



1 February 2018

Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: eec.sen@aph.gov.au

Dear Senators,

Response to *Public Governance, Performance and Accountability Amendment (Executive Remuneration) Bill 2017*

nbn welcomes the opportunity to provide input to the Senate Select Committee's review of the *Public Governance, Performance and Accountability Amendment (Executive Remuneration) Bill 2017*. To assist the Committee in considering the Bill we think it is necessary to highlight the following key points:

1. **nbn**'s remuneration structure is designed to responsibly, fairly and competitively reward Senior Executives while complying with all of our regulatory obligations; and
2. **nbn** benchmarks total remuneration competitively against comparable organisations.

nbn's annual report provides information on the remuneration of the key management personnel and governance in accordance with the *Public Governance, Performance and Accountability Act 2013*, Government Business Enterprise (GBE) Guidelines, ASX Corporate Governance Principles and the *Corporations Act 2001*.

nbn's remuneration policy is designed to:

- Attract and retain a capable executive leadership team and employees who can help deliver the Government and **nbn**'s vision;
- Foster exceptional talent and performance while motivating and supporting employees to pursue the growth and success of the **nbn**TM network consistent with **nbn**'s Corporate Plan; and
- Responsibly reward employees, having regard to the performance of **nbn**, individual performance, statutory and regulatory requirements and current business norms.

Senior Executive Remuneration at nbn

nbn's remuneration structure is designed to responsibly, fairly and competitively reward senior executives while complying with all of our regulatory obligations. There is a clear link between **nbn**'s company strategy and the remuneration for senior executives.

nbn's remuneration strategy supports the strategic imperatives of the organisation; enables performance-based reward and recognition of highly capable employees whilst also remaining aligned to market practice. It is in the interests of our shareholders and the Australian public that **nbn** is able to attract, motivate and retain the calibre of executives required to achieve the government's objectives by 2020 and beyond.



Each senior executive's remuneration package consists of Total Fixed Remuneration (TFR) and 'at risk' remuneration delivered through a short term incentive (STI) program, which includes a deferred component. **nbn** does not grant long-term incentive awards to its senior executives.

nbn's senior executive remuneration strategy establishes an effective link between pay and performance achieved through consideration of market remuneration practices and company performance when determining senior executive remuneration. **nbn** receives advice in relation to remuneration from external advisors, and this advice includes market practice and remuneration information, current and emerging trends in executive remuneration design and relevant legislative and regulatory developments. The advice does not include remuneration recommendations.

Benchmarking

Independent remuneration advisors also directly benchmark senior executive roles to comparable roles in the market. These external market benchmarks are determined by researching disclosed data from relevant Australian-listed companies and Government Business Enterprises, supplemented by survey data where necessary. Target total remuneration for each senior executive role is then informed by the benchmark data and internal relativities to ensure consideration of individual and company performance and market conditions. In addition, remuneration levels of each senior executive are reviewed annually by **nbn**'s People and Remuneration Committee (P&RC).

The rollout of the **nbn** has been described as Australia's largest ever infrastructure project. Dealing with the engineering, workforce culture and operational complexity inherent in such an endeavour requires specialist skills and experience that are highly sought after in the market. Completing the rollout of the **nbn** as quickly and efficiently as possible has the potential to bring enormous benefit to the Australian economy as well as bringing substantial social benefits to the Australian people. It is clear that **nbn** operates in a commercial market for talent and it therefore requires flexibility in setting salaries, within the policy set by the Board and relative to appropriate benchmarks.

Yours sincerely

Christopher Willcox
General Manager, Government Relations