

eganewsletter

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Remuneration Questions Being Addressed by Boards

At the time of forwarding this newsletter many boards are engaged with management in determining an appropriate response to the 2010 annual review.

Key questions being addressed are:

- Is there an element of catch-up in the 2010 review?
- How to manage incentive payments where performance has not met a challenging budget.
- What performance hurdles should be adopted for equity based long term incentives?
- Have any issues arisen out of the recommendations of the Productivity Commission or legislative changes surrounding future termination benefits and the taxation of equity based long-term incentive plans which require a new response?
- In this new challenging and increasingly complex environment how should directors respond to their fee levels to attract new directors and remain competitive while acknowledging the returns to shareholders over the past twenty-four months?

In the above context, and with a variety of global economic and trade indicators, boards and senior management are wrestling with the challenges in preparation for annual general meetings and the publication of their remuneration reports.

Key Factors to Consider in 2010 Remuneration Reviews

Remuneration reviews being progressively undertaken over the remaining months of 2010 continue to be challenging, if not for reasons arising from the impact of the global financial crisis then from the variable market signals that are anything but clear for Australian and New Zealand headquartered enterprises.

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Corporations and Markets Advisory Committee Enquiry “To Simplify Incentive Components”

As part of the response to the Productivity Commission's report on director and executive remuneration in Australia, the Corporations and Markets Advisory Committee has been asked to set up an inquiry to “simplify incentive components”.

[Read more >>](#)

ASX Listing Rules changes

The ASX has foreshadowed two amendments to the Listing Rules coming into effect in 2011 - the first, in response to shareholder concerns over executive trading, relating to trading windows, and the second relating to the make up of remuneration committees of Boards for the top 300 companies.

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Financial Stability Forum Principles for Sound Compensation (Remuneration) Practice

Remuneration practices at large financial institutions are one factor among many that contributed to the financial crisis that began in 2007. The FSF Principles for Sound Compensation Practices are intended to apply to significant financial institutions, but they are especially critical for large, systemically important firms.

[Read more >>](#)

Remuneration reviews being progressively taken over the remaining months of 2010 continue to be challenging.

Issues Impacting Remuneration Reviews in the US & UK

As the US and UK come to terms with the fallout of the global financial crisis and companies look forward to the annual review cycle, a number of legislative changes have been introduced which are impacting the way these reviews will be conducted. Add to this, the early signs of market movements in remuneration and it makes for an interesting review cycle ahead.

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Directors Fees

The Board of Directors Study, Australia and New Zealand is published by Korn/Ferry International in association with Egan Associates. The 2010 report is due shortly and will be available on our website. Clients interested in the study findings are welcome to contact John Egan or Lianne Hooper. If it is time to review your director emoluments, both John and Lianne are available to discuss your needs.

Call 02 9225 3225 or email John at jve@eganrem.com or Lianne at lhooper@eganrem.com.