

Media Release

A principles-based approach to executive remuneration welcomed by IFSA

IFSA has thrown its support behind the principles based approach APRA has taken in yesterday's discussion paper on executive remuneration, which outlined that aligning executive remuneration with risk management must be a key responsibility of company board governance.

Commenting on APRA's Discussion Paper Richard Gilbert, CEO of IFSA said that: *'The approach detailed by APRA is largely consistent with IFSA's Bluebook. The formalisation of the requirements through Prudential Standards will introduce an element of compulsion to what IFSA members already consider as best practice.'*

First launched in 1995 and in the process of being updated, IFSA's Blue Book identifies that all companies should have a Nomination Committee, an Audit Committee and a Remuneration Committee. The Remuneration Committee should be chaired by an independent director and have at least a majority of independent directors.

The Blue Book also acknowledges that one of the tasks of the Remuneration Committee is to advise the Board on whether the remuneration of senior management is aligned with the long term growth of shareholder value and is reasonable in comparison with industry benchmarks.

Commenting further on the synergies between IFSA's Blue Book and APRA's Discussion Paper, Richard Gilbert said that: *"While the APRA consultation on remuneration is limited to approved deposit institutions, general and life insurance companies, the principles are equally applicable to companies more generally."*

"IFSA members, both as the custodians and managers of other peoples' money and as institutional investors in their own right have a vested interest in ensuring that there is an alignment of remuneration with risk management both in their own operations and the companies in which they invest."

"IFSA welcomes the Discussion Paper and draft prudential standards and we will work closely with our members and APRA to seek to settle the detail of an effective governance framework to ensure an optimal outcome for all stakeholders." Concluded Richard Gilbert.

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