as described above and subtract the amount disclosed as remuneration in prior periods. In the final period in which vesting occurs, the total value of the grant is calculated based on the total number of vested options, being:

- the fair value of the option at grant date
- the total number of options per employee
- the number of employees employed at vesting date (thus satisfying the vesting conditions).

In cases of grants of options to a specified person, the number of employees, being only one, will not change during the vesting period. It is assumed that grants of options with vesting conditions will only be made to directors or executives who are expected to remain until the end of the vesting period. If a director or executive leaves prior to vesting date and it is decided that outstanding grants will vest (and not be forfeited), the balance of the value remaining to be allocated will be disclosed as remuneration of that specified person in the reporting period in which they cease employment.

In cases of a grant of options where vesting date is reached and the options do not vest (because the vesting conditions are failed), there will be no amount to include in respect of that grant in the remuneration disclosed for that individual for the reporting period.

**Alteration of Terms of Remuneration Options**

If there is a change in the exercise price or number of equity instruments to be issued on exercise of an option as a consequence of the reorganisation of the equity structure of an entity, such a change is not classified as alteration of the terms of remuneration options and does not lead to inclusion of any amount as remuneration. Other changes initiated by the entity that are designed to increase the value of options granted as remuneration to specified persons are treated separately, depending on whether the options have vested.

**Vested options**

When the exercise price or other terms of vested options have been amended during the reporting period, the value of the options affected by the alteration and the value subsequent to alteration of the terms are measured to arrive at the difference required to be disclosed by paragraph 7.6(e). The date of measuring the second value is the date of the alteration of the terms, not the last day of the reporting period in which the alteration occurs.

When measuring the value of the options at the date of alteration of the terms, the same option-pricing model that was applied to measure the amount at grant date is applied, assuming the same option-pricing model remains valid,
using the values of the variables at the date of alteration. The valuation process is repeated replacing where required the values for exercise price, expected life and risk-free rate with those representing the new terms. The difference disclosed is the total amount for the parcel of options affected, not the difference per option.

If the alteration of the terms affects several parcels of options held by a specified person, for example, extending by five years the life of all vested options currently held by that individual, then separate calculations will be needed for each parcel of options. Separate disclosure by parcel is necessary for the details required by paragraphs 7.6(c) and 7.6(d), but it would be acceptable to add together the differences for each parcel to provide the disclosure required by paragraph 7.6(e), to indicate the total gain to the specified person in the reporting period from alteration of the terms.

**Unvested options**

When the exercise price or other terms of options have been amended during the reporting period and before *vesting date*, the value of the options affected by the alteration and the value subsequent to alteration of the terms are measured to arrive at the difference required to be disclosed by paragraph 7.6(e).

Unlike vested options, the total value of the benefit in this instance is not included in remuneration for the reporting period in which the change occurs. The value is added to the originally-estimated value of the options that is being allocated as remuneration of a specified person over reporting periods from *grant date* to *vesting date*. Since the allocation to each period is based on the pro rata number of options relevant to each period, remuneration in the reporting period in which the change is made includes an amount representing an increase in the value of the number of *equity instruments* used to derive remuneration disclosed in prior reporting periods.
**APPENDIX 3**

**REMUNERATION: DISCLOSURES ILLUSTRATED**

This Appendix forms part of the commentary and is provided for illustrative purposes only. Table 3 illustrates how a disclosing entity might comply with requirements contained in paragraphs 7.1 and 7.2 of this Standard.

