



**TAP OIL LIMITED**

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2 March 2004

The Committee Secretary  
The Parliamentary Joint Committee on Corporations  
& Financial Services  
Suite SG.64  
Parliament House  
CANBERRA ACT 2600

**STRICTLY PRIVATE AND CONFIDENTIAL**

Dear Sirs

**CLERP 9 –AUDIT REFORM & CORPORATE DISCLOSURE BILL 2003**

Tap Oil Limited (“Tap”) is a Perth based oil and gas production and exploration company with operations on the North West Shelf of Western Australia and in New Zealand.

Tap is included in the S&P/200 Index on the Australian Stock Exchange and has a track record of best practice corporate governance. Indeed, Tap was voted the winner of the “Ethical Investor Merit Award for Corporate Governance”, rating Tap’s corporate governance practices in respect of disclosures in last year’s Annual Report and Notice of Annual General Meeting, notably Directors’ and Executives’ remuneration.

Tap listed on the Australian stock exchange in 1996 and adopted what it considered to be best practice corporate governance at that time and has continued to implement relevant changes as they have emerged.

Whilst supportive of best practice disclosure, Tap has difficulty with some of the proposed changes in CLERP 9 (“Bill”), specifically, the disclosure of Executives’ remuneration.

Schedule 5 of the Bill as you know requires the remuneration for both the Officers of the Company and the next top five managers to be disclosed in detail.

Tap is a small company with twenty five direct employees. Three of these are “officers” and the Bill requires the disclosure of remuneration details of a further five employees, taking the disclosure to eight out of a total of twenty five employees. Practically, this means that Tap must disclose remuneration in detail down to the level of middle management.

We do not think that Tap is unique in these circumstances as many companies will find the disclosure reaching down to middle management levels.

It is our understanding that the purpose of this new disclosure of Executive remuneration is to inform shareholders of the directors and very senior management of a company such that they may assess the appropriateness of the quantum and nature of remuneration. For small companies, an arbitrarily determined, across the board level of disclosure goes far beyond this and rather than assist shareholders, I believe it places their company at a considerable disadvantage to larger companies in respect of managing and keeping staff.

Remuneration of employees is a private and sensitive issue and all companies strive to keep respective employee's salary packages and bonuses confidential in order to avoid internal conflicts. Salary reviews and bonuses are performance rated and not uniform across the company, otherwise they would be meaningless.

The detailed disclosure of middle management remuneration places companies of Tap's size at a disadvantage in keeping its quality trained staff as it provides competitors and recruitment agencies the opportunity to poach. Small companies are in the same competitive labour market place as larger non-public businesses or internationally listed companies.

Tap urges that this disclosure be reconsidered such that the practicalities of its impact on smaller companies are addressed.

Yours faithfully



**PAUL UNDERWOOD**  
**MANAGING DIRECTOR**

**FILE NOTE 5/3/04**  
**CLERP 9 — SUBMISSION FROM TAP OIL LIMITED**

**Spoke to Paul Underwood about the CLERP 9 submission from Tap Oil Limited (dated 2/3/04) which has been marked as "Strictly Private and Confidential".**

**After discussing with Mr Underwood the different treatments accorded to confidential versus public submissions, he decided not to seek confidentiality for the Tap Oil submission.**

**The submission will therefore be presented to Committee members as one for publication.**

**Bronwyn Meredith**