CEO Pay in the Top 100 Companies: 2008

Research Paper prepared by

RiskMetrics

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About the authors

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Australian Council of Super Investors

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2 Executive Summary

Since 2001 the Australian Council of Super Investors' (**ACSI**) has tracked the CEO pay in the Top 100 listed Australian companies, the research is prepared for ACSI by the governance division of RiskMetrics and its predecessors. The top 100 companies are selected because they represent the majority of the Australian stock market by capitalisation, ACSI's members hold shares in these companies and they are seen as Australia's corporate leaders. The report seeks to compare like with like, and so only includes CEOs who have been in their position for a full year. Each year we wait until all top 100 companies have reported before preparing the study.

This research provides ACSI and its members with information that allows us to engage with the corporate community. As institutional shareholders our members rely on boards to ensure that each corporation is focussed on long term value creation. The results of this study are important to the work of ACSI, and its members, as executive remuneration provides investors with an important insight into the relationship between the board and executives.

Each year the research takes an in-depth look at the total remuneration of the top 10 highest paid CEOs, comparing increases in remuneration levels to share price movements, return on assets, return on equity and total shareholder return. In 2008, four of the top 10 highest paid CEOs have not been in their positions for three years, and it is still disappointing from a shareholder perspective to see that the remuneration of only two of those with longer tenure bears any relationship to total shareholder return over three years.

For the 70 CEOs included in the survey, total average pay as disclosed by the company was $5.15 million, down from $5.53 million in 2007 but substantially higher than the average of $4.56 million in 2006. If the value of long term incentives is excluded, the decline in the average was much smaller, from $3.78 million to $3.75 million. The decline in median total remuneration was also much smaller than the decline in the average, from $4.17 million in 2007 to $4.05 million in 2008 (again, still much higher than the 2006 median of $3.27 million).

Average total remuneration excluding the value of long term incentives remained steady in 2007 largely because increases in average fixed pay offset declines in average bonus levels. In 2008, the average Top 100 company CEO received base pay of $1.95 million, up 6.23 percent from 2007, a faster rate of increase than in 2007, when average base pay increased 2.1 percent. As noted, the average short term incentive (**STI**) received by a Top 100 company CEO decreased from the record high of 2007, falling from $2.18 million to $1.95 million. In 2007, the average bonus increased 29.8 percent (conditional on an STI being received on top of a 23.1 percent increase from 2005 to 2006. The average and median bonus in 2008 were both still the second highest in the history of the longitudinal study. The median STI (of those CEOs who received an STI payment) fell from $1.33 million to $1.17 million.

On a company-by-company comparison, of the 46 companies included in both the 2007 and 2008 longitudinal studies with the same CEO for the entire financial year (there were 56 company CEOs in the sample in 2006 and 2007), 40 saw the fixed remuneration of their CEO increase. The picture for annual bonus payments was much more mixed, especially when compared with the incumbent CEO figures from the 2007 study. Of the 46 'incumbent' CEOs in the sample, 24 enjoyed increases in bonuses, two saw no change in bonus payments and 20 saw their annual bonus decline relative to 2007 (in 2007, 39 of the 56 incumbent CEOs received a higher STI in 2007).

The incumbency effect – where longer serving CEOs of larger companies received substantially higher pay levels and faster increases in overall pay – was also again visible in the 2008 study. As in 2007, when the 56 incumbent CEOs enjoyed on average faster increases in base pay, annual bonus, total remuneration excluding long term incentives and total pay than the sample in general, the 2008 sample of 46 incumbent CEOs also did better than the other CEOs in the study. On average, incumbent CEOs enjoyed an increase in base pay of 11.45 percent in 2008 (compared with 6.23 percent for the sample as a whole); an increase in average annual bonuses of 1.1 percent (compared with an average decline for the sample as a whole); an increase of 1.99 percent in total remuneration excluding long term incentives and an increase in total pay of 3.69 percent (both these measures of total pay decline in 2008 for the sample as a whole).

Unlike in prior years there was substantial change in the identity of the Top 10 highest paid CEOs. Only four members of the Top 10 in 2007 were members of the 2008 Top 10 (in 2007 and 2006, seven members of the prior year Top 10 were in the Top 10 the following year); of the other six 2007 Top 10 members, four were no longer CEOs in 2008. The threshold for entry into the Top 10 in 2008 fell substantially relative to 2007, from $10.57 million to $7.809 million, the lowest threshold for the Top 10 since 2005. Of the four CEOs common to the 2007 and 2008 Top 10s, three saw their remuneration increase.

3 CEO Pay in the Top 100 Companies: Aggregate Statistics

This section reviews the pay of the most senior executive officer in the S&P/ASX 100 companies, over the period 2000 to 2008. All data was obtained from annual reports. The pay data information has been disclosed by the companies under section 300A of the Corporations Act and AASB 124.

70 companies were analysed. Not all the S&P/ASX 100 constituents were included because:

- Some CEOs were appointed mid-way through the financial year, and so their disclosed remuneration was for less than 12 months. These CEOs were removed from the analysis so as not to distort the figures.
- Some of the entities in the S&P/ASX 100 index are trusts, 'managed investment schemes', or stapled securities rather than companies, that do not have executives; instead, they are managed by a fund-management company, 'responsible entity', or some other external manager.
- One company, News Corporation, is domiciled in the US which has different remuneration disclosure requirements and so is excluded from the sample. One Dutch domiciled company, James Hardie, has adapted Australian remuneration disclosures and is therefore included.[1]
- Another two companies – Babcock & Brown and ABC Learning Centres - that were in the S&P/ASX 100 as at 30 June 2008 were also excluded from the sample as these companies went into administration prior to preparing their 2008 accounts. The CEO of Babcock for the majority of the 2008 year, Phil Green, was among the Top 10 paid CEOs in the 2007 sample.

For simplicity, this report refers to 'CEO pay'. However, in relation to some companies the executive whose pay was analysed is not the person carrying the formal title of CEO. This could be, for example, because the company has an executive chairperson and a separate CEO, and the executive chairperson is the effective leader of the company's management.

[1] In prior years a NZ company, Telecom NZ, which is part of the S&P/ASX 100 has been excluded from the sample because of that country's different pay disclosure regime. It would have been excluded on this basis again in 2008 had its CEO been in office a full year. A new CEO was appointed during the 2008 financial year.

3.1 Breakdown of components and 2001-2008 change analysis

In this section the following elements of remuneration are analysed:

- fixed pay — the non-variable element of the CEO's remuneration.
- short-term incentive — the annual bonus paid to the CEO in the financial year.
- total remuneration excluding long-term incentive.
- total remuneration including long-term incentive.

3.1.1 Fixed remuneration

Fixed remuneration is those components of a CEO's pay which do not vary with performance. These often include:

- Base (cash) salary;
- Superannuation;
- Motor vehicle allowance;
- Other allowances; and
- Non-cash benefits.

Of these, base salary is invariably the largest component. In 2008 base salary made up 85.6 percent of fixed remuneration, largely unchanged from 2007 when it accounted for 86.1 percent of the average total fixed remuneration of the CEOs.

Table 3.1 shows the fixed-remuneration statistics for the period 2001 to 2008. Between 2007 and 2008, average fixed remuneration increased 6.23 percent to $1.95 million, well up on the 2.1 percent increase to $1.83 million in 2007. Median fixed remuneration in the 2008 sample rose 13.81 percent in 2008, reversing a modest decrease of 2.9 percent in median fixed pay between 2006 and 2007.

CEO wage growth in context

Over the period from 2001 to 2008, median fixed remuneration increased by 120.7 percent in total, or 12.2 percent per annum compound. Over the same period, average adult weekly ordinary time earnings increased 37.9 percent, while the consumer price index increased by 23 percent.[2]

Few companies, despite ACSI's requests, provide explanations of fixed pay increases beyond generic disclosures stating fixed pay is reviewed annually with regard to movements in pay at other companies of a similar size. It is clear that the increases in fixed pay have provided a substantial dual 'cushion' to CEOs in the event their performance related pay falls: First, the rapid increase in base pay has increased the total amount of guaranteed pay that CEOs receive and second, as most elements of at risk pay are based on multiples of base salary, an increase in base salary will often lead to an increase in bonus potential.

Table 3.1 also shows the range of fixed pay: from $198,648 to $9.2 million. In 2008, the lowest paid CEO was Fortescue Metals Group's, Andrew Forrest, while the highest base pay was that received by Westfield executive chairperson Frank Lowy. The enormous disparity in the fixed remuneration of the two men is despite their similarities: Both have a significant ownership interest in the companies they lead and both founded these companies.

