

23 August 2010

Mr John Kluver

**BY EMAIL:** [john.kluver@camac.gov.au](mailto:john.kluver@camac.gov.au)

Dear John

### **CAMAC Inquiry – Executive Remuneration**

UniSuper is one of Australia's largest and longest-standing industry superannuation funds and is dedicated to those who work in Australia's higher education and research sector. UniSuper represents more than 435,000 members Australia-wide and has assets under management of approximately \$26 billion (as at 30 June 2010).

UniSuper is committed to being an active shareowner and has voted its proxies since 2004. In addition, we seek to actively engage with investee companies. Relevantly, issues pertaining to executive remuneration are of key importance to UniSuper as an institutional investor and as a fiduciary acting in our members' best interests.

We endorse the submission that is being made to CAMAC by the Australian Council of Superannuation Investors. However, there are four items that UniSuper would like to specifically highlight for consideration by CAMAC:

1. We believe there needs to be greater clarity regarding short term incentives (STI). However, we do not believe that a company should be required to provide an exhaustive list of all STI performance conditions, the satisfaction of which will result in payment of 100% of the STI. This is because it could lead to CEOs and other senior executives 'gaming the system'. In our view, it would be useful if a statement was made in the remuneration report to the effect that "*A number of matters were taken into account, and these include x, y and z, among others*". That is, some specific targets and requirements should be disclosed (beyond the generic statements many companies make) but not all of them. Thus, a fine balance needs to be struck in ensuring greater transparency whilst avoiding a moral hazard.
2. At times, there can be a lack of clarity regarding precisely what an executive must do to achieve 100% of their long term incentive (LTI). We believe it would be useful if companies were required to clearly and precisely disclose what it was that an executive had to do to achieve 100% of their LTI.
3. We believe it would be useful if termination arrangements were clearly disclosed *ex-ante*. Thus, if a termination does occur, investors can then compare what the payment actually was against what was initially proposed.

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4. We are supportive of efforts to provide a 'plain English' overview of remuneration practices. However, it is important to ensure that remuneration reports are not unduly simplified. We do not support efforts to reduce complexity that would result in the removal of important details (albeit complex) from remuneration reports.

We appreciate the opportunity to make this submission and hope that it is of assistance. Please do not hesitate to contact me should you have any questions or wish to discuss this further.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'TB' or similar initials, enclosed in a light blue circular scribble.

**Talieh Bentley**  
Manager, Governance and Sustainable Investment