

Notice of Motion, Cr Mayne: Setting director fees at wholly-owned subsidiaries

2 February 2016

Motion

1. That the Future Melbourne Committee:

- 1.1 Requests management to change the approval process for director fees at Citywide and Queen Victoria Market, including any necessary amendments to both company constitutions, to a model which aligns with ASX-listed companies whereby:
 - 1.1.1 Shareholders approve an overall fee cap for non-executive directors at the annual meeting, which includes any payments for committee work or other additional duties;
 - 1.1.2 It is up to the board to decide the break-down in fees between different non-executive directors and workloads, provided that the overall fees paid are below the cap approved by shareholders at the AGM.
- 1.2 Requests management, after consulting with the QVM and Citywide boards (and external advisers if necessary) prepare a report for the June 2016 council meeting which recommends the overall fee cap for 2016-17, to be approved by council, acting as the sole shareholder, at the 2016 AGMs of both companies.

Background

Council is currently annually approving individual base fees for subsidiary directors, including separate specified fees for the respective chairs, but is not setting limits for any additional payments, such as committee work. It is therefore not very clear what limits council is setting for the overall remuneration of individual directors or boards in their totality and the approval process is also somewhat opaque.

Historically, council has used external experts to benchmark board fees at wholly owned subsidiary companies every four years. This was last done in 2014.

By moving to a model of overall approval through a council resolution, it will be more transparent for all concerned and also lead to less council involvement in annual pay discussions for directors.

By way of comparison to council's current process, here is the text of a resolution which will be put to the shareholders of Aristocrat Leisure, a major ASX listed company, at its AGM in Sydney on February 24:

That pursuant to clause 13.11 of the Constitution and ASX Listing Rule 10.17, the maximum amount of Non-Executive Directors' fees for services as Non-Executive Directors be increased from the present limit of \$2m per annum in aggregate to a limit of \$2.75m per annum in aggregate.

It is important to note that fee caps are not designed to specify precise fees, only set an overall limit. Public companies generally only seek approval to lift their fee caps every few years, usually triggered by CPI adjustments, market movements or changes in board size.

Once the initial caps were set, presumably with some modest headroom above current payments, it would then be up to the Citywide and QVM boards to approach council seeking a review in future years.

This motion in no way suggests there is anything wrong or inappropriate with the fees being paid to the current Citywide and QVM directors, but instead seeks to move to a best practice model as applies to public companies that devolves decision making to independent boards, within an overall limit set by shareholders.

Finally, it is important to stress that no overall fee cap for 2016-17 will be set without consultation with the boards of both subsidiaries.

Moved: Cr Mayne