Figure 3.1 shows fixed remuneration distribution among the 70 CEOs. Of the 70 CEOs in the sample in 2008, 57 percent (40, up from 52 percent in 2007) received fixed pay of between $1.2 million and

[2] Both figures are from the Australian Bureau of Statistics; the wages figure is from 31 May 2001 to 31 May 2008; the CPI figure is the eight capital cities CPI index and is from 30 June 2001 to 30 June 2008. Please see www.abs.gov.au for additional information, catalogue numbers 6302.0 and 6401.0.

$2.4 million; 18 were paid between $0.3 million and $1.2 million; 17 percent (12, effectively unchanged from 2007) were paid between $2.4 million and $3.6 million; and 4 percent (effectively unchanged from 2007) received fixed entitlements in excess of $3.6 million. The continuing upward trend in executive pay is apparent from the statistics with 79 percent of the CEOs receiving fixed pay in excess of $1.2 million, up from 74 percent in 2007. Westfield's Frank Lowy received base pay that was more than $5 million higher than the next highest paid CEO in 2008 and his total fixed pay was larger than the combined fixed remuneration of the 12 lowest CEO fixed pay levels in the 2008 sample.

	2001	2002	2003	2004	2005	2006	2007	2008
Average	$888,407 *$1,008,012*	$984,045 $1,027,288	$1,361,769 *$1,424,285*	$1,416,877 *$1,554,410*	$1,533,231	$1,795,658	$1,833,228	$1,947,350
Median	$780,975 *$781,788*	$903,838 *$914,330*	$1,136,537 *$1,137,769*	$1,353,000 *$1,376,798*	$1,373,437	$1,579,292	$1,533,948	$1,745,856
Minimum	$52,055	$50,575	$345,056	$410,437	$494,531	$394,769	$321,331	$198,648
Maximum	$2,650,565 *$8,543,137*	$7,938,000 *$7,938,000*	$6,716,040 *$13,486,153*	$4,084,000 *$11,731,875*	$8,789,826	$8,888,197	$8,885,278	$9,204,760
Change in Average	*N/A*	+$95,638 *+$19,276*	+$377,724 *+$396,997*	+$55,108 *+$130,125*	+$116,354	+$262,427	+$37,570	+$114,122

Table 3.1 - Fixed remuneration: 2001 - 2008 comparison (figures in italics include News Corporation)

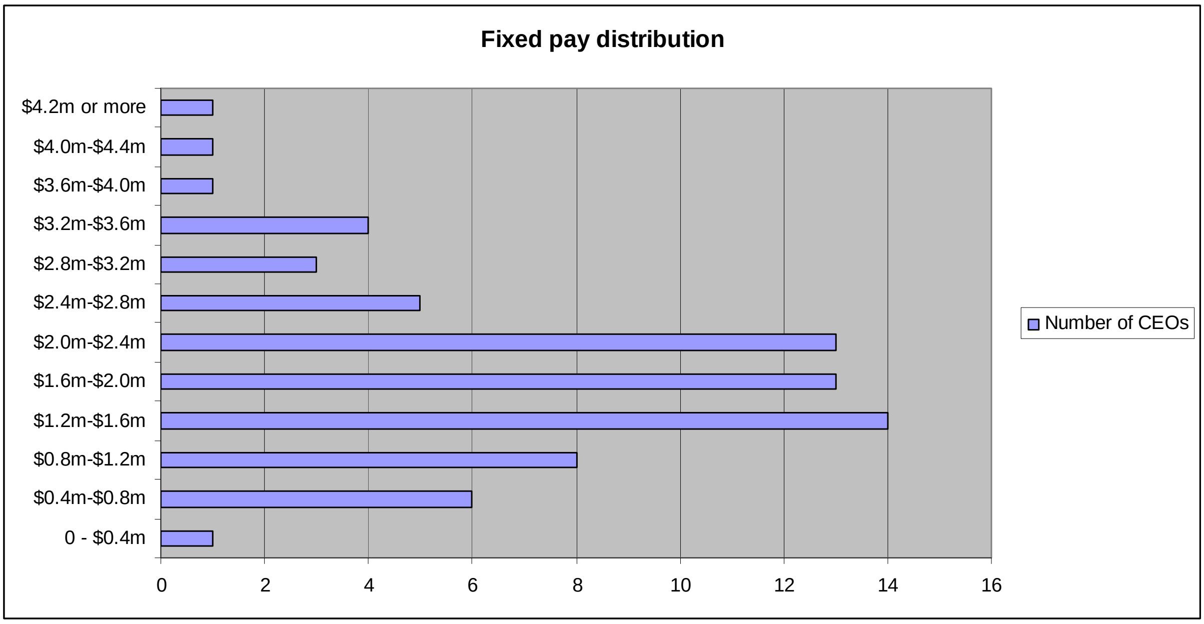

Figure 3.1: Distribution of fixed remuneration payments

3.1.2 Short-term incentive

Almost all Top 100 companies have annual bonus or short term incentive (STI) plans for senior executives. These schemes are usually described as being designed to reward executives for performance across a single financial year (or in some cases, achieving milestones against strategic targets set over several years). The 2008 sample continues an ongoing feature of recent years with the vast majority of CEOs in the sample receiving a bonus. Of the 70 CEOs in the 2008 study, 65 (92.9 percent) received a bonus (see box below for the high frequency of bonus payments in recent years).

A feature of most annual bonuses paid by Australian listed companies is the lack of transparency of the basis on which bonuses are paid. Many Australian listed companies provide only general descriptions of how bonuses are determined for senior executives, despite the requirement under the Corporations Act for listed companies to provide a "detailed summary" of the performance conditions attached to any payment to members of key management personnel. It is typical for companies to simply note that plans have performance indicators relating to 'financial' and 'non-financial' performance (with financial performance being measured based on measures such as earnings against targets and non-financial performance metrics including safety, customer or employee satisfaction and delivery of strategic goals).

> In 2008, just under 93 percent of Top 100 companies CEOs received an annual bonus, up from 88 percent in 2007 and just short of the record of 95 percent recorded in 2006. The aggregate annual bonus paid to CEOs in 2008 was $126.8 million, down from $132.9 million in 2007. Of the five CEOs who received no bonus in 2008, three – those at Foster's, Mirvac and Futuris – left the company shortly after the end of the 2008 financial year. In the other two cases, at Wesfarmers and Fortescue Metals, it appears that the company had no annual bonus program in place for the CEO during the 2008 financial year. The frequency with which bonuses are paid in S&P/ASX 100 companies suggests that many companies may be treating annual bonus programs as camouflaged fixed pay for senior executives and increases the need for improved disclosure of how bonus payments are determined. Between 2001 and 2008, the median annual bonus paid to a Top 100 company CEO increased by 19.4 percent per annum compound and over the same period the S&P/ASX 100 increased by 5.7 percent per annum compound between 30 June 2001 and 30 June 2008.

By far the most common type of STI is an annual cash bonus. Of the 65 companies in the sample that made a payment under a STIP, 64 sample companies paid half or more of the short-term incentive in cash (one company, Rio Tinto, in light of its financial problems at the end of 2008 and beginning of 2009 elected to pay its 2008 bonuses entirely in shares vesting over several years). Some of the problems with paying substantial bonuses in cash are also apparent from the 2008 study. Of the 65 CEOs who received a bonus in the 2008 financial year, 14 received a cash bonus in excess of $2 million for the 2008 year (see Table 3.2 below for details of the five highest cash bonuses in the 2008 year). In a number of cases, as illustrated in the below table, these high cash bonuses were followed by substantial profit declines in the 2009 year. High cash bonuses allow executives to receive substantial benefits for performance that is not necessarily sustainable or that does not result in improved returns to securityholders over time.

Company	CEO	2008 Cash bonus	Movement in 2009 net profit
Macquarie Group	Allan Moss[3]	$27,223,798	-52 percent
Leighton Holdings	Wal King	$7,598,600	-28 percent
Westfield Group	Frank Lowy	$7,000,000	N/A
David Jones	Mark McInnes	$3,088,333	8 to 12 percent[4]
Goodman Group	Greg Goodman	$3,033,333	-447 percent

Table 3.2. Highest five cash bonus payments in 2008

Table 3.3 shows the short-term incentive figures for 2001 to 2008. The difficult economic conditions experienced during the 2008 financial year are apparent in the small decline in average and median annual bonuses relative to 2007. In 2008, the average bonus fell 10.4 percent and the median by 12.5 percent. In interpreting the extent to which the bonus declines represented a link between pay and performance, two factors should be considered: First, the declines were from the highest level of bonuses ever recorded in the longitudinal study; the 2008 average and median bonuses were the second highest in the history of the study and substantially higher than 2006 bonus levels.