### Table 3 Remuneration Disclosures

<table>
<thead>
<tr>
<th>Company Ltd</th>
<th>Specified Directors</th>
<th>Specified Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Specified Directors</td>
<td>Specified Executives</td>
</tr>
<tr>
<td></td>
<td>Andrew, A.</td>
<td>Gail, G.</td>
</tr>
<tr>
<td></td>
<td>Black, B.</td>
<td>Honnor, H.</td>
</tr>
<tr>
<td></td>
<td>Cathie, C.</td>
<td>Innis, I.</td>
</tr>
<tr>
<td></td>
<td>David, D.</td>
<td>James, J.</td>
</tr>
<tr>
<td></td>
<td>Edgar, E.</td>
<td>Kelly, K.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Specified Directors</td>
<td>Specified Executives</td>
</tr>
<tr>
<td></td>
<td>Andrew, A.</td>
<td>Gail, G.</td>
</tr>
<tr>
<td></td>
<td>Black, B.</td>
<td>Honnor, H.</td>
</tr>
<tr>
<td></td>
<td>Cathie, C.</td>
<td>Innis, I.</td>
</tr>
<tr>
<td></td>
<td>David, D.</td>
<td>James, J.</td>
</tr>
<tr>
<td></td>
<td>Edgar, E.</td>
<td>Kelly, K.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Remuneration:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Specified Directors</td>
<td>Specified Executives</td>
</tr>
<tr>
<td>Company Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20X5 988 117 89 110</td>
<td>20X5 2,020 347 201 242</td>
</tr>
<tr>
<td></td>
<td>20X4 938 107 79 103</td>
<td>20X4 938 107 79 103</td>
</tr>
</tbody>
</table>

Group totals in respect of 20X4 do not necessarily equal the sums of amounts disclosed for 20X4 for individuals specified in 20X5, as different individuals were specified in 20X4.
APPENDIX 4

EQUITY HOLDINGS: DISCLOSURES ILLUSTRATED

This Appendix forms part of the commentary and is provided for illustrative purposes only. Tables 4A to 4D illustrate how a disclosing entity might comply with requirements contained in Section 8 of this Standard. To assist in identifying the relevant paragraphs in the Standard, the paragraph numbers are indicated above the column headings.

Table 4A Remuneration Options (paragraph 8.2)

<table>
<thead>
<tr>
<th>Para. ref.</th>
<th>8.2(a)(i)</th>
<th>8.2(a)(ii)</th>
<th>8.2(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Ltd</td>
<td>year ended 31 Dec X5</td>
<td>Remuneration Options</td>
<td></td>
</tr>
<tr>
<td>Specified Directors</td>
<td></td>
<td>700,000</td>
<td></td>
</tr>
<tr>
<td>Black, B.</td>
<td></td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Specified Executives</td>
<td></td>
<td>350,000</td>
<td></td>
</tr>
<tr>
<td>James, J.</td>
<td></td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Kelly, K.</td>
<td>360,000</td>
<td>$2.92</td>
<td>31 Mar X5</td>
</tr>
<tr>
<td>Total</td>
<td>1,050,000</td>
<td>360,000</td>
<td></td>
</tr>
</tbody>
</table>

All grants of options vest after 4 years (to the extent that vesting criteria are met) or are forfeited. Options expire three years after vesting. Exercise price equals market price at date of grant. The service & performance criteria, together with other details required by paragraph 7.5, are described in Note xx (not illustrated).

Table 4B Shares issued on Exercise of Remuneration Options (paragraph 8.3)

<table>
<thead>
<tr>
<th>Para. ref.</th>
<th>8.3(a)</th>
<th>8.3(c)</th>
<th>8.3(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Ltd</td>
<td>year ended 31 Dec X5</td>
<td>Remuneration Options: Exercised</td>
<td></td>
</tr>
<tr>
<td>Specified Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black, B.</td>
<td>50,000</td>
<td>$4.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Specified Executives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>James, J.</td>
<td>100,000</td>
<td>$4.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Total</td>
<td>150,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4C Options and Rights Holdings (paragraph 8.4)

