There are two matters on which comment is offered.

1 The 25% no vote on remuneration policy.

Has the Commission considered that the proposal could enhance institutions' already undue influence over company boards? It would be relatively easy for a few institutions to threaten a 25% no vote over matters unrelated to remuneration policy.
It would be interesting to view statistics on company executive pay and institution management remuneration to see if there is any correlation and to what extent. I don't know that there is any effective way that individual institutional unit holders can influence how their interests are voted. This is an area the commission might explore further.

2 The alignment of management and shareholder interests with stock and stock option incentives.

By using stock and stock options for remuneration boards are conveniently avoiding putting a cash cost to the incentives when seeking shareholder approval for various schemes. To what extent would boards baulk at excessive payments if they had to be made in cash? It is one thing for board to be generous in diluting shareholder's interests, quite another in making a commitment of the company's future cash resources.

When a board sets remuneration policy it should have a firm idea of the ultimate cost to the company and/or its shareholders as would the participating executives. It should therefore be relatively simple to substitute cash amounts for equity entitlements. The consequences of remuneration policy expressed in cash dollars are readily understood by all stakeholders.

The idea that executive stockholding somehow aligns shareholder and management interests is a myth. Often executive holdings have lengthy lockdown periods even extending until departure of the executive. From the individual executive's point of view it breaches the fundamental diversification rule of financial planning.

The way in which numerous large public companies have raised capital in the recent past provides ample evidence that boards do not know the value of their company's shares today let alone what they might be worth in 3,4,5 years time. Why else would they go to the institutions to set a price on new capital. It is suggested that in some cases boards have not comprehended the ultimate cost of remuneration.

It would be difficult to convince the business community that executives should not be offered stock in remuneration packages. When stock is a remuneration component it should be a direct cost to the company not by a dilution of shareholder interests. Accordingly all stock entitlements of executives and others should be acquired by the company from existing shareholders and not by issuing new stock. The Corporations Act should be amended accordingly.

Thank you for the opportunity to comment.

P.Owen May