The second and contrasting factor is that for 50 of the 70 companies in the sample the data is for 2008 year ends prior to 1 July 2008 – before the September 2008 collapse of Lehman Brothers widely considered to have triggered a substantial decline in world economic activity. This means the influence of the sharp decline in economic conditions in the second half of the 2008 calendar year was yet to be felt at the time 2008 bonuses were determined for the majority of the sample companies, although conditions in debt markets were difficult for Australian companies from at least the end of the 2007 calendar year.

	2001	2002	2003	2004	2005	2006	2007	2008
Average	$769,125 *$871,389*	$902,969 *$937,347*	$1,102,603 *$1,283,330*	$1,293,093 *$1,671,608*	$1,363,934	$1,678,662	$2,178,274	$1,950,986
Median	$377,936 *$386,805*	$468,011 *$475,000*	$725,000 *$735,129*	$900,000 *$911,803*	$1,000,000	$1,005,890	$1,334,200	$1,167,645
Minimum	$73,000	$50,000	$88,000	$126,000	$75,000	$100,000	$750,000	$202,293
Maximum	$6,239,739 *$6,239,739*	$10,944,000 *$10,944,000*	$12,381,000 *$12,381,000*	$13,400,000 *$17,980,437*	$13,892,889	$15,833,577	$25,615,987	$27,223,798
Change in Average	N/A	+$133,844 *+$65,958*	+$199,634 *+$345,983*	+$190,490 *+$388,278*	+$119,733	+$314,728	+$499,612	-$227,288

Table 3.3. Short-term incentive: 2001-2008 comparison (conditional upon a short-term incentive payment having been made; figures in italics include News Corporation)

[3] The 2008 cash bonus paid to Allan Moss was larger than it would otherwise have been due to the fact no element of the bonus was deferred as he retired from Macquarie on 24 May 2008. The profit figure for 2009 therefore relates to a year where Allan Moss was in office as CEO for only 54 days.

[4] Net profit guidance for 2009 financial year announced on 30 June 2009 and confirmed 5 August 2009.

Figure 3.2 shows the distribution of short-term incentive payments (for those CEOs who received a short-term incentive payment); 50 of the 65 short-term incentive payments were less than or equal to $2 million.

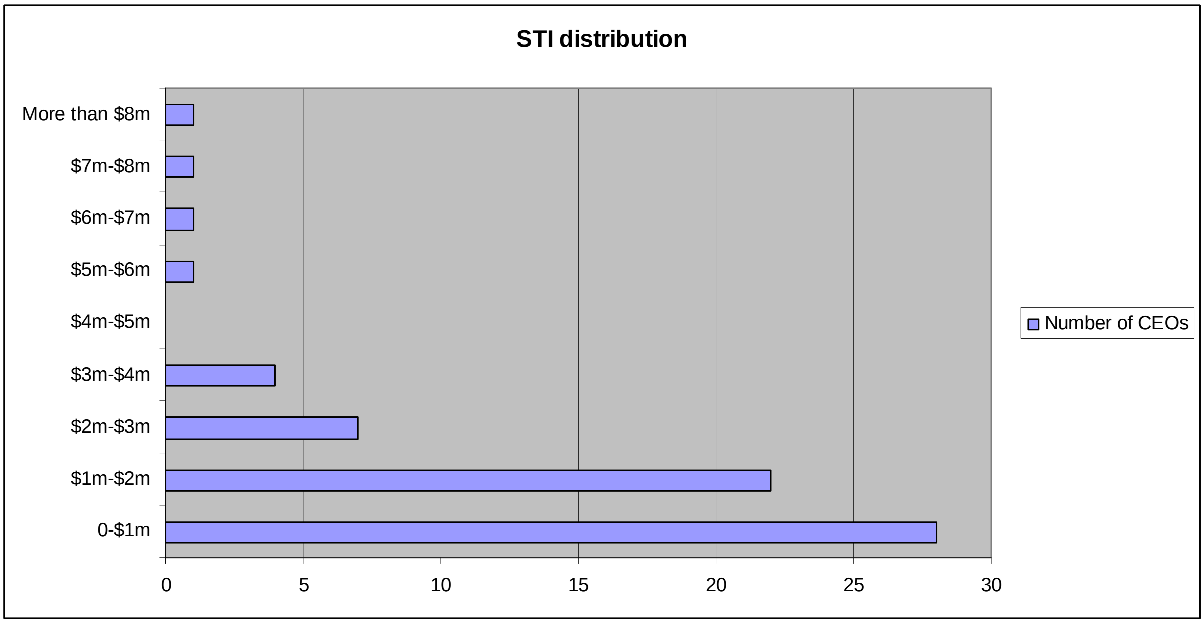

Figure 3.2: Distribution of short term incentive payments (conditional on STI payment being made)

3.1.3 Total remuneration excluding long-term incentive

It is important to consider total pay *including* and *excluding* the long-term incentive, which in most cases is subject to performance conditions and paid in equity. In past years, how companies made long-term incentive awards, and disclosed the value of them in the annual report, led to significant fluctuations in total pay from year to year:

- Until approximately 2001 - 2002, it was common for companies to make large 'one-off' grants of options every few years (or another equity instruments) under the LTIP (some companies continue this practice although there most large companies now make annual grants).
- Until 2003, when an Australian company disclosed the value of executive share options granted, it would typically allocate the entire value as at the date of grant.

In combination, these two factors meant the total remuneration disclosed for a CEO, including long-term incentives, could fluctuate considerably. Since 2003 companies have been required to allocate the value of options (and other equity incentives) across the entire vesting period. This removes the lumpiness problem, although changes to accounting standards over this period have meant that companies have not necessarily valued long term incentives in the same way from 2003 to 2008.

Valuation of equity incentives still however creates some volatility in equity incentive values and hence total pay. One feature in several companies in 2008 is that under AASB 2 (the accounting standards governing disclosure and expensing of share-based payments), companies are able to adjust the remuneration amount disclosed for equity incentives subject to 'non-market' hurdles (such as earnings per share) to take account of whether or not incentives will vest. This can result in companies disclosing negative equity incentive values (as Rio Tinto did in the 2008 year). The actual equity incentive received by a CEO may be significantly higher (or lower) than the reported figure. Past work by RiskMetrics has found that prior to August 2006 the disclosed value of equity incentives was routinely much lower than the actual value realised by a Top 100 company CEO.[5]

[5] See ISS Australia (now RiskMetrics), *CEO Pay - It's even higher than you think: Valuation of executive options in Australia*, September 2006.

Another element of volatility is introduced by the way in which companies account for deferred cash incentives that track the value of securities. In the 2008 year, Lend Lease and Macquarie Group both recorded negative values for deferred cash incentives for their chief executives as the security price to which the incentives were indexed declined (in Lend Lease's case, this lead to a reduction in CEO Clarke's overall remuneration of $2.781 million and in Macquarie's case the value of Allan Moss' deferred profit share declined by $4.878 million).

By excluding the value of long term incentives, shareholders are able to get a much better sense of the actual value of the cash pay received by an executive during a financial year, or those elements of pay which they have already qualified to receive. This is because even when companies pay part of annual bonuses in shares, these typically would vest if an executive is terminated by the company.

Results

Table 3.4 compares total remuneration (on an ex-long-term incentive basis) for the sample companies over the period 2001 to 2008. Mean pay excluding long-term incentive payments (cash pay, although as noted above a handful of companies use cash to pay long term incentives and shares to pay part of annual bonuses) fell 0.7 percent from $3.78 million in 2007 to $3.75 million in 2008. This indicates that the increase in base pay noted above largely offset the decline in bonuses for Top 100 company CEOs in the sample. In the case of median cash pay, the increase in base pay actually more than offset the decline in bonus, with the median cash pay in the 2008 sample increasing 1.44 percent to $2.9 million.

The increase in CEO cash pay in recent years is apparent from the fact that even though average cash pay declined slightly in 2008, it was still at the second highest level recorded in the history of the longitudinal.

Table 3.4 also shows that there continues to be wide dispersal in cash pay levels among Top 100 company CEOs: From Fortescue's Andrew Forrest, with $198,648 in total cash pay in 2008 to Macquarie's Allan Moss, whose total cash pay in 2008 was $27.89 million. The 2008 year represents the last year Moss will be the highest paid CEO on a cash pay basis as he retired in May 2008 (Macquarie has a 31 March year end); he was the highest paid Australian CEO on a cash basis in 2005, 2006, 2007 and 2008.