<table>
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<tr>
<th>Para. ref.</th>
<th>8.4(a)</th>
<th>8.4(b)</th>
<th>8.4(c)</th>
<th>8.4(d)</th>
<th>8.4(e)</th>
<th>8.4(f)</th>
<th>8.4(g)</th>
<th>8.4(h)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Ltd</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>Remuneration</strong></td>
<td><strong>Exercised</strong></td>
<td><strong>Other</strong></td>
<td><strong>31 Dec X5</strong></td>
<td><strong>Total</strong></td>
<td><strong>Vested at 31 Dec X5</strong></td>
<td><strong>Exercisable</strong></td>
<td><strong>Unexercisable</strong></td>
</tr>
<tr>
<td><strong>Specified Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrew, A.</td>
<td>800,000</td>
<td>-</td>
<td>(1,000)</td>
<td>1000</td>
<td>700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Black, B.</td>
<td>860,000</td>
<td>-</td>
<td>(72,000)</td>
<td>(90,000)</td>
<td>780,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cathie, C.</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>David, D.</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Edgar, E.</td>
<td>200</td>
<td>-</td>
<td>200</td>
<td>-</td>
<td>200</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Specified Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gail, G.</td>
<td>360,000</td>
<td>-</td>
<td>(8,000)</td>
<td>8,000</td>
<td>360,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Honner, H.</td>
<td>360,000</td>
<td>-</td>
<td>(3,000)</td>
<td>3,000</td>
<td>360,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Innis, I.</td>
<td>100,000</td>
<td>-</td>
<td>(1,000)</td>
<td>1,000</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>James, J.</td>
<td>400,000</td>
<td>-</td>
<td>(107,500)</td>
<td>(42,500)</td>
<td>250,000</td>
<td>250,000</td>
<td>250,000</td>
<td>-</td>
</tr>
<tr>
<td>Kelly, K.</td>
<td>360,000</td>
<td>-</td>
<td>(100)</td>
<td>100</td>
<td>360,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,160,000</td>
<td>360,000</td>
<td>(188,300)</td>
<td>(111,700)</td>
<td>2,220,000</td>
<td>900,000</td>
<td>900,000</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: Rights Issue on 1 June 20X5 to all shareholders on basis 1 for 10; exercisable 5 July 20X5. Net change includes options forfeited.

Table 4D Shareholdings (paragraph 8.5)

<table>
<thead>
<tr>
<th>Para. ref.</th>
<th>8.5(a)</th>
<th>8.5(b)</th>
<th>8.5(c)</th>
<th>8.5(d)</th>
<th>8.5(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Ltd</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of Shares held: Specified Directors &amp; Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>Remuneration</strong></td>
<td><strong>Exercised</strong></td>
<td><strong>Other</strong></td>
<td><strong>31 Dec X5</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Specified Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrew, A.</td>
<td>10,000</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Black, B.</td>
<td>140,000</td>
<td>-</td>
<td>64,000</td>
<td>(32,000)</td>
<td>172,000</td>
</tr>
<tr>
<td>Cathie, C.</td>
<td>15,000</td>
<td>-</td>
<td>1,500</td>
<td>1,000</td>
<td>17,500</td>
</tr>
<tr>
<td>David, D.</td>
<td>20,000</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>22,000</td>
</tr>
<tr>
<td>Edgar, E.</td>
<td>2,000</td>
<td>-</td>
<td>200</td>
<td>-</td>
<td>2,200</td>
</tr>
<tr>
<td><strong>Specified Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gail, G.</td>
<td>80,000</td>
<td>-</td>
<td>8,000</td>
<td>(5,000)</td>
<td>83,000</td>
</tr>
<tr>
<td>Honner, H.</td>
<td>30,000</td>
<td>-</td>
<td>3,000</td>
<td>(2,000)</td>
<td>31,000</td>
</tr>
<tr>
<td>Innis, I.</td>
<td>10,000</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>11,000</td>
</tr>
<tr>
<td>James, J.</td>
<td>75,000</td>
<td>-</td>
<td>107,500</td>
<td>(35,833)</td>
<td>146,667</td>
</tr>
<tr>
<td>Kelly, K.</td>
<td>1,000</td>
<td>-</td>
<td>100</td>
<td>1,000</td>
<td>2,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>383,000</td>
<td>-</td>
<td>188,300</td>
<td>(71,833)</td>
<td>499,467</td>
</tr>
</tbody>
</table>
APPENDIX 5

LOANS: DISCLOSURES ILLUSTRATED

This Appendix forms part of the commentary and is provided for illustrative purposes only. Table 5 illustrates how a disclosing entity might comply with requirements contained in Section 9 of this Standard. To assist in identifying the relevant paragraphs in the Standard, the paragraph numbers are indicated above the column headings.

