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19 January 2011

General Manager  
Corporations and Financial Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam,

**Submission: Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011**

Orica has recently reviewed the Exposure Draft of the proposed Changes to Corporation law regarding remuneration matters.

The company is in favour of limiting disclosure to Key Management Personnel, supports the requirement for a Chairman to vote directed proxies and also agrees with prohibiting hedging of incentive remuneration, however we have concerns with other proposed changes.

**Non-Binding Vote on the Remuneration Report**

Orica strives to ensure that its remuneration report is a comprehensive, transparent and easy to read document for all shareholders and other key stakeholders. We welcome and have received positive feedback from stakeholders over the years. We do understand the need to be open, responsive and accountable to our shareholders on remuneration matters.

We have major concerns with the proposal to trigger a full Board spill if there are two consecutive "No" votes of 25 percent or more. We believe this approach is excessive and raises remuneration above other aspects (such as operational and financial performance) which are of equal or greater importance to stakeholders.

If the Government wishes to ensure that companies seriously respond to shareholder concerns on remuneration, this can be done adequately by refining the remuneration report framework to increase disclosure. Companies could be required to include in each year's remuneration report, the steps they have taken to review shareholder concerns from the previous year, and outline any actions that have resulted and the rationale for not taking action on particular issues.

## **Remuneration Consultants – Engagement and Advice**

Orica recognises the increased focus on executive remuneration in the wake of the Global Financial Crisis. However we take issue with the notion that it be made a criminal offence for management to hire an external remuneration advisor. In a democratic country like Australia this would be absurd and totally lacking in perspective.

We believe Company Boards should engage remuneration consultants directly for independent advice as required. Boards will also require consultants to work with and advise management.

Remuneration consultants provide market data and advice on remuneration approaches which affect a broad range of employees, not just Key Management Personnel. This advice can range from current market rates to design issues related to short term and long term incentive schemes.

In addition, internal Human Resources remuneration professionals, as part of their role to design monitor and review remuneration practices, will engage remuneration consultants directly and in turn raise issues with the Board Remuneration Committee.

Notwithstanding the growing emphasis on executive remuneration, we believe that other Board responsibilities, such as signing off a company's financial statements, carry far greater weight. There is no such limitation as to who can engage an external advisor in the area of audit, and it remains management who instructs an external auditor, even though the Board's Audit Committee retains ultimate oversight.

The current models work well in both the area of audit and the area of executive remuneration. The Board and its committees have direct access to its own consultants should the need arise. Accordingly, we do not believe there is any requirement for any change to the way remuneration consultants are engaged and used by Boards and Company management.

Orica supports increased disclosure in the area of executive remuneration. Having a remuneration consultant 'self-assess' its own independence and provide a written declaration to the company and/or shareholders (within the remuneration report) would go most, if not all the way, in overcoming the issues identified by the Government. This is how we deal with auditors and it is how we should treat remuneration consultants.

We ask that the views expressed in this submission be considered carefully in your further deliberations.

Yours sincerely

Graeme Liebelt