	2001	2002	2003	2004	2005	2006	2007	2008
Average	$2,018,190	$2,381,356	$2,141,128 *$2,444,368*	$2,787,708 *$3,146,703*	$2,832,132	$3,472,491	$3,779,271	$3,754,119
Median	$1,422,662	$1,447,111	$1,740,537 *$1,773,180*	$2,408,309 *$2,408,670*	$2,134,534	$2,492,718	$2,862,491	$2,903,752
Minimum	$166,457	$50,575	$387,472	$410,437	$581,750	$415,862	$321,331	$198,648
Maximum	$14,858,824	$16,294,620	$13,393,275 *$25,793,845*	$14,692,011 *$29,712,312*	$14,653,688	$16,504,181	$26,286,806	$27,894,726
Change in Average	*N/A*	+$363,166	+$63,012	+$646,580 *+$702,335*	+93,316 *-$256,679*	+$640,359	+306,780	-$25,152

Table 3.4 - Total remuneration excluding long term incentive: 2001 - 2008 comparison (figures in italics include News Corporation)

Figure 3.3 shows the distribution of total CEO pay excluding long-term incentive payments. In total, in 2008 51 CEOs (the same number as in 2007 when the sample size was 69 rather than 70 as in 2008) were paid less than $4 million in cash pay. Another 15 received more than $4 million and less than $7 million (13 in 2007) and four CEOs (Moss of Macquarie Group, Lowy of Westfield, Wal King of Leighton Holdings and Sol Trujillo of Telstra) received cash pay of more than $8 million in 2008. All four of these men also received cash pay in excess of $8 million in 2007.

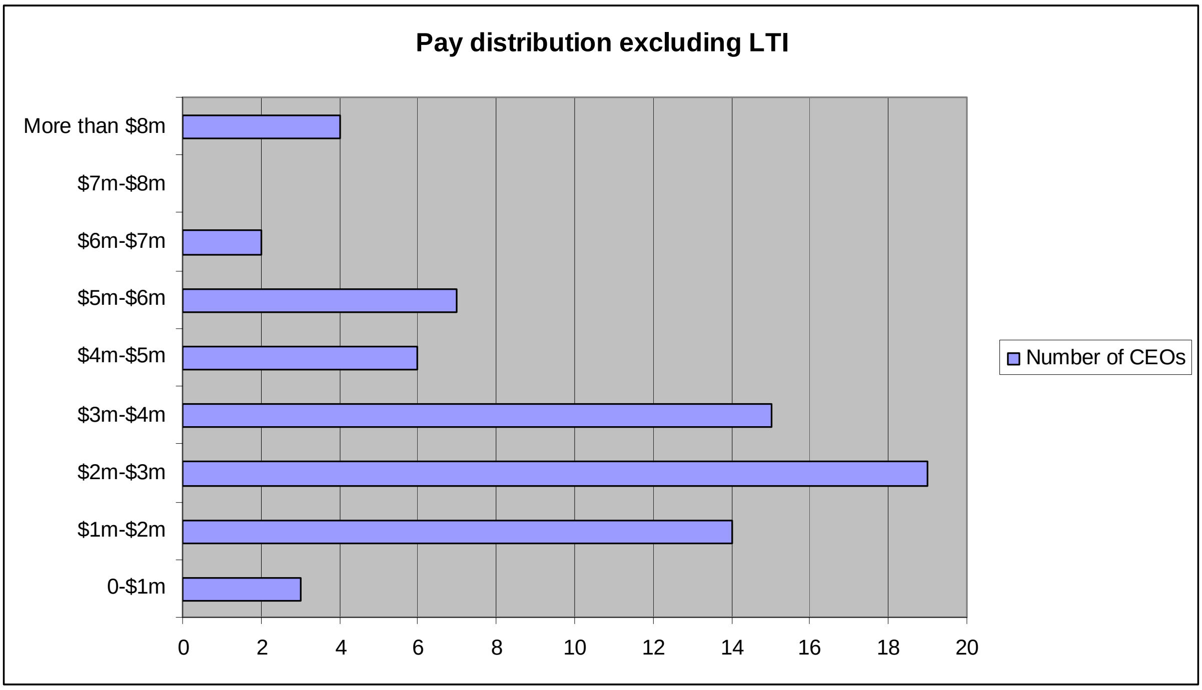

Figure 3.3: Distribution of total remuneration excluding long term incentive payments

3.1.4 Total remuneration including long-term incentive

This section examines CEOs' total remuneration packages, including the value of long-term incentives, as disclosed by the companies in their annual reports. In reading this section, shareholders should take into account the comments above in section 3.1.3 with regards to disclosure and valuation of equity incentives.

In 2008, average total pay (including the disclosed value of long-term incentives) was $5.15 million, down 6.9 percent from the 2007 average. Despite this decline, average total pay in 2008 was still substantially higher than it was in 2006 after average Top 100 CEO pay in 2007 rose by 21.4 percent. The decline in the average was in part driven by reductions in the amount received by the highest paid CEOs (see the section on the Top 10 below) given the decline in median total pay for the sample was much smaller, from $4.17 million in 2007 to $4.05 million in 2008, a decline of 2.86 percent.

In fact, the removal of Babcock & Brown from the sample accounted for just under two-thirds of the fall in average total pay (its CEO in 2007, Phil Green, received total pay of $22,094,631 and as noted above, Babcock is not in the 2008 sample as it went into administration before filing its 2008 annual report).

Table 3.5 shows that total pay including long-term incentive payments ranged from $198,062 to $24.76 million in 2008. The decline in the highest total pay figure (received by Macquarie's outgoing CEO Allan Moss), was driven by slightly lower bonuses at Macquarie in 2008, and the decline in the value of Allan Moss' deferred incentive noted above. On both an ex-LTI and total pay basis, Allan Moss was the highest paid Australian CEO between 2005 and 2008.

	2001	2002	2003	2004	2005	2006	2007	2008
Average	$2,644,393	$3,228,695	$2,858,343 *$3,163,769*	$3,564,486 *$3,913,123*	$3,766,224	$4,557,051	$5,532,515	$5,150,984
Median	$2,120,411	$2,098,601	$2,309,384 *$2,325,692*	$3,074,837 *$3,138,235*	$3,092,576	$3,274,675	$4,168,554	$4,049,293
Minimum	$166,457	$50,575	$387,472	$410,437	$659,002	$415,862	$404,062	$198,648
Maximum	$14,858,823	$16,294,620	$13,393,275 *$26,681,537*	$14,692,011 *$29,712,31*	$18,553,566	$21,210,349	$33,489,818	$24,755,444
Change in Average	*N/A*	+$584,302	-$64,926	+$706,143 *+$749,354*	+$201,738 *-$146,899*	+$790,827	+$975,464	-$381,531

Table 3.5 - Total remuneration including long-term incentive: 2001 - 2008 comparison (figures in italics include News Corporation; 2001 and 2002 figures include CEOs not in office for a full year).

Figure 3.4 shows the distribution of total CEO pay and indicates that a top group of six CEOs (Macquarie's Moss, Leighton's King, Westfield's Lowy, Telstra's Sol Trujillo, ANZ's Mike Smith and Qantas' Geoff Dixon) received substantially more remuneration than the other 64 CEOs in the sample. Of the 70 CEOs, 52 received less than $6 million in total pay in 2008.

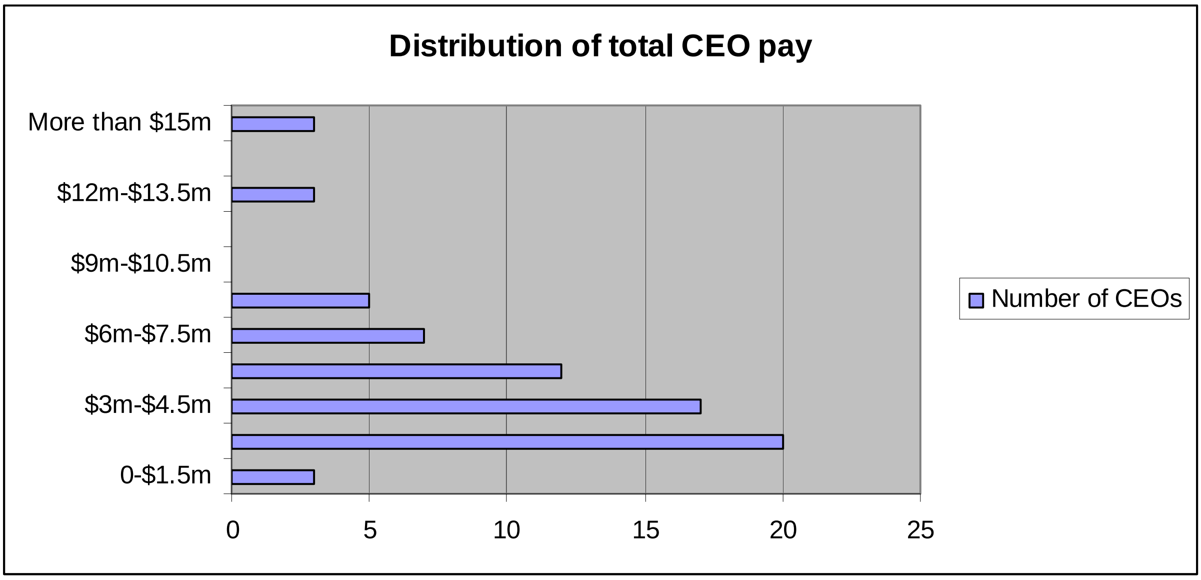

Figure 3.4. Distribution of total remuneration (including long-term incentive)

