

The Commissioners
Inquiry into Regulation of Director and Executive Remuneration
Productivity Commission
Collins St. East, Melbourne, VIC
Australia

By email: exec_remuneration@pc.gov.au

Dear Commissioners,

Submission to the Public Inquiry into Executive Remuneration – the voting preferences of fund managers

Since the emergence of superannuation as the 'favoured' vehicle for retirement savings, fund managers through their ability to cast mass-votes have a significant influence on executive remuneration. It seems that this unscrutinised arrangement has taken executive pay to a level considered excessive by many shareholders investing through managed funds.

Ideally, these shareholders, rather than the agent (fund manager), would be able to vote on matters of importance, such as executive remuneration.

If it is not practicable and deemed too costly to precisely trace ownership to these ultimate shareholders in order that a more democratic mechanism might be established, fund managers **should** be required to create avenues whereby they consult their clients, albeit in a more general way, before casting votes.

In addition, fund managers **should** be required to publish their voting decisions. This requirement would make fund managers accountable for votes they cast on the behalf of their clients as it would provide an opportunity for ultimate shareholders to scrutinise voting decisions. Dissatisfied clients may then chose to move their investments to fund managers whose voting preferences on executive remuneration are more aligned to their own (albeit, any movement comes at a significant cost to the investor).

Yours sincerely
F. W. Michael La Brooy
29th May 2009