Disclosure on an individual basis is required only when the aggregate loan of a specified director or specified executive exceeded $100,000 during the reporting period and comparative amounts are not required even if that individual was specified in the preceding reporting period. For group aggregates, disclosure of comparative amounts is required but not the highest amount outstanding during the reporting period.

Table 5 Loans Disclosures (paragraph 9.2)

<table>
<thead>
<tr>
<th>Para ref</th>
<th>9.2(a)</th>
<th>9.2(b)</th>
<th>9.2(c)</th>
<th>9.2(d)</th>
<th>9.2(e)</th>
<th>9.2(f)</th>
<th>9.2(g)</th>
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<td></td>
<td></td>
</tr>
<tr>
<td>Company Ltd</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Disclosures</td>
<td>1 Jan X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
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<tr>
<td>Specified directors</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>20X5</td>
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<td>-</td>
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<td>-</td>
<td>177</td>
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<td></td>
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<tr>
<td>20X4</td>
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<td>-</td>
<td>14</td>
<td>-</td>
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<tr>
<td>Specified Executives</td>
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<td></td>
</tr>
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<td>-</td>
<td>744</td>
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</tr>
<tr>
<td>Total: Specified Directors and Specified Executives</td>
<td></td>
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</tr>
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<td>61</td>
<td>-</td>
<td>786</td>
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<td>20X4</td>
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<td>19</td>
<td>56</td>
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<table>
<thead>
<tr>
<th>Para ref</th>
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<th>9.2(c)</th>
<th>9.2(d)</th>
<th>9.2(e)</th>
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<td></td>
</tr>
<tr>
<td>Individuals with loans above $100,000 in reporting period</td>
<td>1 Jan X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>31 Dec X5</td>
<td>Highest in Period</td>
<td></td>
</tr>
<tr>
<td>Specified Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Black, B.</td>
<td>150</td>
<td>-</td>
<td>17</td>
<td>-</td>
<td>162</td>
<td>210</td>
<td></td>
</tr>
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<td>Specified Executives</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gail, G.</td>
<td>90</td>
<td>6</td>
<td>14</td>
<td>-</td>
<td>263</td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>Honner, H.</td>
<td>160</td>
<td>4</td>
<td>8</td>
<td>-</td>
<td>48</td>
<td>181</td>
<td></td>
</tr>
<tr>
<td>James, J.</td>
<td>299</td>
<td>8</td>
<td>18</td>
<td>-</td>
<td>240</td>
<td>312</td>
<td></td>
</tr>
</tbody>
</table>

Note: Directors of Company Ltd are not charged interest on their loans. Executives are charged interest at the concessional rate of 3% p.a. Average commercial rate of interest (unsecured loans) during year = 9.5%
A summary of other terms and conditions is given in Note XY (not illustrated)

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APPENDIX 6

PRINCIPLES OF MEASUREMENT AND ALLOCATION OF SHARE-BASED PAYMENT COMPENSATION

This Appendix forms an integral part of the Standard

All references to employees shall be read as applying to directors and executives.

Equity Compensation (equity-settled share-based payments)

A transaction with an employee in his/her capacity as a holder of equity instruments of the entity is not a share-based payment transaction. For example, if an entity grants all holders of a particular class of its equity instruments the right to acquire additional equity instruments of the entity at a price that is less than the fair value of those equity instruments, and an employee receives such a right because he/she is a holder of that particular class of equity instruments, the granting or exercise of that right is not classified as remuneration.

The entity shall measure the fair value of the employee services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received.

If the equity instruments granted vest immediately (i.e. the employee is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments), the entity shall presume that services rendered by the employee as consideration for the equity instruments have been received. In this case, on grant date the entity shall treat the full value of the grant of equity instruments as remuneration and include it in disclosures for that reporting period.