CEO Remuneration by Industry – 2008					
	Consumer Discretionary	**Consumer Staples**	**Energy**	**Financials**	**Health Care**
Average	$ 3,283,716	$4,341,114	$3,966,559	$6,567,197	$4,760,790
Median	$3,219,264	$4,176,061	$4,244,731	$4,252,000	$5,714,792
Min	$1,162,067	$1,757,217	$1,432,298	$1,519,000	$1,818,452
Max	$6,871,523	$7,808,919	$6,243,199	$24,755,444	$6,749,127
# CEOs	7	8	8	21	3
	Industrials	**Materials**	**Telecomm. Services**	**Information Technology**	
Average	$6,200,179	$3,884,724	$13,394,523	$3,115,165	
Median	$4,478,982	$ 4,172,912	-	-	
Min	$2,192,898	$198,468	-	-	
Max	$16,494,758	$6,662,336	-	-	
# CEOs	9	12	1	1	

Table 3.6: CEO total remuneration including long-term incentive, by industry - 2008

3.2 The incumbency effect

As in the 2007 longitudinal study, this year's study includes a comparison of changes in the remuneration of those CEOs included in both this year's sample and that of the prior year (the 2007 study compared those CEOs in office at sample companies in both 2006 and 2007). This comparison is designed to show the impact of incumbency on CEO remuneration. The ACSI CEO pay study, due to the sample method of including only companies in the S&P/ASX 100 as of a particular date, has dealt with a sample that continues to change as CEOs retire, and as companies enter and leave the Top 100 due to acquisition, administration and rapid growth or decline.

The 2008 study included only 46 CEOs whose companies were in both the 2007 and 2008 samples and who were in office for both years down from 56 'incumbents' included in the 2007 study. This decline in the number of incumbents in part reflects increased instability in executive ranks and the volatility of the S&P/ASX 100 between 2007 and 2008, as the early signs of the global credit crisis coupled with an ongoing commodity boom drove significant change in index composition.

A fall in the number of incumbents in 2008 relative to 2007 has not however altered the results. As in 2007, in 2008, the average incumbent CEO received base pay that had increased substantially over the prior year (up by 11.45 percent) and that was substantially higher – 9.91 percent - than the average base pay of the entire sample. And as with the 2007 incumbents, higher and faster growing pay among incumbent CEOs is consistent across all elements of CEO remuneration: The average STI (based on only those CEOs who received an STI) of the 46 incumbent CEOs in 2008 was 20.96 percent higher than that of the whole of sample average (and the average STI of incumbent CEOs in 2008 actually rose slightly against a decline for the sample as a whole). Total CEO pay among the 2008 incumbents was also higher than in the full sample, at $5.88 million compared to $5.15 million, and as with the average bonus actually increased in 2008, by 3.69 percent, compared with a decline across the sample as a whole.

Of the incumbents, 40 of the 46 enjoyed fixed pay increases (compared with 44 out of 56 in 2007). A slight majority – 24 out of the 46 – also enjoyed increases in their bonuses relative to 2007, two received the same bonus payment and 20 had their bonus payments decline (in three cases incumbent CEOs saw their bonuses decline to zero in 2008 and departed as CEO shortly after the end of the 2008 financial year). In 2007, of the 56 incumbents 30 enjoyed bonus increases relative to 2006, perhaps reflecting the more buoyant economic conditions in 2007 compared with 2008.

	2007		2008	
	Average	Median	Average	Median
Fixed Rem.	$1,920,459	$1,565,917	$2,140,320	$1,929,182
STI	$2,334,089	$1,166,667	$2,359,824	$1,275,900
Total excl LTI	$4,203,807	$2,685,602	$4,287,545	$3,399,702
Total Rem.	$5,667,476	$4,242,521	$5,876,349	$5,098,078

Table 3.7: Incumbent CEO remuneration 2007 to 2008

3.3 Remuneration components in detail

This section is designed to allow analysis of the relative significance of base salary, annual bonus (short-term incentive), options/shares (long-term incentive), and other components of CEO remuneration.

The rules under which Australian companies disclose executive pay after changing rapidly between 2001 and 2005 have been in a state of relative stability over the past three years. As noted above, the most significant change in disclosure for the purposes of comparing pay across several years occurred in 2003, when ASIC confirmed that the value of options granted to executives had to be disclosed as a component of executive pay and amortised over several years. Since 2003, other changes in disclosure requirements have involved moving from AASB 1046 to AASB 124, as Australia adopted International Financial Reporting Standards and the introduction of the remuneration report.

Table 3.8 provides a breakdown of the key components of CEO pay in the Top 100 companies, for the period 2001 to 2008. These figures have not been adjusted to account for the departure of News Corporation between 2004 and 2005.

Some points to note about Table 3.8 are:

- A substantial majority of CEO pay by value continues to be short term in nature, representing base salary, other elements of fixed pay such as superannuation, non-cash benefits or statutory entitlement accruals and annual bonuses. In 2008, this element of CEO pay made up 73.98 percent of total CEO pay in the Top 100 (using the disclosed rather than realised value of equity based payments). In 2007 these 'annual' elements of CEO pay accounted for 68.41 percent of the total with the increased importance of such payments in 2008 in part due to the decline in the disclosed value of equity (or equity-linked) incentives.
- In 2008, long term incentives made up 27.02 percent of total disclosed CEO pay in the Top 100, down from 31.69 percent in 2007. This was driven by substantial falls in the proportion of CEO pay made up of long term cash incentives (as the value of cash incentives linked to security prices fell substantially in the case of CEOs at Macquarie and Lend Lease). Long term incentives still accounted for a higher proportion of total incentives in 2008 than they did in 2006, when they accounted for 23.8 percent of total Top 100 CEO pay. It should be noted that the way in which many companies disclose bonus payments that are deferred into shares makes it difficult for investors to determine how much of 'equity based' remuneration disclosed each year in remuneration tables relates to deferred annual bonuses. For this reason the figures for long term incentives include in many cases the value of shares that are actually a deferred component of annual bonuses that a CEO has already qualified to receive but for a service condition (typically waived on departure).
- The total value of all remuneration received by the sample CEOs decreased in 2008 by 5.5 percent to $360.5 million, down from $381.7 million in 2007, with the sample size increasing from 69 to 70.
- For 2001 and 2002, the data on 'Allowances', 'Motor Vehicle' and 'Retirement Benefits' was aggregated and included with the 'Other benefit' category, due to the way companies disclosed remuneration at that time. However, even though those three components of pay are itemised since 2003, the 'Other benefit' figure will still include some motor vehicle allowances, retirement benefits and other allowances, as some companies continue not to provide separate figures. For the same reason, the 'Other benefit' category also includes some superannuation. Those companies that aggregate several items into 'Other Benefits' in their remuneration tables typically include a footnote which specifies the types of benefit included in 'Other Benefits'. However, they do not always provide a breakdown of the dollar amount per benefit.
- From 2003, the manner in which shares were provided as a long-term incentive is itemised - either as 'Performance Rights', 'Deferred Shares', 'Loan-Funded Share Scheme' or 'Free Shares'. Performance rights and deferred shares (called 'performance shares' by some companies) are zero exercise price options (**ZEPOs**), as distinct from traditional options with an exercise price that is normally based on the company's share price on the date the options were granted. In 2008, ZEPOs accounted for the largest proportion of share based payments for Top 100 CEOs.

