



**SENATOR THE HON KATY GALLAGHER**  
**Minister for Finance**

**THE HON MICHELLE ROWLAND MP**  
**Minister for Communications**

Ms Kate McKenzie  
Chair  
NBN Co  
Level 13, 100 Mount Street  
NORTH SYDNEY NSW 2060

Dear Ms McKenzie

We are writing in relation to NBN Co's remuneration and performance bonus payment framework, and to ask for NBN Co's support for an improved governance and accountability framework for remuneration arrangements, particularly as they relate to performance bonuses.

We note that the Australian Public Service Commission released the *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies* on 13 August 2021 and that NBN Co provides details of remuneration arrangements for senior executives in its Annual Report, consistent with the requirements under the *Public Governance, Performance and Accountability Rule 2014*.

We also note that the Board of NBN Co has taken decisions to alter the bonus scheme for staff, which have been implemented to reduce the number of employees participating in NBN Co's short-term incentive scheme. To aid the transition, NBN Co has allocated a significant portion of the at-risk component of the total remuneration pool to the fixed remuneration for those no longer eligible for performance bonuses.

We appreciate that executive and workforce remuneration is a complex matter for the Board, with the need to balance the Government's expectations to exercise restraint with regard to performance pay, with delivering on NBN Co's commercial strategy through the attraction and retention of high-calibre staff and leaders. However, we are seeking information from a number of GBE's in relation to the application of the Performance Bonus Guidance, and would like to better understand the basis for the Board's decision on remuneration changes, including governance and transition arrangements.

To ensure greater transparency and rigour in remuneration and performance bonuses, and in keeping with community expectations, we ask that NBN Co:

- advise us of the rationale for remuneration policy decisions made to date, including how continued eligibility and performance targets, and the proportion of target short-term incentives of 87 per cent to be rolled-in was arrived at;
- provide further details of the Board's rationale behind its 2021-22 at risk remuneration outcomes;
- provide us with external, independent benchmarking analysis in support of these decisions or, where not already available, undertake an external, independent benchmarking analysis, with respect to remuneration arrangements, including an assessment of whether the remaining targets are appropriate to incentivise performance, including:
  - whether the balance between individual and corporate key performance indicators is appropriate; and
  - whether targets are appropriately weighted within the context of NBN Co's strategic priorities, key risks and strategy to improve stakeholder engagement;
- outline the detail of the governance arrangements and the basis on which performance targets for the remaining eligible staff are set and measured, and any advice of how the performance bonus framework can be improved;
- provide forward-looking advice on how there could be greater independent assurance that remaining bonuses are linked to appropriate performance targets, and confidence that bonuses reward performance that exceeds business as usual;
- advise of how transition risks are being managed and cultural impacts thus far; and
- identify opportunities to improve transparency in public reporting.

Thank you for your engagement on this matter, and we look forward to your prompt response within the next six weeks.

Yours sincerely

  
Katy Gallagher  
Minister for Finance

  
Michelle Rowland  
Minister for Communications

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