If the equity instruments granted do not vest until the employee completes a specified period of service, the entity shall presume that the services to be rendered by the employee as consideration for those equity instruments will be received in the future, during the vesting period. The entity shall treat the grant as remuneration for those services as they are rendered by the employee during the vesting period. The value of the grant is allocated proportionately to reporting periods between grant date and vesting date. For example:

(i) if an employee is granted share options conditional upon completing three years' service, then the entity shall presume that the employee
services will be received over that three-year vesting period and allocate one-third of the value of the grant to each year; or

(ii) if an employee is granted share options conditional upon the achievement of a performance condition and remaining in service until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services will be received over the expected vesting period. The entity shall estimate the length of the expected vesting period at grant date, based on the most likely outcome of the performance condition. The entity shall revise its estimate of the length of the vesting period if subsequent information indicates that the length of the vesting period differs from previous estimates.

An entity shall measure the fair value at grant date of equity instruments granted, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted, except for vesting conditions and reload features that are excluded from the measurement of fair value.

If market prices are not available, the entity shall estimate the fair value at grant date of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on grant date in an arm’s length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price (except for vesting conditions and reload features that are excluded from the measurement of fair value).

Treatment of vesting conditions

A grant of equity instruments might be conditional upon satisfying specified vesting conditions. For example, a grant of shares or options to an employee is typically conditional on the employee remaining in the entity’s employ for a specified period of time. There might also be performance conditions that must be satisfied, such as the entity’s achieving a specified growth in profit or a specified increase in the entity’s share price. Vesting conditions shall not be taken into account when estimating the fair value of the shares or options at grant date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount such that, ultimately, the amount treated as remuneration for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Ultimately, no amount is treated as remuneration for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition. For example, the employee fails to complete a specified service period or a performance condition is not satisfied.
The entity shall disclose as remuneration in each reporting period during the vesting period the pro rata amount based on the best available estimate of the number of equity instruments expected to vest. That estimate, if necessary, is revised when subsequent information indicates that the number of equity instruments expected to vest differs from initial estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

**Treatment of a reload feature**

For options with a reload feature, the reload feature shall not be taken into account when estimating the fair value of options at grant date. Instead, if and when a reload option is granted, the reload option shall be accounted for as a new option grant.

**After vesting date**

In reporting periods subsequent to that in which vesting occurs, the entity shall make no subsequent adjustment to remuneration disclosed in prior periods. For example, the entity shall not subsequently reverse an amount previously disclosed as remuneration for an employee if vested options are not exercised.

**Modifications to the terms and conditions on which equity instruments were granted, including cancellations and settlements**

An entity might modify the terms and conditions on which the equity instruments were granted. For example, it might reduce the exercise price of options granted to employees (i.e. reprice the options), which increases the fair value of those options.

The entity should treat the effects of modifications that are beneficial to the employee as follows.

- When the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount allocated to remuneration for services received over the remainder of the vesting period, in addition to the amount based on the grant date fair value of the original equity instruments.

- When the modification occurs on or after vesting date, the incremental fair value granted is treated as remuneration in that reporting period.

The incremental fair value granted is the difference between the fair value of the modified (or replacement) equity instruments and the net fair value of the original equity instruments at the date the modification (or replacement) occurs.

If the entity modifies before vesting date the terms or conditions of the equity instruments granted in a manner that is not beneficial to the employee, the
entity shall nevertheless continue to disclose remuneration for the services received as consideration for the *equity instruments* granted as if that modification had not occurred (other than a cancellation of some or all the *equity instruments* granted, which shall be treated as described below).

When the entity cancels or settles a grant of *equity instruments* prior to *vesting date* (excluding forfeiture when the vesting conditions are not satisfied), the following principles apply.