	2001 Total Amount	2002 Total Amount	2003 Total Amount	2004 Total Amount	2005 Total Amount	2006 Total Amount	2007 Total Amount	2008 Total Amount	2001 % of total pay	2002 % of total pay	2003 % of total pay	2004 % of total pay	2005 % of total pay	2006 % of total pay	2007 % of total pay	2008 % of total pay
Base salary	$64,512,799	$80,211,417	$92,421,433	$88,298,660	$105,796,390	$107,171,107	$106,931,799	$116,662,917	38.1%	31.50%	37.50%	30.06%	35.11%	31.78%	28.10%	32.36%
Bonus component (Cash)	$43,569,466	$59,128,151	$78,209,362	$108,415,934	$93,744,474	$112,931,873	$128,406,811	$121,058,867	25.70%	23.20%	31.11%	36.91%	32.41%	33.49%	33.64%	33.57%
Bonus component (Shares)			$1,357,121	$5,253,416	$4,775,216	$4,574,463	$4,467,916	$5,755,245			0.60%	1.79%	1.58%	1.36%	1.17%	1.60%
Other benefit	$7,922,605	$22,810,308	$9,573,645	$12,847,217	$8,150,114	$10,449,323	$7,284,369	$7,414,509	4.70%	9.00%	3.90%	4.37%	2.71%	3.10%	1.91%	2.06%
Superannuation	$2,414,713	$5,869,570	$3,041,119	$12,824,132	$8,205,386	$11,002,596	$9,916,559	$7,714,940	1.40%	2.30%	1.20%	4.37%	2.72%	3.26%	2.60%	2.14%
Allowances	-	-	$841,986	$2,363,517	$376,363	$4,208,403	$2,359,975	$4,181,856			0.30%	0.80%	0.12%	1.25%	0.62%	1.16%
Motor Vehicle	-	-	$217,774	$247,215	$130,201	$51,714	-	-			0.10%	0.08%	0.04%	0.02%	-	-
Retirement Benefits	-	-	$4,998,265	$5,752,636	$5,392,423	$6,574,830	$1,402,246	$340,275			2.00%	1.96%	1.79%	1.95%	0.37%	0.09%
Cash long-term incentive payment	$7,458,969	$13,830,484	$10,870,061	$12,561,866	$15,956,734	$12,109,694	$28,230,998	$1,776,732	4.40%	5.40%	4.40%	4.28%	5.30%	3.59%	7.40%	0.49%
Options	$22,562,872	$50,642,948	$26,644,319	$22,804,464	$22,035,660	$22,601,271	$35,241,777	$39,879,723	13.30%	19.90%	10.80%	7.76%	7.31%	6.07%	9.23%	11.06%
Performance Rights	$17,514,110	$22,076,408	$10,488,984	$11,709,375	$16,798,160	$27,958,299	$33,432,333	$42,180,455	10.30%	8.70%	4.30%	3.99%	5.58%	8.29%	8.76%	11.70%
Deferred Shares			$6,143,166	$9,946,831	$18,305,452	$12,346,469	$22,422,093	$8,886,528			2.50%	3.39%	6.08%	3.66%	5.87%	2.46%
Loan-Funded Share Scheme			$1,966,764	$732,405	$1,629,248	$5,241,739	$1,645,627	$4,709,869			0.80%	0.25%	0.54%	1.55%	0.43%	1.31%
Free Shares			-	$1,282	$1,832	-	$1,000	$6,985			-	4.4%	6.1%	-	0%	0%
Total	$169,241,163	$251,838,210	$246,773,999	$293,758,949	$301,297,952	$337,221,781	$381,743,502	$360,568,901	100%	100%	100%	100%	100%	100%	100%	100%

Table 3.8. Components of total remuneration (News Corporation is included in 2001 – 2004 figures)

<table>
<tr><th></th><th>2001 # CEOs with element of pay</th><th>2002 # CEOs with element of pay</th><th>2003 # CEOs with element of pay</th><th>2004 # CEOs with element of pay</th><th>2005 # CEOs with element of pay</th><th>2006 # CEOs with element of pay</th><th>2007 # CEOs with element of pay</th><th>2008 # CEOs with element of pay</th></tr>
<tr><td>Base salary</td><td>64</td><td>78</td><td>78</td><td>75</td><td>80</td><td>74</td><td>69</td><td>70</td></tr>
<tr><td>Bonus component (Cash)</td><td rowspan="2">50</td><td rowspan="2">62</td><td>61</td><td>66</td><td>69</td><td>69</td><td>61</td><td>64</td></tr>
<tr><td>Bonus component (Shares)</td><td>2</td><td>4</td><td>6</td><td>4</td><td>3</td><td>6</td></tr>
<tr><td>Other benefit</td><td>48</td><td>56</td><td>51</td><td>57</td><td>66</td><td>54</td><td>56</td><td>52</td></tr>
<tr><td>Super</td><td>32</td><td>45</td><td>40</td><td>57</td><td>64</td><td>64</td><td>60</td><td>64</td></tr>
<tr><td>Allowances</td><td>-</td><td>-</td><td>4</td><td>4</td><td>6</td><td>16</td><td>16</td><td>41</td></tr>
<tr><td>Motor Vehicle</td><td>-</td><td>-</td><td>4</td><td>3</td><td>3</td><td>3</td><td>-</td><td>-</td></tr>
<tr><td>Retirement Benefits</td><td>-</td><td>-</td><td>4</td><td>8</td><td>5</td><td>6</td><td>4</td><td>1</td></tr>
<tr><td>Cash long-term incentive payment</td><td>11</td><td>7</td><td>5</td><td>8</td><td>5</td><td>10</td><td>17</td><td>9</td></tr>
<tr><td>Options</td><td>19</td><td>39</td><td>36</td><td>38</td><td>34</td><td>29</td><td>37</td><td>34</td></tr>
<tr><td>Performance Rights</td><td rowspan="4">15</td><td rowspan="4">12</td><td>15</td><td>21</td><td>23</td><td>29</td><td>21</td><td>38</td></tr>
<tr><td>Deferred Shares</td><td>10</td><td>16</td><td>22</td><td>18</td><td>16</td><td>8</td></tr>
<tr><td>Loan-Funded Share Scheme</td><td>9</td><td>6</td><td>7</td><td>8</td><td>4</td><td>6</td></tr>
<tr><td>Free Shares</td><td>-</td><td>1</td><td>2</td><td>-</td><td>1</td><td>2</td></tr>
<tr><td>Total</td><td>-</td><td>-</td><td>78</td><td>75</td><td>80</td><td>74</td><td>69</td><td>70</td></tr>
</table>

4 Top 10 Case Studies

This section discusses 10 'pay-for-performance' case studies.

The 10 highest-paid CEOs were selected from the data discussed earlier in the report. The pay figure used to determine the ranking of CEOs was total pay including long-term incentive. Table 4.1 shows the remuneration for the CEOs selected.

Having identified the top 10 CEOs on that basis, pay and corporate performance data was collected for the period 2001 to 2008 (or for the length of the CEOs tenure if they were not in office for the whole of this period; only five of the 10 – Moss, King, Lowy, Dixon and Davis – were in office from the end of the 2001 financial year to the end of the 2008 financial year). In the case of one of these long serving CEOs, Frank Lowy, Westfield underwent a major restructure in 2004 and so performance measures are not comparable for Westfield before and after 2004.

	Top 10 CEO in study	2008 Total Remuneration
1	Allan Moss (MQG)	$24,755,444
2	Wal King (LEI)	$16,494,758
3	Frank Lowy (WDC)	$16,204,760
4	Sol Trujillo (TLS)	$13,394,523
5	Mike Smith (ANZ)	$12,963,480
6	Geoff Dixon (QAN)	$12,171,606
7	Ralph Norris (CBA)	$8,662,920
8	John Stewart (NAB)	$8,513,608
9	Mike Tilley (CGF)	$8,108,792
10	Terry Davis (CCL)	$7,808,919
Average		**$12,907,881**

Table 5.1: CEO case studies, 2008

Even taking into account the decline in the aggregate remuneration of the Top 10 in 2008 (from $155.83 million in 2007 to $129.08 million in 2008) is the disproportionate share of total Top 100 remuneration that the 10 highest paid CEOs receive: In 2008 these 10 individuals accounted for 35.8 percent of total remuneration (down from 40.8 percent in 2007). In the 2008 Top 10 it is also notable that there is a substantial gap between the six highest paid CEOs and the next four with the average total pay of the top six being $16 million, unlike in 2007 when aside from the two highest paid CEOs (Moss and Phil Green from Babcock & Brown), the other eight CEOs received total pay between $15.89 million and $10.57 million.

If the six highest paid CEOs are excluded from the 2008 sample, average total remuneration for a Top 100 company CEO falls from $5.15 million to $4.13 million. If the Top 10 are excluded from the 2008 sample, the average falls to $3.84 million.

Measures of performance used

Over the following pages tables are shown comparing CEO remuneration with four measures of corporate performance:

- Share Price Performance (**SPP**).
- Return on Assets (**ROA**).
- Return on Equity (**ROE**).
- Total Shareholder Return (**TSR**).

SPP captures the performance of the company's share price over several years. The share prices used are taken at the company's reporting date. For example, if a company has a 30 June year-end, the share prices shown are as at 30 June 2001, etc.

ROA is an accounting measure of profitability. It captures the particular company's profit performance relative to that company's total assets. Specifically, it represents the ratio of a company's net profit after tax to the average of its total assets on hand at the beginning and end of the performance period.

ROE is another accounting measure of profitability. It is determined by dividing net profit after tax by total shareholder equity averaged over the beginning and the end of the reporting period. In conjunction with ROA it can indicate whether a company is improving ROE by taking on debt to acquire assets.

