

Executive Remuneration Reforms

This media release accompanies the [Executive Remuneration in Australia](#) inquiry report which was released on 4 January 2010.

Media release

The Australian Government today released the Productivity Commission's final report on Executive Remuneration in Australia, noting that it will consider the Commission's recommendations before responding later in the new year.

The inquiry's chairman, Gary Banks, welcomed the release of the report, which was handed to Government in late December, observing, 'the public availability of the Commission's final report should further promote public understanding of the issues ahead of the Government's policy response.'

The final report has been informed by many submissions, public hearings and industry consultations since the release of the Commission's discussion draft in late September. Gary Banks said, 'we received substantial and constructive feedback in response to our preliminary proposals. The Commission's final recommendations are likely to be more robust and implementable as a result. Most changes are largely fine-tuning, but some have been more significant. This includes our proposed 'two strikes' rule, requiring boards to submit for re-election where shareholders repeatedly vote against their remuneration decisions. We consider that we now have a formulation that will encourage behavioural change in those boards where that is needed, without posing significant downside risks for public companies generally.'

The Commission's final recommendations constitute an integrated package of reforms that would strengthen board decision-making on executive remuneration, by reducing board 'clubbiness', removing potential for conflicts of interest and enhancing accountability for pay outcomes. Shareholders would get better information and would have more 'say on pay'.

'The Productivity Commission's reform package would reduce the likelihood in future of executive remuneration outcomes that shareholders find objectionable,' said Gary Banks, 'The Commission's proposed reforms would also promote greater community trust in how public companies handle pay issues.'

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