- The entity shall treat the cancellation or settlement as an acceleration of vesting, and shall therefore disclose immediately as remuneration the amount that would have otherwise been disclosed over the remainder of the vesting period.
- Any payment made to the *employee* on the cancellation of the grant or as settlement (in lieu of any potential for rights to equity) shall be treated as the repurchase of an equity interest. To the extent that the payment exceeds the fair value of the shares or options granted, measured at the repurchase date, any such excess shall be disclosed as remuneration.
- If new *equity instruments* are granted to the *employee* and, on the date when those new *equity instruments* are granted:
  (a) the entity identifies the new *equity instruments* granted as replacement *equity instruments* for the cancelled *equity instruments*, the entity shall treat the granting of replacement *equity instruments* in the same way as a modification of the original grant of *equity instruments*; or
  (b) if the entity does not identify new *equity instruments* granted as replacement *equity instruments* for the cancelled *equity instruments*, the entity shall treat those new *equity instruments* as a new grant of *equity instruments*.

When an entity repurchases vested *equity instruments*, on or after *vesting date*, and the payment exceeds the fair value of the *equity instruments* repurchased, measured at the repurchase date, any such excess shall be disclosed as remuneration in that reporting period.

**Cash SARs**

*Cash-settled share-based payment transactions*

An entity might grant share appreciation rights (SARs) to *employees* as part of their remuneration package, whereby the *employees* will become entitled to a future cash payment (rather than an *equity instrument*) based on the increase in the entity’s share price from a specified level over a specified period of time.
The entity shall treat such grants as remuneration as the employees render service. For example, some SARs vest immediately and the employees are not required to complete a specified period of service to become entitled to the cash payment. In the absence of evidence to the contrary, the entity shall presume that the services rendered by the employees in exchange for the SARs have been received. Thus, the entity shall disclose the value of the grant immediately as remuneration. If the SARs do not vest until the employees have completed a specified period of service, the entity shall allocate the number of rights proportionately to remuneration in the reporting periods, as the employees render service from grant date to vesting date.

When the SARs do not vest immediately, the remuneration disclosed is the difference in the estimated liability arising in the reporting period. The liability shall be estimated, initially and at each reporting date until settled, at the fair value of the SARs, by applying an option-pricing model, taking into account the terms and conditions on which the SARs were granted, and the extent to which the employees have rendered service to date.

**Inputs to Option-Pricing Models**

In estimating the expected volatility of and dividends on the underlying shares, the objective is to approximate the expectations that would be reflected in a current market or negotiated exchange price for the option. Similarly, when estimating the effects of early exercise of employee share options, the objective is to approximate the expectations that an outside party with access to detailed information about employees’ exercise behaviour would develop based on information available at the grant date.

Often, there is likely to be a range of reasonable expectations about future volatility, dividends and option life. If so, an expected value should be calculated, by weighting each amount within the range by its associated probability of occurrence.

Expectations about the future are generally based on past experience, modified if the future is reasonably expected to differ from the past. In some circumstances, identifiable factors may indicate that unadjusted historical experience is a relatively poor predictor of future experience. For example, if an entity with two distinctly different lines of business disposes of the one that was significantly less risky than the other, historical volatility may not be the best information on which to base reasonable expectations for the future.

In other circumstances, historical information may not be available. For example, a newly listed entity will have little, if any, historical data on the volatility of its share price. Newly listed entities are discussed further below.

In summary, an entity should not simply base estimates of volatility, expected life of option and dividends on historical information without
considering the extent to which the past experience is expected to be reasonably predictive of future experience.

*Expected early exercise*

The expected life of an option is frequently shorter than its contractual life because employees often exercise share options early, for a variety of reasons. For example, employee share options are typically non-transferable. This often causes employees to exercise their share options early, because that is the only way for the employees to liquidate their position. Also, employees who cease employment may be required to exercise any vested options held within a short period of time, precipitating the early exercise of employee share options. Other factors causing early exercise are risk aversion and lack of wealth diversification.