TSR is the total financial return a shareholder would obtain from owning the company's shares for a period of time. TSR for one year takes into account the increase (or decrease) in the share price between the start and end of the year in question, and also the value of dividends paid by the company during the year (for the purposes of calculating TSR dividends are not reinvested). TSR is expressed as a percentage. The tables include one-year TSR and three-year TSR. One-year TSR is the return for the company's financial year ending in 2008 (e.g. the year to 30 June 2008 for 30 June year-end companies). The three-year TSR figure is the return across the three years to the company's financial year ending in 2008. This three-year figure is the total return a shareholder would have enjoyed for the whole three-year period, rather than an average compound annual return across the three years.

How to compare pay and performance?

In analysing the tables below, it is important in some respects to allow for a lag. For instance, the short-term incentive component of the CEO's pay in 2008 could be expected to reflect the company's performance in 2007 and possibly earlier years or may include payments for achieving strategic goals that may not result in improved performance for some time.

A qualification to this proposition is required. This is because the typical short-term incentive plan for an ASX-listed company includes performance conditions that relate to matters other than share price and dividends. The performance measures are often related to 'internal' performance more than external measures like share price.

For example, it is possible that the performance measures might relate to a series of quantitative measures (earnings per share, return on equity, cost management, total operating margins, value of new business, occupational health and safety performance) and qualitative measures (performance relative to competitors and market conditions, stakeholder perspectives, personal leadership, effective teamwork at senior management levels and strategic positioning). Other companies may adopt targets linked to achieving a planned overhaul of the company that may in fact have a negative impact on the company's performance – at least in the short term.

Thus, when looking at the graphs provided, the most appropriate measure of company performance against which the short-term incentive should be compared is the accounting measure of performance: return on assets (i.e. the second graph in each case). However, given that strong internal company performance should eventually be reflected in the company's external performance, it is useful to compare this measure of pay with share price performance and total shareholder return.

In regards to the fixed remuneration of a CEO, it might be expected that the level of fixed remuneration provided to a CEO in any given year reflects the performance of that CEO and the company in the prior year. While this might be reasonable to expect as a matter of principle, it should not be expected as a matter of practice. The 10 highest-paid CEOs receive in most cases very high levels of fixed remuneration. The levels of fixed remuneration of other CEOs in the sample usually reflect that the smaller or less complex a company may be, the lower the fixed remuneration of the CEO. Additionally, changes in fixed remuneration from year to year are also driven by factors such as benchmarking against the base salary of CEOs of peer companies.

As noted above, the LTI value included in these case studies is that reported by companies in annual reports; the actual value derived by a CEO from their LTI may bear little relationship to the disclosed value, which is based on accounting standard requirements. Where the LTI does not vest, the actual value received by a CEO from the LTI will be lower than the reported value and in many cases in the past, the actual value of the shares received from an LTI on vesting is substantially higher than that disclosed in remuneration reports.

The purpose of these 10 case studies is to provide some examples of the relationship between corporate performance and CEO remuneration in large Australian companies. These are case studies and are not intended to be comprehensive statistical studies. As a general observation, the pay of the top three CEOs is dominated by cash rather than equity and these three CEOs have consistently been among the 10 highest paid CEOs since the longitudinal study commenced.

5.1 CEO#1: Allan Moss' Remuneration & Performance Analysis

	2004	2005	2006	2007	2008
Share price	$35.80	$48.03	$64.68	$82.75	$52.82
ROA	1.3%	1.83%	1.05%	1.21%	1.19%
ROE	19.76%	26.7%	22.75%	26.24%	23.88%
Base pay	$665,336	$670,789	$670,604	$670,819	$670,928
Bonus	$8,072,930	$13,982,899	$15,833,577	$23,178,183	$27,223,798
LTI	$3,924,405	$3,911,343	$4,706,168	$9,640,816	-$3,139,282
Total Pay	$12,662,671	$18,565,031	$21,210,349	$33,489,818	$24,755,444

One year TSR	**-32.12%**
One year movement in total pay	-26.1%
Three year TSR	**26.94%**
Movement in total pay 2005 - 2008	33.43%

The tables for Macquarie indicate the strong link between ROE (the chief driver of Macquarie's bonus pool) and remuneration, with increases in ROE between 2006 and 2007 leading to substantial overall remuneration increases, and declines in ROE between 2007 and 2008 leading to a decline in total remuneration. Performance related pay is by far the largest single driver of Macquarie's overall pay levels, with base pay remaining effectively unchanged for Moss between 2004 and 2008.

The TSR comparison also indicates that over the three years to 2008 that ROE appears to have had a strong link to total shareholder return, and hence to Moss' total remuneration levels.

5.2 CEO#2: Wal King's Remuneration & Performance Analysis

	2004	2005	2006	2007	2008
Share price	$9.09	$11.50	$17.35	$41.25	$50.85
ROA	4.48%	10.21%	8.11%	10.53%	10.85%
ROE	12.94%	23.65%	27.66%	36.69%	42.88%
Base pay	$3,912,000	$4,399,000	$4,203,000	$3,121,982	$3,457,908
Bonus	$0	$3,016,000	$2,741,000	$6,000,000	$7,598,600
LTI	$4,351,000	$5,402,000	$4,219,000	$4,758,555	$5,438,250
Total Pay	$8,263,000	$12,817,000	$11,163,000	$13,880,537	$16,494,758

One year TSR	**26.3%**
One year movement in total pay	18.83%
Three year TSR	**365.3%**
Movement in total pay 2005 - 2008	28.69%

A feature of Wal King's overall remuneration is how much of it is paid in cash and how much of it is not linked explicitly to performance. Across the period 2004 to 2008, high base remuneration and accruals of deferred bonuses (which account for the largest portion of long term incentive amounts) have made up the bulk of annual pay. A feature of both 2007 and 2008 has been substantial increases in King's annual cash bonus which has driven major increases in total pay since 2006. It should however be noted that returns to shareholders have grown substantially faster than King's total pay over the three years to 30 June 2008. Also notable is that ROE has increased substantially faster than ROA indicating that growth in recent years has been funded by debt rather than equity.

5.3 CEO#3: Frank Lowy's Remuneration & Performance Analysis

	2005	2006	2007	2008
Security price	$18.16	$20.99	$21.00	$12.95
ROA*	4.75%	4.07%	3.97%	3.88%
ROE*	10.24%	8.72%	7.76%	7.9%
Base pay	$8,789,826	$8,888,197	$8,885,278	$9,204,760
Bonus	$4,500,000	$5,500,000	$7,000,000	$7,000,000
LTI	$0	$0	$0	$0
Total Pay	$13,289,826	$14,388,197	$15,885,278	$16,204,760

*Note: Earnings for ROA and ROE is distributable income which excludes property revaluations.

One year TSR	**-33.26%**
One year movement in total pay	2.01%
Three year TSR	**-10.97%**
Movement in total pay 2005 - 2008	21.93%

The above tables indicate the stability in Frank Lowy's overall remuneration over the period 2004 to 2008, almost all of which is delivered either as cash salary or as a cash bonus (he does not participate in Westfield's equity incentive plans and is a major securityholder). Lowy's total pay also appears to be unresponsive to movements in security prices although financial performance, as measured by ROA and ROE has been steady (if declining) since 2005. Westfield explicitly states in its remuneration report that it does not consider linking executive pay directly to security price performance to be an effective way of remunerating executives given the number of factors that impact on security price performance.

5.4 CEO#4: Sol Trujillo's Remuneration & Performance Analysis

	2005	2006	2007	2008
Share price	$5.06	$3.68	$4.59	$4.24
ROA	12.47%	8.91%	8.84%	9.75%
ROE	29.41%	24.24%	26.29%	30.33%
Base pay	N/A	$5,820,011	$3,696,275	$3,399,201
Bonus	N/A	$2,581,200	$5,313,600	$5,162,400
LTI	N/A	$309,305	$2,772,355	$4,832,922
Total Pay	N/A	$8,710,516	$11,782,230	$13,394,523

One year TSR	**-1.53%**
One year movement in total pay	+13.68%
Three year TSR	**N/A**
Movement in total pay 2005 - 2008	N/A

Since joining Telstra to 30 June 2008, Trujillo's total pay and aggregate pay excluding the value of LTIs has remained reasonably steady: $8.4 million in 2006, $9.0 million in 2007 and $8.6 million in 2008 (in 2007 and 2008 half of Trujillo's bonus was paid as shares). In interpreting movements in base pay for Trujillo it should also be noted that his fixed remuneration in 2006 includes several one-off payments he received on joining the company as CEO on 1 July 2005.

What is apparent from the table is that as at 30 June 2008, Telstra's ROA, ROE and share price had not recovered to the levels of 2005, prior to Trujillo commencing as CEO (he departed the company prior to the end of the 2009 financial year). All three indicators have trended positive since the end of 2006.

