

Culture, Courage & Clarity as Solutions to the Remuneration Conundrum

The remuneration conundrum is now white hot.

How to provide sufficient remuneration to attract high performing executives while at the same time ensuring that the level of remuneration is seen to be responsible by shareholders?

Key remuneration conundrums questions are:

1. Do company culture and remuneration programs align to deliver superior organisation performance?
2. How much is the level and structure of CEO and top executive remuneration determined by courageous boards... or have boards been abdicating to the demands of strong CEOs?
3. Are remuneration plans transparent, well structured and clearly communicated to shareholders?
4. Are board Remuneration Reports overly complex and confusing?

The appropriate performance culture, board courage and remuneration disclosure clarity will act as solutions in the remuneration conundrum.

The same issues arise in non-publically listed companies and organisations that also need to be responsive to various stakeholders, e.g. private companies. Government, NGOs and not-for-profits.

In the case of the financial services industry, the likely regulatory regime applicable to executive remuneration will become clearer in the next few weeks when the Australian Prudential Regulation Authority (APRA) explains in depth its proposed approach in a discussion paper. However, the Productivity Commission report on the regulation of director and executive remuneration will not be provided to the Government until December.

In the interim, many companies will review director and executive remuneration. Also, board Remuneration Reports will be subject to another round of proxy advisor scrutiny and shareholder voting. These events will provide an opportunity for boards to demonstrate that they are responsive to shareholder concerns and that they have in place an effective framework for oversight, accountability and transparency of director and executive remuneration.

Actions during this period will provide an opportunity for directors to mitigate the risk of heavy handed regulation of director and executive pay and to reinforce their ability to align remuneration with the interests of shareholders. The outcome should be **better governance not more government** regulation.

OPPEUS will publish a white paper on the matters covered by the Productivity Commission inquiry before the due date for initial public submissions (29 May). Importantly, at the same time OPPEUS is well able to provide independent and expert advice to you and your board as the above remuneration conundrums are considered.

OPPEUS Advice

Experts in both our Remuneration and Governance practices are able to provide independent advice to boards on related matters such as:

- **Remuneration Practice** – advice regarding directors and executives:
 - Objective, highly experienced advice to boards
 - Review of present remuneration practices
 - Development of proposed changes to remuneration practices, including review of proposals from management
 - Review and evaluation of the transparency of the board Remuneration Report

- **Governance Practice** – development of board effectiveness through:
 - Board Reviews
 - Charter of the Remuneration Committee
 - Membership of the Remuneration Committee
 - Effectiveness of the Remuneration Committee and its interaction with management and the rest of the Board
 - Role of Independent Advisors

OPPEUS is well able to provide independent advice to Remuneration Committees and Boards as they exercise judgement in regard to the remuneration conundrums. OPPEUS brings a fresh approach based on:

- **A specialist remuneration practice** with Australian and international experience led by Bill Patullo (former BHP Global Head of Remuneration) and Jasper Coghlan (former Ford Asia Pacific Head of Remuneration);
- **Pragmatic experience** based on work with boards in a range of companies and organisations;
- **Integrated knowledge** of specific practices and emerging trends, both local and overseas, gained through our holistic approach to leadership advisory services; and,
- **Fresh insights and innovations** that are integrated in terms of talent retention, good governance and effective remuneration.

We welcome the opportunity to discuss how we can help you address the present remuneration conundrums. Please feel free to contact either of us directly regarding your needs.

Importantly, we look forward to discussing how we may assist you and your organisation to achieve superior performance in these changing times.

Yours sincerely,



Peter Kronborg
Executive Chairman
LLB, BJuris, (Monash) MBA, (Melbourne) FAICD, FIPAA, FCIS
T: 03 9661 8016
E: pkronborg@oppeus.com



Jasper Coghlan
Specialist Advisor - Remuneration
B.Eco (Monash), CAHRI, GAICD
T: 03 9661 8011
E: jcoghlan@oppeus.com