

## Two-strike pay rule change faces delay

PUBLISHED: 10 Apr 2012 PRINT EDITION: 10 Apr 2012

---

### Patrick Durkin

Flaws in the Gillard government's controversial two-strike rule on executive pay are unlikely to be fixed in time for this year's annual shareholder meeting season, leaving boards at risk of being dumped by angry shareholders.

The government has agreed to fix the rule, which caused 108 companies including Bluescope Steel, Crown and Pacific Brands to incur a "first strike" last year after key votes supporting executive pay packages were discarded.

"It looks like there may not be enough time [to fix the reforms in time for this year's AGM season]", parliamentary secretary to the Treasurer Bernie Ripoll told *The Australian Financial Review*.

"The problem we have got as a government is that we can't just click our fingers on things we like or don't like and say we will just decree that. It has to go through a parliamentary process, it has to be voted on and it has to go through the Senate," Mr Ripoll said.

Research by share registry group Computershare found the government glitch caused 66 per cent of undirected proxies – where shareholders appoint the chairman to vote on their behalf – to not be counted last year, in the first test of the two-strikes rule.

"There was no drafting error, after consultation, there was an acceptance that look, it could work better in a particular way," Mr Ripoll said.

Despite agreement by the government to fix the issue shortly after the reforms began in July last year, the mini-AGM season begins this week and time is fast running out for the problem to be fixed in time for the majority of companies which report by June 30.

An amendment has been included in a separate government bill on payday lending but those laws are not expected to be debated until late May or June, leaving little time for the preparation of notices before shareholder meetings begin later this year.

The federal opposition has heaped scorn on the approach, claiming there is bipartisan support for a quick fix which could be fast-tracked separately.

"The government should put the necessary amendments to the Parliament at the first available opportunity," Shadow assistant treasurer Mathias Cormann said.

But Mr Ripoll - who made his mark with a Parliamentary Inquiry in the wake of the collapse of Storm Financial - stands by the government's approach.

"It has been afforded the highest possible urgency rating and we are trying to work through it quickly," he said.

"If the Parliament were to continue to reject it, look, I could look at other mechanisms, I could look at how to pull that out but I am told this is the most efficient way to do it."

Despite the controversy, Mr Ripoll is confident that no company will have their board spilled by shareholders this year, despite 108 companies facing a second strike which would trigger a vote to permanently remove the board.

"I would find it unlikely that [a second strike] would happen at all but if it did, you would have to go back to the board and say what are you doing wrong that your owners are prepared to go that far?"

More broadly, Mr Ripoll, vigorously defended the reform on executive pay.

"Shareholders in real terms have very few rights. This gives them a little bit more, just a tiny bit more of a say in how their company is run and how the executives that they hire to run their company are remunerated," he said.

"The 108 companies to register a first strike is a tiny percentage of the market," he said. "If they have done their job properly and they have communicated properly and had done all of their work and their owners are happy with what they've done, there will be no second strike," he said.

"I don't accept that there a whole heap of companies out there facing a spill of the board, if there is any organisation out there thinking that will happen they should be dealing with the reasons for that happening in the first place, not worrying about the two strikes rule," he said.