

## Say-on-Pay and Limits on Key Management Compensation Down Under

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Similar to the Dodd-Frank Act in the United States, Australia recently adopted legislation applicable to listed companies that, among other reforms, provides for shareholder voting on executive compensation and prohibits compensation arrangements (including hedging arrangements) that limit the risk exposure for a member of key management for compensation that depends on the satisfaction of a performance condition. The new shareholder vote rules in Australia go further than the "say-on-pay" rules in the U.S., by providing that if more than 25 percent of stockholders vote against a listed company's remuneration report in two consecutive years, stockholders can then require the company's board of directors to stand for reelection. Key management is excluded from voting on the remuneration reports. The new shareholder vote rule applies to remuneration report resolutions put to shareholders after July 1, 2011. The prohibition on hedging arrangements applies to agreements entered into on or after July 1, 2011.