The means by which the effects of expected early exercise are taken into account depend upon the type of option-pricing model applied. For example, expected early exercise behaviours could be taken into account by using an estimate of the option’s expected life (which, for an employee share option, is the period of time from grant date to the date on which the option is expected to be exercised) as an input into an option-pricing model. Alternatively, expected early exercise parameters could be modelled in a binomial or similar option-pricing model that uses contractual life as an input.

Factors to consider in estimating the effect of early exercise on the life of an option include:

(i) the length of the vesting period, because the share option typically cannot be exercised until the end of the vesting period. Hence, determining the valuation implications of expected early exercise is based on the assumption that the options will vest, and expected life cannot be less than the vesting period;

(ii) the average length of time similar options have remained outstanding in the past;

(iii) the price of the underlying shares. Past experience may indicate that the employees tend to exercise options when the share price reaches a specified level above the exercise price;

(iv) the employee’s level within the organisation. For example, past experience might indicate that higher-level employees tend to exercise options later than lower-level employees (discussed further below); and

(v) expected volatility of the underlying shares. On average, employees might tend to exercise options on highly volatile shares earlier than on shares with low volatility.

If the entity applies the Black-Scholes-Merton formula to value the share options, the effects of early exercise are taken into account by using the
option’s expected life as an input into the formula. When estimating the expected life of share options granted to a group of employees, the entity could base that estimate on an appropriately weighted average expected life for the entire employee group or on appropriately weighted average lives for subgroups of employees within the group, based on more detailed data about employees’ exercise behaviour.

Separating an option grant into groups for employees with relatively homogeneous exercise behaviour is likely to be important. Option value is not a linear function of option term; value increases at a decreasing rate as the term lengthens. For example, if all other assumptions are equal, although a two-year option is worth more than a one-year option, it is not worth twice as much. That means that calculating estimated option value on the basis of a single weighted average life that includes widely-differing individual lives would overstate the total fair value of the share options granted. Separating options granted into several groups, each of which has a relatively narrow range of lives included in its weighted average life, reduces that overstatement.

Similar considerations apply when using a binomial or similar model. For example, the experience of an entity that grants options broadly to all levels of employees might indicate that top-level executives tend to hold their options longer than middle-management employees hold theirs and that lower-level employees tend to exercise their options earlier than any other group. In addition, employees who are encouraged or required to hold a minimum amount of their employer’s equity instruments, including options, might on average exercise options later than employees not subject to that provision. In those situations, separating options by groups of recipients with relatively homogeneous exercise behaviour will result in a more accurate estimate of the total fair value of the share options granted.

**Expected volatility**

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option-pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. Volatility is typically expressed in annualised terms that are comparable regardless of the time period used in the calculation, for example, daily, weekly or monthly price observations.

The rate of return (which may be positive or negative) on a share for a period measures how much a shareholder has benefited from dividends and appreciation (or depreciation) of the share price.

The expected annualised volatility of a share is the range within which the continuously compounded annual rate of return is expected to fall.
approximately two-thirds of the time. For example, to say that a share with an expected continuously compounded rate of return of 12 per cent has a volatility of 30 per cent means that the probability that the rate of return on the share for one year will be between −18% (12% − 30%) and +42% (12% + 30%) is approximately two-thirds. If the share price is $100 at the beginning of the year and no dividends are paid, the year-end share price would be expected to be between $83.53 ($100 \times e^{-0.18}$) and $152.20 ($100 \times e^{0.42}$) approximately two-thirds of the time.

The following factors should be considered in estimating expected volatility.

- Implied volatility from traded share options over the entity’s shares, or other traded instruments of the entity that include options features (such as convertible debt), if any.
- The historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option (taking into account the remaining contractual life of the option and the effects of expected early exercise).
- The length of time an entity’s shares have been publicly traded. A newly listed entity might have a high historical volatility, compared with similar entities that have been listed longer. Further guidance for newly listed entities is given below.
- The tendency of volatility to revert to its mean (being its long-term average level) as well as other factors indicating that expected future volatility might differ from past volatility. For example, if an entity’s share price was extraordinarily volatile for some identifiable period of time because of a failed takeover bid or a major restructuring, that period could be disregarded in computing historical average annual volatility.
- Appropriate and regular intervals for price observations. The price observations should be consistent from period to period. For example, an entity might use the closing price for each week or the highest price for the week, but it should not use the closing price for some weeks and the highest price for other weeks. Also, the price observations should be expressed in the same currency as the exercise price.

