



KYNETON BRANCH

Secretary: Margaret Dearthcott

26th May 2009

Inquiry into Executive Remuneration
Productivity Commission
Locked Bag 2, Collins St. East
Melbourne 8003

Dear Commissioners Inquiry into Executive Remuneration

Over the past months members of the Kyneton Branch have considered issues surrounding high payments made to company executives.

In view of the dismal performance of many company executives, numerous company failures and job losses in the private sector, and falling company returns:

The Branch calls on the Australian government to establish an Executive Pay Tribunal to examine and to oversee the remuneration of company executives who are not covered by any other Pay Tribunal or recognised Award. "Company executives" includes all company executives employed or paid in Australia and executives of companies registered in Australia wherever they are paid or employed.

The Executive Pay Tribunal will have power to examine, amend, approve or cancel any executive pay package, contract or termination payment according to Executive Fair Pay Principles. "Executive Pay Package" means all executive remuneration and reward of any sort. It includes, but is not limited to, base salary, overtime, bonuses, fees, expenses, entertainment allowances, credit cards, motor vehicles, airfares and transport (other than on company business), housing, holidays, school fees, subscriptions, loans, retention fees, superannuation payments, shares and options, whether paid directly or indirectly to or for the benefit of the executive or any family member, company or associate of the executive.

The Executive Pay Tribunal will call for and hear submissions by interested parties when reviewing a company's executive pay, contracts or termination payments. "Interested parties" includes a company, its executives, employees or any union representing any of the company's employees, contractors, suppliers, customers, consumer protection agencies, regulatory bodies, the federal

government and the government of any state or territory in which the company does business.

All executive pay packages and termination payments must be approved by the Executive Pay Tribunal.

The Executive Pay Tribunal will publish its findings and these must be made available in full by the company to its employees and shareholders at least one month before the annual general meeting of the company.

The Executive Pay Tribunal will establish Executive Fair Pay Principles to be used in its determinations. The Executive Fair Pay Principles are to be made public, and should be based on the accompanying suggested Executive Fair Pay Principles and any other principles the Tribunal considers appropriate.

KYNETON ALP'S PROPOSED EXECUTIVE FAIR PAY PRINCIPLES

1. No executive pay package may exceed 25 times the average pay package of full-time employees of the company.
2. Bonuses may only be paid for above-average performance, and in any case must not exceed 100% of base salary in any year. "Above-average performance" means securing above-average long-term sustainable returns to employees, customers, suppliers, contractors and shareholders.
3. To ensure that bonuses are only paid for above-average long-term sustainable performance, all bonuses are to be held in escrow for five years and only paid at the end of that time.
4. If the company suffers a loss in any year, cancels a dividend, is unable to pay employee entitlements, goes bankrupt or enters into a scheme of arrangement with its creditors, all unpaid bonuses will be forfeited.
5. If the company produces reduced returns in any year to its employees, contractors, suppliers or shareholders, unpaid accrued bonuses will be reduced by the same proportion as the reduced returns to the worst-affected parties.
6. An executive's pay package may be increased in any year but the increase may not exceed any increase in the average wage of full-time employees of the company in the same year.
7. An executive's total remuneration should be based on the executive's level of responsibility, productivity, benefits to the company, its employees, customers, contractors, suppliers and shareholders, and should avoid the dangers of bad example, greed and irresponsibility.
8. For good executives, termination payments may not exceed two years' remuneration or in case of early termination, unpaid entitlements under the executive's contract. For failed executives, termination payments will be limited to statutory entitlements including superannuation, unpaid long-service leave and holiday pay. "Failed executive" means an executive whose position is terminated for poor performance, negligent or unlawful behaviour, or for below average returns to the company, its staff, contractors, customers, suppliers or shareholders.

The Kyneton Branch urges you to consider the above as a fair solution to a major inequity in our economic society with a just system of reward and recompense for executives without the obvious excessive reward for failure and poor performance as in the recent past.

Yours sincerely

Margaret Dearricott
Secretary