



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

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By email: regulatorypolicy@asx.com.au

Dear Malcolm

***Listing Rule amendments — New Requirements for a
Remuneration Committee***

Chartered Secretaries Australia (CSA) is the independent leader in governance and risk management. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, we are focused on improving organisational performance and transparency.

Company secretaries have primary responsibility in listed companies to deal with the Australian Securities Exchange (ASX) and interpret and implement the Listing Rules. Our members deal on a day-to-day basis with ASX and have a thorough working knowledge of the operations of the markets, the needs of investors and the Listing Rules, as well as compliance with the Corporations Act (the Act). Our members also have a significant role in drafting governance policies and charters for board committees, including the remuneration committee.

CSA welcomes the opportunity to comment on the Listing Rule amendments — *New Requirements for Remuneration Committees* (Exposure Draft). CSA members support the introduction of a Listing Rule designed to maintain investor and community confidence in the corporate governance arrangements of listed entities in relation to the independence of decision making by remuneration committees in providing advice to the board on the remuneration arrangements of executive directors.

CSA supports the introduction of Listing Rule amendments requiring entities included in the S&P/ASX 300 Index at the beginning of their financial year to have a remuneration committee that is comprised solely of non-executive directors.

CSA agrees that the introduction of this requirement will reduce the perception that remuneration committees are conflicted in advising the board on the remuneration arrangements for executive directors by drawing a clear distinction between membership of, and attendance by invitation at, meetings of remuneration committees by executive directors.

CSA is of the view that the benefits attached to the proposed listing rule requirement in reducing the perception of conflicts of interest in relation to executive directors being able to influence the remuneration committee's advice to the board on their own remuneration arrangements

outweigh any costs attached to requiring a separate remuneration committee comprised entirely of non-executive directors. CSA is of the view that listed entities in the S&P/ASX 300 Index have the resources and sufficient numbers of non-executive directors on their boards to serve on remuneration committees.

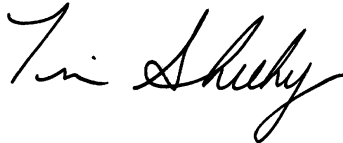
CSA recommends that, if a corporate group may have more than one entity in the ASX top 300, provision should be made in the Listing Rule similar to Paragraph 52 of the APRA Prudential Guideline APS510 that a single Group Remuneration Committee would satisfy the requirements of each entity.

CSA also supports the ASX's decision not to extend the composition requirement for remuneration committees beyond the S&P/ASX 300 Index to the S&P All Ordinaries Index (top 500 ASX listed entities). CSA notes that approximately 50 per cent of companies outside the ASX top 300 have two or fewer non-executive directors and they would therefore not be able to adopt the recommendation. To adopt the composition requirements would, by default, force companies to increase the size of their boards at a relatively significant cost to the smaller companies, imposing an additional regulatory imposition on them. The compliance costs in this instance would outweigh the benefits of focusing smaller companies on the important role that a remuneration committee can play in more effectively dealing with complex and specialised remuneration issues and focusing the board on remuneration policies.

Listing Rule Amendments — Company Trading Policy

CSA would like to take this opportunity to commend ASX on the consultation process that has resulted in a Listing Rule Amendment — Company Trading Policy that is able to be implemented without imposing any onerous compliance obligation on listed entities or the inadvertent disclosure that the company is in possession of significant but not yet announced information.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tim Sheehy". The signature is written in a cursive, flowing style.

Tim Sheehy
CHIEF EXECUTIVE