

eanewsletter

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Editorial Comment

The 2009 calendar year has presented a significant number of challenges for advisers to boards, remuneration committees and for boards and management themselves in addressing the dynamics of reward following a challenging 2008 and a greater than 50% decline in S&P/ASX index values by March, while responding to or contemplating future challenges arising from a myriad of government enquiries or initiatives impacting directly on the work of boards and the welfare of employees.

During 2009 new legislation has arisen in relation to termination provisions for executives, there have been amendments to the **income tax legislation** in relation to benefits provided under employee share plans,

APRA has undertaken a comprehensive review of the foundation of remuneration in the financial services sector, with a significant focus on the embedded risk in transaction based incentives, the **Productivity Commission** has produced a draft report with some surprising proposals within what has been broadly regarded as a balanced reflection on the challenges facing management and boards in the increasingly complex area of remuneration, and the government has in parallel with the above amended the **Corporations Act** in relation to termination payments, and are awaiting advices from Dr Ken Henry in relation to Australia's future tax system and the **Board of Taxation** in relation to tax of employee share plan benefits and on the valuation of benefits and special concessions for entrepreneurial, R&D and speculative companies.

With this pot-pourri of enquiries having a focus beyond reform, including the optimisation of government revenues and the imposition of some ideological perspectives (termination provisions), it is our expectation that the engagement of boards in the management and oversight of remuneration outcomes and the formulation of policies and practices will have greater prominence in 2010 and the triennium beyond particularly if there is a resurgence in regional economies and a continuing shortage of skilled labour and management talent.

A diverse array of stakeholders have participated in many of these enquiries, though a reasonable proportion of perspectives put for consideration by the respondents reflect variable stakeholder interest from retail shareholders to unions, academics, industry and employer bodies, professional institutes, advisers (including law firms, accounting firms and remuneration consultants), as well as proxy advisers and significant investors.

CEO Reward 2009: a year of further decline

Among the top 100 companies whose financial years ended between January and October 2009, CEO reward levels reflected a decline from 2008 and a significant decline from the peak of the 2007 calendar year.

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The 25 percent proposition

When the Productivity Commission made a Draft Recommendation (Number 15) that entire Boards could be required to stand for re-election when specified proportions of shareholders had voted against the Remuneration Report in two successive years, it became clear that enough attention had not been paid by the market over the years as to how many, and which, shareholders vote at meetings. The proposition is not democratic nor does it reflect good governance.

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Termination payment approvals

The potential implications of the changes made to the requirements for approval of certain termination payments are complex.

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Employee share plans

During the twentieth century, Australia achieved a reputation globally for embracing new developments in employment law and management. This included support for the employees holding shares in their employer company. As modern commercial law becomes more complex, it appears that governments are finding it more difficult to sustain support in this area.

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One Minute Survey

As part of our commitment to providing clients with contemporary market data and opinion, we have launched a series of "One Minute Surveys" to help us gauge and report trends quickly.

The current survey covers the frequently-used performance measure, Total Shareholder Return.

Click the link to complete this web poll:

[Complete the online survey](#) >>

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