



PERFORMANCE BONUS GUIDANCE

Principles governing performance bonus use in Commonwealth entities and companies



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## Application

1. The following principles apply to all Commonwealth entities and companies. This includes:
   1. Non-corporate Commonwealth entities
   2. Corporate Commonwealth entities
   3. Commonwealth Companies
   4. Government Business Enterprises.
2. These principles do not apply to the Australian Defence Force or where inconsistent with an entity or company’s legislative and regulatory obligations.
3. These principles apply to senior staff considered Key Management Personnel and Senior Executives[[1]](#footnote-2), except staff where remuneration arrangements are set by the Remuneration Tribunal. Commonwealth entities and companies should apply these principles to all staff, particularly Other Highly Paid Staff.
4. These principles apply to performance bonuses related to activities in 2021-22 onwards. Commonwealth entities and companies are expected to implement these principles as soon as practicable.
5. When determining the policies and practices relating to performance bonuses, Accountable Authorities need to take account of their duty to govern the entity or company in a way that promotes the proper use and management of public resources.
6. These principles recognise that a limited number of Commonwealth entities and companies operate primarily in commercial markets where it may be more appropriate to use performance bonuses. However, these principles apply in establishing and operating any such performance bonus arrangements.
7. Commonwealth entities and companies that remove or reduce bonuses might consider buy-outs, partial rolling into salary, allowing existing arrangements to expire or a combination of transitional strategies. It is expected that where transition arrangements involve roll-ins, that only a portion of the available bonus is incorporated into salary. Clause 24 of this guidance also applies to transition arrangements.

## Principles and Government expectations

1. Commonwealth entities and companies exist to deliver outcomes for the public. Any performance bonuses[[2]](#footnote-3) must be carefully designed to clearly align with delivering a public benefit over and above expected outcomes.
2. All Commonwealth entities and companies have a responsibility to the Australian public and therefore should act in line with community expectations regarding remuneration, regardless of their level of independence from the Government.
3. Commonwealth entities and companies should exercise rigour and restraint in the use of performance bonus payments.
4. Performance bonuses may only be used in limited circumstances, justifiable to the Parliament and the public.

## Eligibility for bonuses

1. Commonwealth entities and companies must carefully target who is provided with the opportunity to earn a performance bonus as part of their remuneration package. Performance bonuses must not be used to top-up remuneration packages and should be genuinely at risk.
2. As a general principle, most positions should not be eligible to earn a performance bonus. For instance, performance bonuses would not be appropriate in most policy, service delivery, regulatory, or corporate roles.
3. Examples of positions which may be appropriate for performance bonus eligibility include:
   1. a position that involves significant, at-risk investment outcomes; or
   2. a position which is required to meet significant, public milestones; or
   3. a position that involves non-tax revenue raising.
4. Examples of positions which are inappropriate for performance bonus eligibility include:
   1. a position that involves tax revenue raising and those related to cost neutral programs, cost recovery programs or regulatory activities.
5. Commonwealth entities and companies should avoid the broad use of performance bonuses. When bonuses are used, all Commonwealth entities and companies must be able to transparently justify the decision.
6. There may be a greater justification for Commonwealth entities and companies whose primary purpose is to operate in commercial markets, to use at risk remuneration arrangements including performance bonuses. The appropriateness of these arrangements in those entities and companies should be carefully considered and regularly reviewed. The Accountable Authorities of these entities and companies should be mindful of their use of public monies in determining if performance bonuses may be suitable.
7. Performance bonuses should be awarded based on measurable outcomes tailored to the individual. Performance bonuses should only be provided when the performance is directly attributable to an individual. Team, workgroup, entity or company performance (including performance measures identified in a corporate plan) may also be contributing factors.
8. Individuals should be ineligible for performance bonuses for adequate or satisfactory performance. Performance bonuses should normally only be used in cases of high levels of performance and achievements greater than the inherent expectations of the position and within agreed risk parameters.
9. Performance bonus outcomes must be dependent on required employee behaviours. Individuals should not receive performance bonuses if they are subject to code of conduct or integrity investigations.
10. If performance bonuses relate to multi-year projects, where practicable, bonuses should be subject to part deferral (for example, 50% of the bonus) and meeting longer term deliverables and the success of project milestones.
11. Performance bonuses should only be paid to staff employed by the Commonwealth entity or company at the time the bonus is awarded.

## Performance bonus governance and transparency

1. The *Public Governance, Performance and Accountability Rule 2014* requires Commonwealth entities and companies to report their executive remuneration policy and practices, including the:
2. governance arrangements under which those policies and practices operate; and
3. basis on which their remuneration has been determined.

This Rule requires that Commonwealth entities and companies include information about their decision-making around awarding bonuses in their annual reports, which must be published on the Transparency Portal.

1. All Commonwealth entities and companies must have appropriate governance arrangements for awarding bonuses. Arrangements should include the Accountable Authority, as well as a combination of executive managers, remuneration committees or similar. Where practicable, there should be more than one level of decision-making.
2. Any Commonwealth entity or company that provides bonuses must have a bonus policy that is disclosed as per section 23 of this Guidance. This could be part of a wider remuneration policy, a performance management policy or similar.
3. An entity’s or company’s performance bonus policy must be reviewed annually and individual arrangements must be reviewed regularly. It is recommended that the review of an entity’s or company’s policy is considered by its Audit Committee.
4. Assessment criteria must be transparent reinforcing that all decisions are justifiable.
5. Parameters for performance bonuses must be set in advance of a performance period and not retrospectively established.
6. In accordance with their obligations, Commonwealth entities and companies should report relevant information to the Remuneration Tribunal.



1. Key Management Personnel, Senior Executives and Other Highly Paid Staff are defined terms in the PGPA Rule 2014. [↑](#footnote-ref-2)
2. In these principles a performance bonus is defined as an ‘at risk’ short term incentive, variable remuneration, and one-off non-monetary and monetary payments, which are provided based on performance. This also includes non-remunerative gifts or incentives. [↑](#footnote-ref-3)