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Remuneration

ESSENTIAL SNAPSHOT

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Illustrative governance reference only - not a legal instrument or formal policy document.

Purpose

Remuneration is one of the clearest tests of whether a board governs behaviour, risk, fairness, and accountability with discipline.

A remuneration framework should make clear:

- what the board is trying to reward
- which decisions sit with the board, RemCo, CEO, People and Culture, and Finance
- how discretion is applied and recorded
- how risk, culture, and fairness affect pay outcomes
- how exceptions, retention payments, sign-on payments, incentive outcomes, and leaver treatment are escalated
- how the board explains the decision later

Many organisations have remuneration policies. Fewer have a remuneration governance system that guides real decisions when pay becomes sensitive, contested, or exposed.

Why this matters now
Remuneration is becoming more visible, more challengeable, and harder to defend through benchmarking alone.

Public gender pay gap reporting has made pay outcomes easier for employees, media, advisers, and stakeholders to compare. In regulated and listed-adjacent environments, expectations around risk-adjusted pay, evidence of fairness, and board-level remuneration records are now higher than the policy templates many boards still rely on.

Before you scroll on....

Could your current remuneration records explain what was decided, who held the authority to decide it, how fairness was considered, how risk affected the outcome, and why the decision can be explained six months later?

⚠️ If your Board has a Remuneration Framework but cannot show how it shaped discretion, risk adjustment, fairness evidence, exception treatment, RemCo advice and decision records, the framework is giving comfort without discipline.

Where remuneration governance breaks down

Remuneration discipline weakens through repeated habits that look reasonable at the time.

1.0 Benchmarking becomes the decision 🚧

👉 Market data is treated as the answer, while judgement, fairness, risk, discretion and organisational consequence receive limited attention.

⚠️ The result? The board can explain the number, but struggles to explain the governance judgement behind it.

2.0 Discretion has no discipline

👉 Discretion remains available, but the boundaries, rationale, precedent risk and record requirements are unclear.

⚠️ The result? Similar cases receive different treatment, and the board is left defending outcomes that look negotiated rather than governed.

3.0 Risk is handled somewhere else

👉 The risk appetite statement, incentive plan, performance metrics and remuneration decisions operate as separate documents.

⚠️ The result? Pay outcomes can reward behaviours the board would challenge in a risk, conduct, customer or culture discussion.

4.0 Fairness is assumed until challenged ❌

👉 Internal relativities, gender pay signals, retention payments, sign-on payments and executive exceptions are treated as manageable until someone asks for the evidence.

⚠️ The result? Fairness concerns become harder to answer because the board record shows approval, without showing how fairness was tested.

⚠️ **Remuneration governance weakens when the board can approve the number but cannot explain the judgement behind it.**

Common tension points in Remuneration

Every tension point below is a governance signal. Boards with disciplined remuneration practice use these moments to test authority, discretion, fairness, risk alignment and the integrity of the decision record.

🔍 These are the most common tension points we see, even in otherwise capable Boards.

Tension point	Questions to ask (but rarely are)
Benchmarking as cover	👉 Where has benchmarking become the judgement?
Discretion without record	👉 Could we explain last year's discretion decisions without relying on memory?
Risk-adjusted pay	👉 When we last approved incentives, did risk change the number - or just the conversation?
Fairness evidence	👉 Could we explain our pay relativities in public - or would they not survive it?

⚠️ If these questions feel familiar, remuneration governance discipline should be reviewed before the next incentive cycle, CEO review, executive appointment, gender pay disclosure, retention payment, RemCo review, transaction, audit process, leadership change or Board reset.

Which next step fits your board?

Situation	Best next step
We want to test whether our current approach has governance gaps	Complete the Remuneration Governance Assessment
No Board-approved REM framework exists, or the current document is informal	Start with the Foundation Edition
We need detailed procedures for material exceptions and difficult cases, with supporting recording and review tools	Move to the Governance Edition
Group structures, multiple entities, cross-border operations or sector-specific regulatory design	Discuss Institutional design and implementation

Trigger moments

Remuneration governance usually becomes urgent around:

- CEO appointment, contract renewal, or incentive reset
- new Chair, RemCo Chair, CEO, or Company Secretary
- gender pay gap publication or internal pay equity concern
- executive exit, grievance, retention payment, or sign-on payment
- incentive payout despite risk, conduct, culture, or customer concerns
- proxy adviser, investor, lender, funder, insurer, auditor, or transaction adviser questions
- board review, RemCo review, M&A, PE investment, IPO preparation, or governance uplift

If any of these are visible, remuneration governance should be formalised before the next decision cycle sets precedent.

Our frameworks are:
👉 **Board-ready**: informed by Corporations Act 2001 (Cth) director and officer duty principles, ASX Corporate Governance Principle 8, APRA CPS 511 for APRA-regulated entities, WGEA pay transparency expectations for employers in scope, and ISO 37000 governance principles.
👉 **Behavioural governance**: designed for how Boards govern remuneration when incentives conflict, discretion becomes sensitive, fairness is contested, and benchmarking is mistaken for judgement.
👉**Clear**: gives Directors, RemCo Chairs, CEOs, People and Culture, Finance and Company Secretaries shared language for authority, discretion, risk adjustment, fairness evidence, exceptions, escalation and decision records.
👉**Practical**: connects the Remuneration Framework to Board papers, RemCo papers, CEO recommendations, incentive outcomes, the Risk Appetite Statement, Delegation of Authority, Board Approval Framework, pay equity reporting, employment contracts and minutes.

Why this gets postponed

Boards can recognise the gap, and still delay closing it.

❌ "We already benchmark remuneration."
📌 Benchmarking gives market context. However, it does not establish authority, discretion, fairness, risk adjustment, or decision rationale.

❌ "The Remuneration Committee handles this."
📌 A committee can review, challenge, and recommend. The board still needs clear decision rights, escalation rules, and evidence of how assurance was used.

❌ "We are too small for this level of structure."
📌 The structure should match the organisation. Once pay decisions create precedent, visibility, or executive tension, informal judgement becomes a governance risk.

❌ "We have never had a major issue."
📌 Remuneration risk often appears after a precedent has hardened, a relationship has deteriorated, or an external party asks for the record.

❌ "We can refresh it internally."
📌 An effective framework preserves legitimate discretion by forcing the reason, boundary, and accountability trail to be named before the decision is made.

Application across contexts

The Foundation and Governance Editions are informed by recognised Australian governance and remuneration reference points, including director and officer duties under the Corporations Act 2001, ASX Corporate Governance Principle 8 for listed and listed-adjacent entities, APRA CPS 511 where relevant, WGEA pay transparency expectations for employers in scope, and contemporary board governance practice. Each Board must determine the framework most fit-for-purpose for its organisation's size, complexity, obligations, risk profile, governance maturity and operating context.

Recognised governance practice provides a reference point. Departures should be deliberate, documented and risk-assessed for their effect on decision quality, role clarity, escalation, assurance and accountability.

The Foundation and Governance Editions are adaptable to a wide range of organisational contexts including private companies, listed companies, not-for-profits and government entities.

NorthSeat works with Boards and executive teams across private, listed, NFP and government sectors to improve governance maturity and leadership alignment.

About This Essential Snapshot

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This Essential Snapshot is a starting point. For structured frameworks or board-ready policies, contact us:

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