Fortescue execs face bonuses backlash

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Byline: Brad Thompson

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Some of the world's biggest pension funds are pushing back against bonus packages potentially worth millions of dollars for ***Fortescue*** chief executives Dino Otranto and Mark Hutchinson.

Fortescue intends to grant the performance rights regardless of whether shareholders vote down the move at the company's annual general meeting in Perth on November 6.

The iron ore miner is not required to put the matter to a vote or bound by the outcome, but gave an undertaking to do so in response to a massive protest vote against its remuneration report at last year's annual meeting.

Three major US pension funds have aligned against the bonus packages for Mr Otranto, who runs the company's mining division, and its green energy boss Mr Hutchinson.

SBA Florida, which has about $US238bn in assets under management, said there was insufficient disclosure of performance targets and weighting for the short-term incentive awards.

The California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) are also opposed, although not major shareholders.

Fortescue executive chairman Andrew Forrest and Nicola Forrest own about 37 per cent of the company.

Fortescue intends to grant up to 208,656 performance rights to Mr Otranto and up to 248,001 rights to Mr Hutchinson.

The performance rights could be worth up to $4.6m to Mr Otranto on top of his fixed remuneration which increased to $1.75m on January 1 this year.

Mr Hutchinson stands to gain up to $5.46m in addition to his fixed salary of $2.08m if he can deliver on some of ***Fortescue***'s green energy and hydrogen ambitions, which stalled in July when the company moved to cut 700 jobs.

In its AGM statements to shareholders, ***Fortescue*** said the granting of performance rights did not require shareholder approval under the Corporations Act or ASX listing rules.

Fortescue said in the interests of good governance and transparency the board had decided to seek shareholder approval.

It is one of the measures agreed by ***Fortescue*** to placate shareholders after a first strike on its remuneration report in 2023. More than 52 per cent of shareholders who voted last year opposed the remuneration report.

The backlash came after more than a year of leadership upheaval that saw CEO Elizabeth Gaines step aside, her replacement Fiona Hick exit after a short stint in the top job as well as the departure of chief financial officer Ian Wells and other executives.

Fortescue's move to pay Ms Gaines and Mr Wells special recognition payments of $1.98m and $1m respectively earned a rebuke for proxy advisory firms, with CGI Glass Lewis saying "such ad hoc discretionary payments on retirement are unusual among ASX 100 entities".

Fortescue does not expect to have issues with this year's remuneration report after moving to address shareholder and proxy adviser concerns.

"The board has heard this feedback and while it retains the ability to apply discretion to incentive outcomes, it will not make discretionary payments that do not clearly align with shareholder interests," the company said in its 2024 remuneration report.

Three resolutions on performance rights, including those for Mr Otranto and Mr Hutchinson, that will be put to a vote on Wednesday are separate to the remuneration report.

Fortescue told investors Ms Gaines, now a part-time executive director and global ambassador for the company, had agreed not to participate in the performance rights plan even though she was eligible.

Fortescue said that if shareholders voted down the resolutions on Mr Otranto and Mr Hutchinson it would need to reconsider their remuneration packages for 2025-26 and could offer equivalent cash incentives. ***Fortescue*** noted some of the targets that applied to the two chief executives were market sensitive and said it would provide more disclosure in the 2024-25 annual report.

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