

SUBMISSION

I make the following comments on Executives Remuneration in Australia.

1. Chapter 7. Linking Pay to Performance.

The critical point is that all companies must have in place with executives and executive directors, contracts in place.

This is not the case in some ASX listed companies and legislation should be introduced to so that the contracts cover minimum requirements and copies must be registered for scrutiny with the Productivity Commission.

- Performance targets: Certain financial targets such as improving return on equity, dividend growth, growth in operating cash flows, etc must be set in all contracts.

These targets must be met before any remuneration increase, bonus in cash, shares or options is made.

Note that the requirements must include executives and executive directors whether they are employees or hired through third parties.

- Targets are than financial should be set and could include include:
 - Employment Growth. Companies that are profitable and growing should be showing increase in employment.
 - Carbon Emissions. Reduction of carbon emissions over a 2 year period.
 - Community Support. A % of NPAT should be set for charitable donations and community support.

I do not support controlling salaries or bonuses but contracts must exits for executives who are employees and those hired through third parties.

2. Chapter 8. Remuneration Disclosure and Shareholder Approval.

The Board should approve Executives and Executive Director remuneration increases only when contracts are put in place that contains financial as well as other non-financial targets. Copies of the contracts should be available to shareholders by contacting the Company Secretary.

If they do not co-operate then the shareholder should be able to obtain a copy from the Productivity Commission.

Audited Annual Reports must have a disclosure showing that the targets as set in the contracts for executive and executive directors have been met prior to remuneration increases by cash or non-cash payment.

Only after auditors have verified targets have been met can remuneration increases by cash or non-cash can be made. The increase is a Board decision.

NON EXECUTIVE DIRECTORS

My experience has shown that small to mid-cap companies especially in the resources industry have non executive directors who are employed through their pty ltd consulting companies.

They in some cases sit on many boards and charge a consultancy fee that is determined by themselves as the vote by shareholders is non-binding.

The non-binding vote has allowed no correlation to exist between performance and pay because as directors they can as Telstra did in 2007 ignore the shareholders wishes.

The remuneration of the Non Executive directors must be approved by a binding vote of the shareholders.

Directors who are executives and are remunerated accordingly should be approved by the Board only when performance targets have been met and verified.

To encourage shareholding voting I propose that all companies are required to provide on-line voting as Paladin Resources Ltd does through a share registry company.

Facilitating voting and making the shareholder vote binding will go along way to ensuring shareholder wishes are met.

The Productivity Commission should ensure that its enquiry includes executives, executive and non-executive directors either directly or indirectly employed, otherwise the inquiry will not cover all situations and some companies to avoid shareholder scrutiny will simply change their arrangements.

I do not believe any shareholder will begrudge executives getting increases if the company is showing profit, cash flow and dividend growth.