To whom it may concern,

Attached for your consideration is a draft outline of my proposed executive remuneration policy framework applicable to all public companies. I believe the policy is capable of practical implementation.

The development of the current “snouts in the trough” culture that pervades so much of Western corporate management behaviour has long been of concern to me since it’s emergence in the mid 1980’s. I believe that seeds of the current global crisis are found in the largely unregulated ‘performance based pay’ schemes devised by unsupervised management cliques. The orgy of pay hikes was fuelled by the self serving relaxation in fiduciary standards that led to the growth in credit and the rise in stock and other asset prices as sure as night follows day. Under the delusion of their own self congratulatory pay structures the mismatch between risk and reward has allowed the pocketing of obscene sums while their discredited philosophies presided over the destruction of shareholder and home owner wealth on an unprecedented scale. Strong but carefully crafted regulatory action must be taken to restore balance and equity.

Therefore my simple policy objectives are:

- To align management action with the creation of long term shareholder wealth

- To go some way toward curbing excessive reward compared to effort

Under the proposed policy a high earner’s reward comes to fruition only if the shareholders long term wealth position is improved. Shareholders’ gain is the executives’ gain; shareholders’ pain is the executives’ pain. I am reminded that Kerry Packer’s only remuneration came from dividends and his net worth rode with his company share price. A similar model for all highly rewarded executives has, I believe, much to commend it for your consideration.

Yours faithfully

W. Stephen Stekhoven

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Draft Executive Remuneration Policy.

Author

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1. Aims

   The aim of this policy is to align executive management behaviour with stakeholder interests through the application of a performance-based remuneration framework.

2. Scope of Application

   This policy applies to all public companies.

3. Compliance

   Compliance enforcement will occur through the provision of harsh criminal penalties against Board of Directors members of the non-complying company as either fines or other criminal penalties. Shareholders will have the express right for recovery of excess or illegal payments plus damages without limit from the executives and board members.

4. Considerations

   This policy needs to consider the impact of the proposed changes on the transitional and long-term economic performance of the entities to which it applies. Grandfathering arrangements are likely to be necessary.

5. Policy

   The policy allows for executive remuneration in only two forms.

   - A maximum cash component.
   - An unlimited ordinary share component.

6. Cash Component

   The cash component shall be subject to a maximum multiple of minimum weekly earnings. The multiple itself is a political decision. The suggested maximum multiple is 35.

   The cash component includes all short term performance bonuses and dividends earned on the accumulated ordinary share component. No other cash payment can be made to an executive or related party by any means designed to circumvent the operation of this policy. In particular schemes offered to pay an executive in a foreign country will be outlawed. Payments through a private company will be outlawed.

   Where dividend entitlements exceed the maximum cash component, the excess shall be converted to a fully paid ordinary share entitlement. (This might occur where share entitlements are large or have accumulated to a significant degree over a period of time.) The price of the shares shall be in accordance with the policy given below.

7. Ordinary Share Component

   The ordinary share component is not subject to any maximum. It is for the Board of Directors to determine the commercial remuneration level needed to attract suitable candidates.

   The ordinary share component comprises fully paid ordinary shares. No option schemes are permitted. The shares so paid are subject to the following.

   - The shares acquired shall be at the prevailing market price or the price at the executive’s hire date whichever is the higher. Dilutions and buybacks shall be adjusted for

- No divestment allowed within five years of acquisition. That is shares acquired in the year one can be divested in the year six or later etc. All such divestments by currently serving executives are to be notified to the stock exchange.
- Where an enterprise is subject to a takeover, executives and former executives of the takeover target shall convert all takeover cash and scrip entitlements to fully paid ordinary shares in the new owner company at the takeover date terms and prices. Vesting dates shall be preserved. The takeover date shall be the executive hire date for the purpose of this policy
- The assignment of share entitlements to other persons or entities, or as loan collateral prior to vesting is prohibited.
- In the event of company insolvency any non vested shares acquired under an executive remuneration scheme shall be forfeited. Vested shares will participate in any final distribution to shareholders.
- All share transactions shall be conducted through a trust similar to a superannuation fund.

8. <u>Taxation</u>

   Tax on share entitlements will be payable on divestment.

9. <u>Rationale</u>

- The scope of the policy does not apply to public servants because there is no opportunity to pay a share component. Perhaps a maximum multiple of minimum weekly earning should apply. In effect this policy implements a quasi whole of career performance based remuneration it gives incentive for executive to share insights with their successor even after their departure from the company concerned.
- Private companies are excluded because shares are not easily tradeable and the private nature entitles the owner(s) to adopt policies as they see fit.
- The link to minimum weekly earnings is used to create an incentive for public companies to lift the minimum weekly wage.
- The cap on cash is necessary so that the value of the share component is uppermost in the mind of the executive decision maker. If set too high the incentive provided by the uncapped share component will be diminished.
- The uncapped share component is considered necessary to allow commercial flexibility in executive recruitment.
- The price at higher of market or hire date prevents and exec benefitting from a big fall in share price that is later reversed and provides extra incentive to reverse a falling share price.
- The takeover provisions aim to prevent the policy being circumvented in the instance of a takeover.
- Share option schemes, interest free loans and other remuneration strategies are seen as an inequitable balance between risk and reward and are therefore outlawed.
- The 5 year vesting period is chosen to strongly link executive pay with long term shareholder wealth creation
- Taxability on divestment is necessary to avoid an executive needing to borrow to meet a tax liability