



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

2 April 2013

Middle managers caught in executive pay blind spot

Legislation requiring the termination pay of middle managers sitting on a subsidiary board of a large company to be approved by shareholders should be amended, as not only are such payments not material to shareholders, it is also a disincentive for rising executives to 'upskill'.

In a submission on the Corporations Legislation Amendment (Remuneration and Other Measures) Bill 2012, Chartered Secretaries Australia (CSA) points out that as a large listed entity can have over 100 subsidiaries, middle managers are often asked to sit on subsidiary boards, yet the current legislation is deterring them from taking up these upskilling opportunities. They don't want the angst of securing shareholder approval of their legitimate payout if their position is terminated.

"It's not just men who are provided with upskilling opportunities. Many companies have been keen to progress gender balance at senior levels by offering female executives a position as a director on a subsidiary board. Many of these women are business unit managers and not senior in terms of the parent company itself," CSA's director policy, Ms Judith Fox explained.

"A subsidiary board position gives women the opportunity to develop board-level skills, which over time will increase the pool of female talent available for board positions generally," Ms Fox said.

Currently an executive may have been with the company for some years and have built up equity over time. Should that executive's position be terminated, any payment beyond the one-year base remuneration cap is subject to shareholder approval, even when the payout is not material to shareholders.

"When this is explained, many executives both in Australia and overseas refuse a subsidiary board position, as they do not want to be caught up in the process of acquiring shareholder approval for a termination payment in which shareholders have no interest. Indeed, shareholders themselves have queried why these payments to middle managers are being put to them.

"Shareholders are only interested in the senior executives of the parent company — the key management personnel (KMP) — not middle-rank executives serving on subsidiary boards. The legislation should be amended to apply only to KMP. These are the executives whose remuneration is material to shareholders.

"There is a big difference between a termination payment of \$170,000 and \$7 million," Ms Fox stressed.

MEDIA RELEASE

For further information contact Viv Hardy at CallidusPR on (02)9283 4113 or 0411 208 951 or Judith Fox on (02) 9223 5744 or 0408 667 246.

About Chartered Secretaries Australia

Chartered Secretaries Australia (CSA) is the peak body for over 7,000 governance and risk professionals. It is the leading independent authority on best practice in board and organisational governance and risk management. Our accredited and internationally recognised education and training offerings are focused on giving governance and risk practitioners the skills they need to improve their organisations' performance.

CSA has unrivalled depth and expertise as an independent influencer and commentator on governance and risk management thinking and behaviour in Australia.

MR/2013/7