5.5 *CEO#5: Mike Smith's Remuneration & Performance Analysis*

	2007	2008
Share price	$29.70	$18.75
ROA*	1.15%	0.77%
ROE*	19.96%	13.69%
Base pay	N/A	$3,612,355
Bonus	N/A	$2,400,000
LTI	N/A	$6,951,125
Total Pay	N/A	$12,963,480

One year TSR	**-32.29%**
One year movement in total pay	N/A
Three year TSR	**N/A**
Movement in total pay 2005 - 2008	N/A

The tables give little insight into how performance has driven Mike Smith's pay over time given he began as CEO of ANZ on 1 October 2007. The difficult environment over which he presided in his first year in office is apparent in the decline in share price, ROA and ROE relative to 2007. In interpreting his total remuneration it should also be noted that his LTI component includes shares he received as 'sign on' benefits to compensate him for benefits foregone with his previous employer upon joining ANZ. These shares vest over time subject to continued service.

5.6 CEO#6: Geoff Dixon's Remuneration & Performance Analysis

	2004	2005	2006	2007	2008
Share price	$3.52	$3.37	$2.96	$5.60	$3.04
ROA	3.75%	4.28%	2.55%	3.71%	4.94%
ROE	11.71%	12.47%	8.27%	11.73%	17.05%
Base pay	$3,551,765	$3,737,123	$3,005,792	$2,636,908	$2,774,057
Bonus	$1,593,435	$1,490,000	$1,011,780	$2,915,000	$3,010,286
LTI	$946,072	$1,255,550	$1,253,903	$1,155,343	$6,387,263
Total Pay	$6,091,272	$6,482,673	$5,271,475	$6,707,251	$12,171,606

One year TSR	**-39.82%**
One year movement in total pay	81.47%
Three year TSR	**13.95%**
Movement in total pay 2005 - 2008	87.76%

From 2004 to 2008 Qantas' financial performance has steadily improved, based on the improvement in ROA and ROE metrics. This improved financial performance has not resulted in improved share prices; the high point as at 30 June 2007 of $5.60 occurred shortly after the unsuccessful private equity bid for the company. It is also unclear to what extent general economic conditions contributed to the improved financial performance of the company given its recently announced results for 2009 show a substantial decline in earnings as the economic environment worsened.

The substantial increase in Dixon's total remuneration between 2007 and 2008 is largely due to a one-off grant of shares awarded in 2007 as a retention incentive. If the equity component of Dixon's pay is ignored however it is clear that his aggregate cash pay has been reasonably consistent at approximately $5 million per annum between 2004 and 2008.

5.7 *CEO#7: Ralph Norris' Remuneration & Performance Analysis*

	2005	2006	2007	2008
Share price	$37.95	$44.41	$55.25	$40.17
ROA	1.26%	1.11%	1.13%	0.83%
ROE	17.1%	18.84%	19.97%	15.61%
Base pay	N/A	N/A	$2,393,287	$3,294,495
Bonus	N/A	N/A	$2,939,063	$2,850,000
LTI	N/A	N/A	$1,237,635	$2,518,425
Total Pay	N/A	N/A	$6,569,985	$8,662,920

Note: Ralph Norris took office in September 2005 and was not in office for all of the 2006 financial year.

One year TSR	**-22.55%**
One year movement in total pay	31.86%
Three year TSR	**N/A**
Movement in total pay 2005 - 2008	N/A

A decline in financial performance – as measured by ROA and ROE – did not translate into a decline in total pay for CBA's Norris in 2008, although as he has only been in office as CEO for two full years it is difficult to determine the link between his remuneration package and performance. His total remuneration increased by nearly one-third in the 2008 year, with the increase driven in part by an increase in the disclosed value of LTIs and in part by an increase in base pay (Norris has since announced he will take a 10 percent cut in his base pay for the 2010 financial year).

5.8 *CEO#8: John Stewart's Remuneration & Performance Analysis*

	2004	2005	2006	2007	2008
Share price	$26.98	$33.05	$36.70	$39.71	$24.26
ROA	0.79%	0.99%	0.97%	0.87%	0.74%
ROE	12.63%	15.32%	16.53%	15.96%	14.55%
Base pay	N/A	$2,285,223	$2,699,287	$2,865,757	$2,930,446
Bonus	N/A	$1,402,500	$1,472,500	$1,631,500	$1,527,000
LTI	N/A	$2,545,113	$4,233,255	$4,321,647	$4,056,162
Total Pay	N/A	$6,232,836	$8,405,042	$8,818,903	$8,513,608

Note: John Stewart took office as CEO during the 2004 financial year.

One year TSR	**-34.07%**
One year movement in total pay	-3.46%
Three year TSR	**-10.59%**
Movement in total pay 2005 - 2008	36.59%

There has been little change in Stewart's total remuneration over the past three years and his inclusion in this year's Top 10 CEOs was due to general declines in total pay among the highest paid Top 100 company CEOs. His total remuneration actually fell between 2007 and 2008, his last full financial year in office as NAB's CEO. After NAB's horror year in 2004, Stewart has presided over an improvement in NAB's ROE although ROA, after a sharp decline in 2008, was largely unchanged over his tenure. Returns to shareholders over the period were largely flat due to a sharp decline in Nab's share price in 2008 as bank share prices fell during the credit crisis.

5.9 CEO#9: Mike Tilley's Remuneration & Performance Analysis

	2005	2006	2007	2008
Share price	$3.12	$3.16	$5.83	$1.89
ROA	2.15%	0.57%	0.96%	-0.16%
ROE	9.27%	11.17%	19.03%	-2.89%
Base pay	N/A	$1,040,560	$1,500,000	$1,750,000
Bonus	N/A	$1,300,000	$2,500,000	$2,000,000
LTI	N/A	$2,340,564	$848,322	$4,358,792
Total Pay	N/A	$4,681,124	$4,848,322	$8,108,792

Note: Challenger underwent an extensive restructure late in the 2004 financial year and as result no meaningful comparison for 2004 can be provided. Mike Tilley became CEO in August 2004 and therefore was not in office for the full 2005 financial year.

One year TSR	**-65.44%**
One year movement in total pay	67.25%
Three year TSR	**N/A**
Movement in total pay 2005 - 2008	N/A

Former Challenger CEO, Mike Tilley, saw his total disclosed remuneration increase sharply in the 2008 financial year (he departed the company shortly after the end of the 2008 financial year). This was in part due to an increase in the disclosed value of his LTI and also due to costs incurred by the company in paying interest on a loan he took out from a third party to purchase shares in the company. His cash pay – base plus bonus – declined slightly due to a fall in his 2008 bonus. This decline did follow a near doubling in his cash pay between 2006 and 2007.

Under his tenure as CEO, Challenger's ROE and share price improved steadily until the 2008 financial year when performance on all three metrics declined sharply.

5.10 CEO#10: Terry Davis' Remuneration & Performance Analysis

	2004	2005	2006	2007	2008
Share price	$8.13	$7.71	$7.76	$9.48	$9.19
ROA	4.79%	6.97%	5.31%	6.19%	7.93%
ROE	9.33%	27.22%	19.51%	21.34%	27.42%
Base pay	$1,721,298	$2,305,233	$2,622,186	$3,195,875	$3,493,822
Bonus	$900,000	$1,000,000	$1,602,672	$2,400,000	$1,868,000
LTI	$846,988	$1,266,446	$1,321,933	$1,763,408	$2,447,097
Total Pay	$3,468,286	$4,571,679	$5,546,791	$7,359,283	$7,808,919

One year TSR	**0.84%**
One year movement in total pay	6.11%
Three year TSR	**32.49%**
Movement in total pay 2005 - 2008	70.81%

As with NAB's Stewart, Coca-Cola Amatil CEO Terry Davis did not see his total pay increase substantially in 2008 and owes his inclusion in the Top 10 for 2008 due to declines in total remuneration levels among the highest paid of Top 100 company CEOs. Of the Top 10 CEOs, he and Leighton's Wal King are the only CEOs to have presided over positive TSR over both one and three years. This is impressive in Davis' case given CCL has a 31 December year end meaning the company was able to post positive shareholder returns over the three years to 31 December 2008, despite having a year end in the midst of the depths of the financial crisis (by contrast, Leighton's year end of 30 June 2008 was before the collapse of Lehman Brothers in September 2008). Total disclosed pay for Davis has however increased more rapidly than returns to shareholders over the past three years.

Consistent share price performance is also apparent from the steady improvements in ROA and ROE over the past five years (although care should be taken in comparing the 2004 and 2005 numbers given the transition to International Financial Reporting Standards had a substantial impact on CCL's balance sheet).