**Newly listed entities**

As noted above, an entity should consider historical volatility of the share price over the most recent period that is generally commensurate with the expected option term. If a newly listed entity does not have sufficient information on historical volatility, it should nevertheless compute historical volatility for the longest period for which trading activity is available. It could also consider the historical volatility of similar entities following a comparable period in their lives. For example, an entity that has been listed...
for only one year and grants options with an average expected life of five years might consider the pattern and level of historical volatility of entities in the same industry that have been listed longer for the first six years in which the shares of those entities were publicly traded.

**Expected dividends**

Whether expected dividends should be taken into account when measuring the fair value of shares or options granted depends on whether the counterparty is entitled to dividends or dividend equivalents.

For example, if employees were granted options and are entitled to dividends on the underlying shares or dividend equivalents (which might be paid in cash or applied to reduce the exercise price) between grant date and exercise date, the options granted should be valued as if no dividends will be paid on the underlying shares, that is, the input for expected dividends should be zero.

Similarly, in estimating the grant date valuation of shares granted to employees, no adjustment is required for expected dividends if the employee is entitled to receive dividends paid during the vesting period.

Conversely, if the employees are not entitled to dividends or dividend equivalents during the vesting period (or before exercise, in the case of an option), the grant date valuation of the rights to shares or options should take expected dividends into account. That is to say, in estimating the fair value of an option grant, expected dividends should be included in the application of an option-pricing model. In estimating the fair value of a share grant, that valuation should be reduced by the present value of dividends expected to be paid during the vesting period.

Option-pricing models generally call for expected dividend yield. However, the models may be modified to use an expected dividend amount rather than a yield. An entity may use either its expected yield or its expected payments. If the entity uses the latter, it should consider its historical pattern of increases in dividends. For example, if an entity’s policy has generally been to increase dividends by approximately 3 per cent per year, its estimated option value should not assume a fixed dividend amount throughout the expected life unless there is evidence that supports that assumption.

Generally, the assumption about expected dividends should be based on publicly available information. An entity that does not pay dividends and has no plans to do so should assume an expected dividend yield of zero. However, an emerging entity with no history of paying dividends might expect to begin paying dividends during the expected lives of its employee stock options. Those entities could use an average of their past dividend yield (zero) and the mean dividend yield of an appropriately comparable peer group.
Risk-free interest rate
The risk-free interest rate is the implied yield currently available on zero-coupon government issues with a remaining term equal to the expected term of the option being valued (based on the option’s remaining contractual life and taking into account the effects of expected early exercise behaviours). It may be necessary to use an appropriate substitute, if no such government issues exist with a life equal to the expected term of the option being valued.

Capital structure effects
Typically, third parties, not the entity, write traded share options. When these share options are exercised, the writer delivers shares to the option holder. Those shares are acquired from existing shareholders. Hence the exercise of traded share options has no dilutive effect.

In contrast, if share options are written by the entity, new shares are issued when those share options are exercised (either actually issued or issued in substance, if shares previously repurchased and held in treasury are used). Given that the shares will be issued at the exercise price rather than the current market price at the date of exercise, this actual or potential dilution might reduce the share price, so that the option holder does not make as large a gain on exercise as on exercising an otherwise similar traded option that does not dilute the share price.

Whether this has a significant effect on the value of the share options granted depends on various factors, such as the number of new shares that will be issued on exercise of the options compared with the number of shares already on issue. Also, if the market already expects that the option grant will take place, the market may have already factored the potential dilution into the share price at the date of grant.

However, the entity should consider whether the possible dilutive effect of the future exercise of the share options granted might have an impact on their estimated fair value at grant date. Option-pricing models can be adapted to take into account this potential dilutive effect.