

CMA Standards Council's Policy For Excellence In Remuneration-Setting

CMA Standards Council Standard 8.8 requires that:

“The governing body must set the remuneration package of its top leader and address related-party transactions **in a manner that demonstrates integrity and propriety** (see for example the CMA Standards Council's Policy for Excellence in Remuneration-Setting).”
(emphasis added)

The purpose of this Policy is to provide examples of the matters that the CMA Standards Council would expect an organisation's CEO (or equivalent) remuneration-setting policy to address. Related-party transactions are addressed in the CMA Standards Council's Policy for Excellence in Handling Conflicts of Interest.

Example A – Most common structure

The governing body of the organisation or the committee of the governing body making the decision (**the decision maker**) must approve the total remuneration package of the CEO prior to any change to that package, and in any event at least every three years. The decision maker must also approve the remuneration package or the process by which it is set of any member of the CEO's family who is employed by the organisation or any of its subsidiaries or related entities. The approvals must be documented in the minutes.

The following remuneration-setting process is required for the CEO of the organisation:

1. All members of the decision maker regarding the remuneration package must be independent and non-executive.
2. The decision maker must take reasonable steps to obtain reliable external comparability data with respect to the position for which remuneration is being set. Such comparability data must be for: functionally comparable positions; organisations as similar as possible to the organisation; and be updated at least every three years.
3. The effect of any FBT or other taxation or other exemptions or benefits must be considered when making comparisons.
4. The decision maker must determine the appropriate remuneration package taking into consideration the comparability data referred to above, as well as the skills, talents, education, experience, performance (for example performance management and review procedures and KPIs), and knowledge of the person whose remuneration is being set.
5. The decision maker must discuss and if applicable approve (after obtaining appropriate professional advice) any salary packaging with the CEO.
6. If the process described above is conducted by a committee, the governing body must affirm, ratify, or otherwise approve the total remuneration package.

For any employee or contractor with a full time equivalent total annual remuneration package over \$200,000, either the CEO alone, or the governing body or a committee of the governing body (which may include the CEO) may set the remuneration or approve the process for setting the remuneration, ensuring that points 2 – 4 above are followed. No person who has a conflict of interest in relation to the employee or contractor whose remuneration is being set may participate in this process in respect of that employee or contractor.

Example B – Benchmark to independent scale

The decision maker may set the total remuneration package of the CEO by reference to a remuneration scale set by an independent third party (for example a recommended denominational remuneration scale). In such circumstances:

1. The decision maker must be reasonably satisfied that the adopted scale is reputable, up to date, has been independently set and that the positions being compared are reasonably similar.
2. The decision maker may adjust the remuneration set by the scale if the skills, talents, education, experience, performance (for example performance management and review procedures and KPIs), knowledge or job description of the CEO vary significantly from those of the standard person to whom the scale normally applies.
3. If an adjustment is recommended under point 2 above by a committee, the governing body must affirm, ratify, or otherwise approve the total remuneration package.
4. The effect of any FBT or other taxation or other exemptions or benefits must be considered when making comparisons.
5. The decision maker must discuss and if applicable approve (after obtaining appropriate professional advice) any salary packaging with the CEO.
6. The decision maker must also approve the remuneration package or the process by which it is set of any member of the CEO's family who is employed by the organisation or any of its subsidiaries or related entities.

For any employee or contractor with a total annual remuneration package over \$200,000, either the CEO alone, or the governing body or a committee of the governing body (which may include the CEO) may set the remuneration or approve the process for setting the remuneration, ensuring that points 2 and 4 above are followed. No person who has a conflict of interest in relation to the employee or contractor whose remuneration is being set may participate in this process in respect of that employee or contractor.

Example C – Raise your own support

Some organisations require all or most of their staff (including the CEO) to raise to support themselves while serving on mission with the organisation. In such circumstances:

1. The decision maker must approve a process by which an upper and lower boundary is set within which the funds to be raised must fit.
2. The upper and lower boundaries must be set by reference to a remuneration scale set by an independent third party (for example a recommended denominational remuneration scale, or average weekly earnings).
3. The decision maker may approve a process to adjust the upper and lower boundaries if particular circumstances apply (for example, if spouses are both serving in the organisation, or if housing/cost of living in a particular location is significantly more expensive).
4. The decision maker must ensure that the agreed remuneration complies with all relevant laws and, if appropriate, obtain professional advice (for example in relation to salary packaging requirements).
5. The CEO and members of the CEO's family must be subject to the same remuneration setting process as for the great majority of the other staff raising funds to support themselves.

For any employee or contractor not raising funds to support themselves and with a total annual remuneration package over the higher of the upper boundary or \$200,000, either the CEO alone, or the governing body or a committee of the governing body (which may include the CEO) may set the remuneration or approve the process for setting the remuneration, ensuring that points 2 – 4 of Example A above are followed. No person who has a conflict of interest in relation to the employee or contractor whose remuneration is being set may participate in this process in respect of that employee or contractor.

Example D – Voluntary reduction of remuneration

There may be occasions when a CEO voluntarily chooses to accept remuneration lower than he or she would otherwise be expected to receive (for example if the CEO wishes to serve sacrificially). In such circumstances:

1. The decision maker must not pressure the CEO to accept such lower remuneration.
2. The position must be reviewed by the decision maker and the CEO annually.
3. The decision maker must ensure that the agreed remuneration complies with all relevant laws and, if appropriate, obtain professional advice (for example in relation to salary packaging requirements).
4. The decision maker may wish to note annually in its minutes the approximate market remuneration it would offer to the CEO absent the reduction.