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23 December 2010

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Dear Sir

GRANT THORNTON SUBMISSION ON EXPOSURE DRAFT OF THE CORPORATIONS AMENDMENT (IMPROVING ACCOUNTABILITY ON DIRECTOR AND EXECUTIVE REMUNERATION) BILL 2011

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the parliamentary Secretary to the Treasurer the Hon. David Bradbury, with its comments on the Exposure Draft of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011 which were released on 21 December 2010 and require comment by 20 January 2011.

Normally Grant Thornton's response would reflect our position as auditors and business advisers both to listed companies and privately held companies and businesses, and this submission should have benefited with input from our clients, and discussions with key constituents.

Grant Thornton does not support the exposure draft as the Government has not allowed a sufficient period of time to enable consultation to assist in identifying and mitigating likely unintended consequences. Given that the Exposure Draft was released on Tuesday 21 December 2010 and submissions are due by Thursday 20 January 2011, a period when many are on the annual Christmas/New Year break, it is open to question as to whether the Government is at all serious in seeking meaningful comment. We suggest that as a minimum, there should be a 2 month consultation period which outside the Christmas/New Year break would be only 1 month, and we further question the urgency of this draft legislation. We believe that the parliamentary process will view the Government's deliberations with much alarm and thereby requiring greater parliamentary scrutiny.

Our initial comments on the ED follow:

1 Two-strikes and re-election process

A 'two-strikes and re-election' process will be introduced where a company faces significant 'no' votes on its remuneration report over two consecutive years.

Grant Thornton initial view: We remain unconvinced that a legislated "two strikes" rule, requiring a board re-election resolution to be put to shareholders if two consecutive remuneration reports received "no" votes above 25 per cent, is workable, warranted or desirable, particularly as there is already a provision in the Corporations Act for a board spill at any time. In particular we note:

- that there is disproportionate emphasis being placed on remuneration as a trigger for a board spill;
- the potential disruptive effects on the company of a board spill (remembering that an effective, fully functioning board can take years to build/re-build);
- the fact that it is proposed that "all" companies which prepare a remuneration report be made subject to a "two strikes" requirement, when shareholder concerns regarding executive remuneration have tended to relate to some larger (e.g. some ASX 100 and probably mostly top 50 companies) listed companies;
- there are likely unintended consequences, such as whether executive employment contracts will need to be amended to provide for modification in the event of a "first" or "second" strike - which may result in this additional "risk" being priced into such arrangements (e.g. through a sign-on fee or larger fixed remuneration);
- the mechanism could be used as a "stalking horse" for individual shareholders or vested interest groups

2 Remuneration consultants

Companies that are a disclosing entity will be required to disclose details relating to the use of remuneration consultants.

Remuneration consultants must be engaged by non-executive directors, and must report to non-executive directors or the remuneration committee, rather than company executives.

Grant Thornton initial view: We question these proposals in principle. At a time when boards should be encouraged to seek expert advice in appropriate circumstances for remuneration issues, the perverse outcome of the proposed requirements relating to remuneration consultant engagement and disclosure is likely to be that boards are less likely to engage remuneration consultants. We suggest that a better option would be to consider including such disclosures in the ASX Corporate Governance Principles as an "if not, why not" requirement

3 Key management personnel (KMP) voting

Prohibit key management personnel (and their closely related parties) that hold shares from voting on their own remuneration arrangements, as part of the non-binding vote.

Prohibit key management personnel (and their closely related parties) from voting undirected proxies on all remuneration related resolutions.

Grant Thornton initial view: We support these proposals in principle.

4 KMP hedging

Prohibit key management personnel (and closely related parties) from hedging remuneration that depends on the satisfaction of a performance condition.

Grant Thornton initial view: We support these proposals in principle, although we believe that the definition of hedging needs to be carefully defined after appropriate consultation with accounting and remuneration experts.

5 Vacant board positions

Public companies will be required to obtain the approval of its members for a declaration that there are no vacant board positions, should the number of board positions filled be less than the maximum number specified in the company's constitution.

Grant Thornton initial view: The measure to stop boards from being able to declare "no vacancy" where the existing board has less than the maximum number of directors authorized by shareholders will have practical problems and adverse unintended consequences. While well intended, it will more likely hinder, rather than promote, greater board diversity because boards could ask shareholders to reduce the maximum size to match the current board size, impeding their ability to adapt quickly to meet changing strategic and skill needs and to capitalize on opportunities to appoint exceptional candidates other than by filling casual vacancies. Not only will this hinder board performance more generally but the reduced flexibility in making appointments is likely to be an obstacle to greater diversity, not encourage it. We suggest that a better option would be to consider including this proposal in the ASX Corporate Governance Principles as an "if not, why not" requirement.

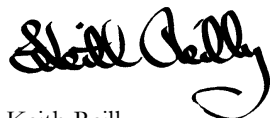
6 Directed proxies

Proxy holders will be required to cast all of their directed proxies on all resolutions.

Grant Thornton initial view: We support these proposals in principle.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards