CEO Pay in ASX 200 Companies

13th Annual ACSI Survey of Chief Executive Remuneration

September 2014

This study was commissioned by the Australian Council of Superannuation Investors, and prepared by Ownership Matters

acsi

About the Authors

Australian Council of Superannuation Investors

The Australian Council of Superannuation Investors (ACSI) was established in 2001 to represent the collective interests of profit-for-member superannuation funds regarding the management of environmental, social and corporate governance (ESG) investment risk.

ACSI has 33 Australian superannuation fund members, which collectively manage over AUD$400 billion in assets on behalf of over eight million Australian superannuation fund members and retirees, along with five international members.

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Ownership Matters Pty Ltd

Ownership Matters is an Australian governance advisory firm. Its principals have collective experience of more than 20 years in advising institutional investors on governance issues at ASX listed companies.

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Foreword

When investors behave like owners, and make it clear to those governing companies what their expectations are around executive pay, Australian boards have generally responded.

So it is with the results of this year's survey of CEO Pay among the S&P/ASX 200 cohort of Chief Executive Officers, the 13th published by the Australian Council of Superannuation Investors and carried out by Ownership Matters. Our findings demonstrate how continued investor scrutiny, and increased vigilance by company boards themselves, is resulting in significant positive impacts for shareholders.

Perhaps the most telling of these is the decline in termination payments to CEOs, that has seen the median payout fall to $1.3 million in 2013 – or little more than one third of the $3.5 million median cost to companies and their shareholders in 2008.

The timing is significant because it was in 2009, when ACSI was one of only a handful of voices arguing for limitations to be placed on termination payments, that the Corporations Act was amended to enshrine the principle that any company wanting to pay its CEO a termination payment greater than 12 months' salary had first to seek shareholder approval.

That key structural improvement has seen aggregate costs to ASX 100 companies fall from 13 payments to CEOs costing more than $83 million in 2008, to nine payments totalling just under $12 million in 2013 – in effect a $70 million annual saving for shareholders.

Fears that the legislation's introduction would simply drive up executive pay levels generally do not appear to have been realised, with the ACSI study finding that median fixed pay for a Top 100 CEO was $1.83 million in FY13 - down from $1.95 million in FY12. Average fixed pay has been essentially flat from FY08 to FY13.

Many other positives for shareholders emerge from the data. For example, bonus hurdles have become more demanding, signalling a curbing of the culture where bonuses were seen as an entitlement rather than a reward for outperformance. Measurement periods for awards of equity have been extended across the market, better aligning executives with the long-term horizons of investors such as super funds.

Perhaps most tellingly, over the past year ACSI has made materially fewer recommendations to vote against ASX 200 remuneration reports, underlining the growing commitment of boards to ensure that, whatever the pay structures and incentive schemes used, the overriding purpose of the approach is to deliver value for long-term shareholders.

Gordon Hagart

Chief Executive Officer

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1. Executive Summary

Fixed Pay

In FY13 the **median S&P/ASX 100 CEO's fixed pay declined 6.2%**, from $1.95 **to $1.83 million**, although the average rose slightly from $1.9 to $1.95 million. For CEOs in the ASX 101-200 cohort, average and median fixed pay rose across both 'established' and exploration companies:

- FY13 average was the second highest in the 13 years that ACSI has been reviewing Top 100 CEO pay.
- For CEOs in the ASX 101-200, median fixed pay rose a little under 3% to $900,000.
- Median fixed pay for an exploration company CEO was $816,000 - well above the $629,000 recorded for FY12 - while the non-explorer median rose from $907,000 to $937,000.

Bonuses Paid & Accrued

Median and average cash bonuses for Top 100 CEOs declined in FY13 **to the lowest** levels recorded in the study **for a decade**. The proportion of CEOs receiving a bonus, however, rose from 82% to 87%. Bonuses accrued (the total value of bonus awarded including any deferred component) also fell, with the median declining 5% to $1.3 million. Bonuses for ASX 101-200 CEOs remained much smaller than those for their large-company peers, with the median bonus for this group up 4% to $350,000:

- Median CEO bonus, for those who received one, fell 10.4% to $950,000, and the average declined 7.2% to $1.22 million.
- Bonus deferral among the Top 100 sample rose, with 44% of CEOs having a proportion deferred, up from 33%.
- A much higher proportion of ASX 101-200 CEOs received no bonus – 33%, up from 26% in FY12.

Cash Pay

Median cash pay for CEOs in the Top 100 **fell 12.4% to $2.53 million**, the **lowest** level **since FY06**, and reflecting the more subdued economic and demand environments:

- Top 100 CEOs' average cash pay (which reflects cash bonus and fixed pay but excludes the accounting value of equity) was up slightly from $2.98 million to $3.01 million.
- Median cash pay for CEOs in the ASX 101-200 sample also declined, falling 7.1% to $1.15 million - reflecting the increased number who received no bonus.
- Average pay for CEOs in the ASX 101-200 rose, from $1.27 million to $1.35 million.
- Tail end of the resources boom reflected in median cash pay for exploration company CEOs rising 22.9% to $890,000.

Statutory Pay

Total statutory pay (including the value of equity) **rose for Top 100 CEOs**, with the average rising 2.9% to $4.84 million and the median 4.3% to $4.16 million:

- Among ASX 101-200 CEOs, median statutory pay declined marginally to $1.58 million.
- Average pay for ASX 101-200 cohort rose 5.7% to $1.75 million - driven almost entirely by a single grant of options to Sirius Resources CEO Mark Bennett, which vested immediately on issue with a value at grant of $5.265 million.

Realised Pay

For the third year, the ACSI CEO study includes a review of statutory disclosed pay against actual realised pay for 40 CEOs – the 10 highest and lowest paid CEOs on a statutory basis for the Top 100 and the ASX 101-200. Across those 40 CEOs, statutory pay was lower than realised pay in 10 cases (which reflects the value of equity incentives that vested during the year), higher than realised pay in 19 cases and in 11 cases it was the same (for all CEOs in that last category, cash pay was equal to their statutory pay):

- The **highest paid CEO** among this group of 40 on a statutory pay basis **was CSL's Brian McNamee at $19.11 million** (although this was distorted by the impact of his retirement at the end of FY13)
- **On a realised pay basis**, the **highest paid** CEO among the group of 40 **were the co-CEOs of Westfield Group, Peter and Steven Lowy, at $19.87 million**.
- The largest gap between statutory and realised pay was for Sims' CEO Dan Dienst (who ceased being formally employed at the end of FY13) who received cash of $2.22 million but had statutory pay of $8.97 million - reflecting the accelerated expensing of options retained on departure.
- Amcor CEO, Ken MacKenzie had the largest positive gap between realised pay, $14.38 million, and statutory pay of $8.32 million.

Termination Payments

Nine CEOs received termination payments during FY13 (excluding CSL's McNamee and Alumina's John Bevan who both served a full year, but had their remuneration distorted by the impact of their departures). The average termination payment declined from $1.47 million in FY12 (across 13 CEOs) to $1.31 million. Using the **median** to remove the impact of large payments, **Top 100 CEO termination payments fell from $3.5 million in FY08 to $1.19 million in FY13**:

- For the ASX 101-200 cohort, there were five CEO termination payments in FY13. The average was $1.11 million, up from $960,000, while the median was $1.21 million, up substantially from $685,000.

2. Methodology

The 2013 study includes the pay of CEOs of all companies in the S&P/ASX 200 reporting for the 2013 financial year (FY13); balance dates range from 31 January 2013, for Sigma Pharmaceuticals, to 31 December 2013. ACSI commenced its longitudinal study of Top 100 CEO pay in 2001 and so has 13 years of data on CEO pay for this cohort, and three years of data for the ASX 101-200 group. The 2013 sample included 82 S&P/ASX 100 CEOs (up from 78 for 2012) and 79 ASX 101-200 CEOs (up from 73).

Not all constituents of the S&P/ASX 200 as at 30 June 2013 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 individuals were removed so total remuneration figures are not distorted.
- A small number of entities in the S&P/ASX 200 index as at 30 June 2013 were externally managed (in some cases, such as DUET, for part of the year). Those entities do not disclose remuneration for their executive team because they are not employees of the listed entity. Those entities that identify and disclose the remuneration of their senior executives, such as SP Ausnet (internally managed from FY15) and Westfield Retail Trust are included in the sample.
- Companies domiciled outside of Australia and subject to different remuneration disclosure requirements such as Henderson Group were not included. As in past years, entities such as James Hardie (domiciled in Ireland) and Oil Search (domiciled in PNG) were included in the sample as they disclose remuneration on the same basis as Australian companies. Other entities such as APA Group, Spark Infrastructure and Dexus Property Group (internally managed Australian trusts) were included for the same reason.

All pay figures are in Australian dollars and are as disclosed in the annual report. If the listed entity discloses pay in another currency (typically US dollars) these figures have been converted into AUD using the average exchange rate for the relevant financial year, or in some cases, the AUD figures provided as supplementary disclosure by the company. In the case of entities with joint CEOs, such as Westfield Group and Charter Hall, the combined remuneration of the joint CEOs has been included in the sample.

This report refers to 'CEO pay', although at some listed entities 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. As an example, Harvey Norman's Gerry Harvey is treated as CEO for the purposes of this study despite being executive chairperson.

The study also continues to compare the disclosed or 'statutory' pay for the 10 highest and lowest-paid CEOs in each sample group with the actual pay received by these CEOs during the relevant 2013 financial year. Actual pay is calculated based on 'cash pay' – statutory pay excluding share-based payments expense – and the value of equity that vested during the year using disclosures from annual reports and change of director interest notices. The value of options with an exercise price is assessed when they are exercised, rather than when they vest; the value of zero exercise price options is assessed on vesting.

3. Realised Pay and the Highest Paid CEOs

The Top 10-paid CEOs on a statutory basis for FY13 is distorted by two CEOs who formally ceased those roles at the end of FY13 – Brian McNamee of CSL and Dan Dienst of Sims Metal. Under accounting standards, departure costs are included in their pay for the FY13 financial year – for McNamee, this means he is listed as the highest paid CEO on a statutory pay basis for FY13, with $19.11 million, and for Dienst it ranks him sixth with $8.97 million. In both cases, if the impact of their departure is removed their disclosed pay would have been much lower – Dienst's pay, for example, was inflated by $3.37 million for the accelerated expensing of unvested equity incentives he retained on departure.[1] If McNamee's cash severance payment of $2.82 million, and the accelerated accounting of retained unvested equity incentives of about $7 million is excluded, his statutory pay falls to a little over $9 million.[2]

Table 3.1: FY13 Top 10 S&P/ASX 100 CEOs Statutory Pay (with realised pay comparison)

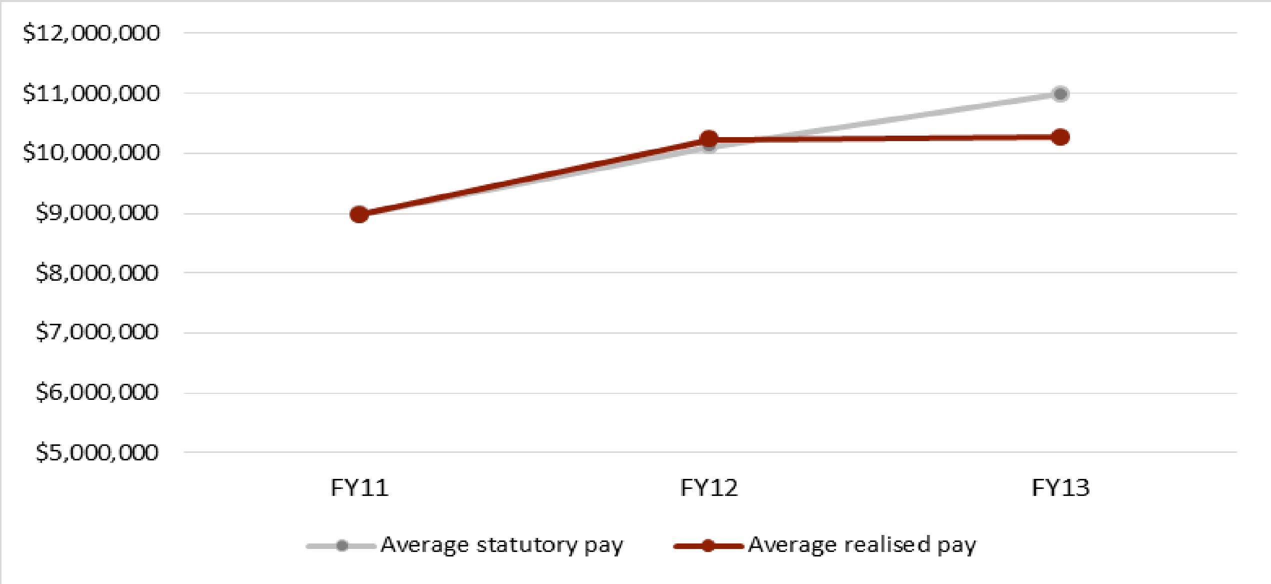
Rank	CEO	Company	FY13 Statutory Pay	FY13 Realised Pay
1	**Brian McNamee**	CSL Ltd	$19,110,336	$11,282,250[3]
2	Peter & Steven Lowy	Westfield Group	$18,389,503	$19,870,307[4]
3	Mike Smith	ANZ Bank	$10,103,323	$13,866,864[5]
4	Sam Walsh	Rio Tinto	$9,500,258	$8,037,952[6]
5	Gail Kelly	Westpac Bank	$9,178,330	$14,155,599[7]
6	**Dan Dienst**	Sims Metal Mgmt	$8,970,987	$2,220,952[8]
7	Nicholas Moore	Macquarie Group	$8,822,341	$5,802,620[9]
8	David Thodey	Telstra Corp.	$8,803,613	$5,698,794[10]
9	Richard Goyder	Wesfarmers	$8,593,954	$7,393,411[11]
10	Ken MacKenzie	Amcor Ltd	$8,321,947	$14,384,080[12]
Average			**$10,979,459** ***(FY12:$10,109,900)***	**$10,267,283** ***(FY12:$10,229,522)***

Note: Executives marked in **bold** had their pay distorted by the impact of their departure at the end of FY13.

[1] See p. 50, Sims Metal Management 2013 annual report.
[2] See p. 61, CSL Ltd 2013 annual report.
[3] Value of equity vested based on disclosures on p. 65 of the 2013 CSL annual report and the closing CSL share price on 1 October 2012. The value of the deferred cash based incentive from FY10 that vested at the end of FY13 is based on the closing share price on 30 June 2010 and the closing share price on 28 June 2013.
[4] Aggregate value of cash settled equity incentives that vested, based on disclosures for both CEOs pp. 29 & 31, Westfield Group 2013 annual report.
[5] Value of equity vested based on disclosures on p. 44 of ANZ's 2013 annual report.
[6] Value of equity vested from Rio Tinto 2013 annual report, pp. 102-103; value of dividend equivalent payment from p. 102, 2012 annual report.
[7] Value of equity vested based on disclosures on pp. 73 & 185 of the 2013 annual report. The value of options exercised was based on the closing share price on 9 May 2013, the date of exercise; the value of ZEPOs vesting was taken from the closing share prices on the date of vesting (3 December 2012 and 21 December 2012) and the value of deferred bonus equity vesting from the change of director's interest notice filed for Kelly on 24 December 2012.
[8] Value of additional benefits from p. 41, 2013 Sims annual report.
[9] Value of equity and deferred profit share vesting from p. 68, 2013 annual report.
[10] Value of equity vested based on disclosures on p. 64, 2013 annual report and p. 68, 2012 annual report. Value of deferred STI shares vesting based on closing price on 19 August 2012.
[11] Value of equity based on disclosures on p. 83, 2011 annual report and the closing share price on 10 September 2012.
[12] Value of equity vested based on change of director interest notices for MacKenzie on 27 August 2012, 3 September 2012 and 24 September 2012 and closing share prices on 20 September 2012, 31 August 2012 and 21 August 2012. The exchange rate and exercise price for the 88,000 options exercised on 20 September 2012 was taken from p. 136 of the 2013 annual report and the average USD:AUD exchange rate for October 2002 and for 20 September 2012.

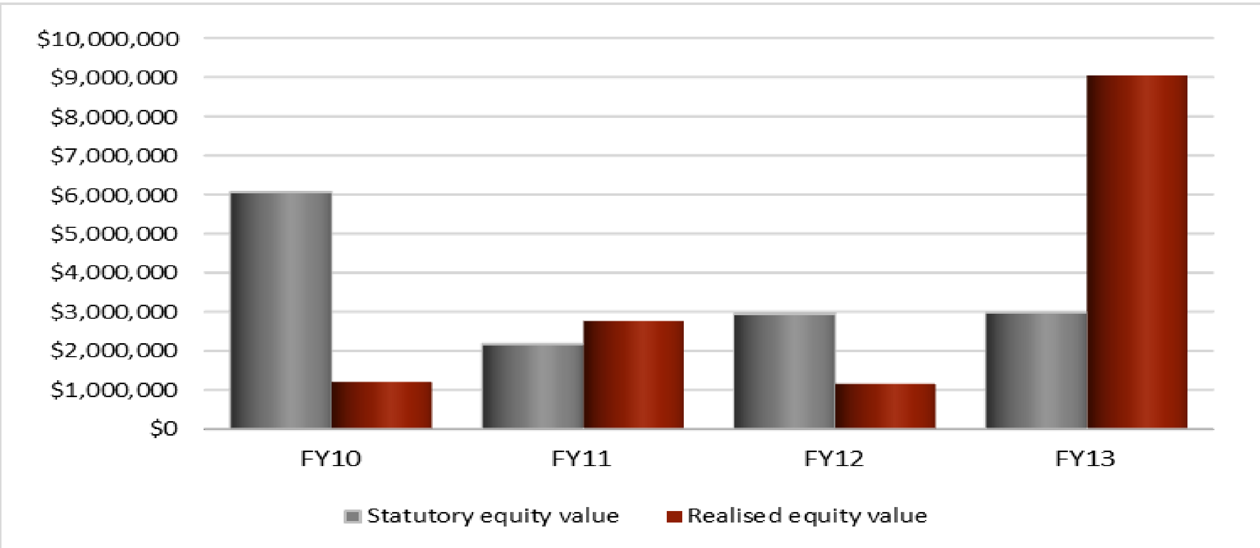
Of the other eight Top 10 CEO rankings, five people were also in 2012's Top 10: the Lowy brothers at Westfield, ANZ's Mike Smith, Westpac's Gail Kelly and Richard Goyder of Wesfarmers. Rio Tinto's new CEO, Sam Walsh, also replaced his predecessor, Tom Albanese, in the Top 10. Of the other members of the FY12 Top 10 not ranked in the FY13 list, only one retired (BHP's Marius Kloppers). The statutory pay of Cameron Clyne of NAB, Louis Gries of James Hardie, Suncorp's Patrick Snowball and Origin's Grant King saw them all rank outside the FY13 top 10 (although they were still were ranked inside the FY13 Top 20).

Graph 3.1: Average statutory vs. realised pay for Top 10 S&P/ASX 100 CEOs FY11 – FY13



On a realised pay basis, the highest paid CEOs in the Top 10 were the Lowy brothers at Westfield whose realised pay was $19.87 million (8% above statutory pay). Excluding McNamee and Dienst, realised pay was higher in four cases, and statutory pay was higher in the remaining four. The largest gap between statutory and realised pay was for Amcor's CEO where the exercise of 1.91 million options, and vesting of close to 500,000 zero exercise price options, saw his realised pay outstrip statutory pay by $6.06 million.

Graph 3.2: Statutory and realised equity value for Amcor CEO FY10 – FY13



As shown in the graphs above, the way in which share-based payments are accounted for under accounting standards smooths the expected value of equity incentives for senior executives over the vesting period. In any given year, the difference between statutory and realised pay can be significant, but over time the realised and statutory pay numbers can be closely correlated – at Amcor, for example, the value of vested equity for CEO Ken MacKenzie, over the four financial years to 30 June 2013, was $14.164 million - and the statutory value disclosed was $14.163 million. At ANZ, the aggregate statutory pay for Mike Smith as CEO over the six years ending FY13 was $64.3 million and total realised pay was $69.2 million.

Graph 3.3: Statutory and realised pay comparison for ANZ CEO FY08 – FY13

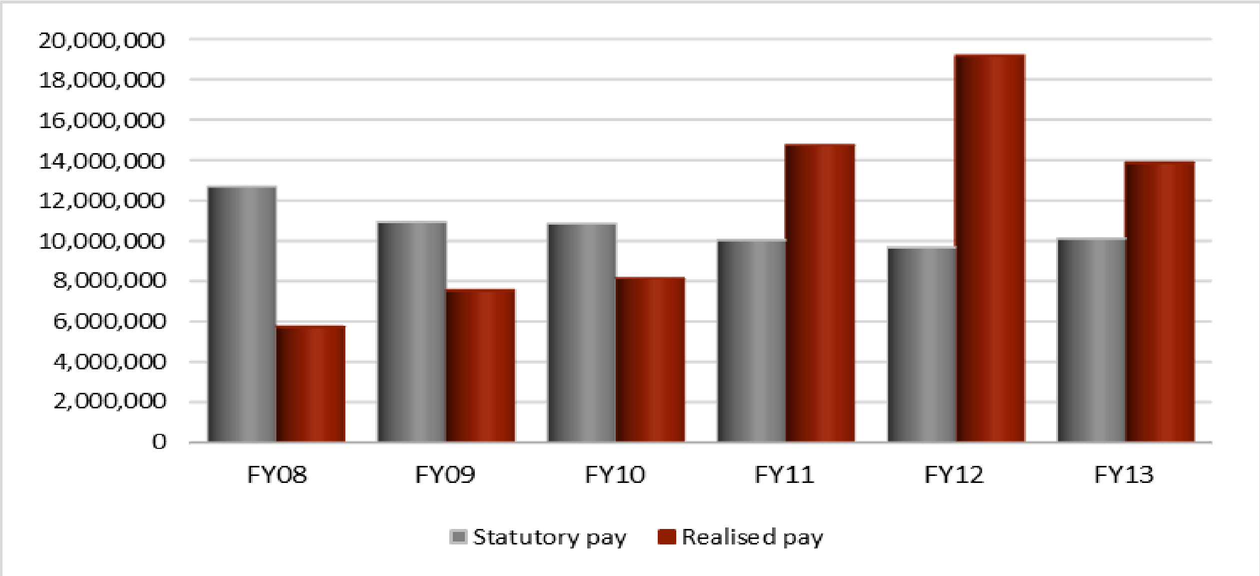


Table 3.2: FY13 Bottom 10 S&P/ASX 100 CEOs Statutory Pay (with realised pay comparison) (FY12 figures in italics)

Rank	CEO	Company	FY13 Statutory Pay	FY13 Realised Pay
1	Mark Clark	Regis Resources	$616,972	$616,972
2	Graham Turner	Flight Centre	$883,304	$883,304
3	Stuart Crosby	Computershare	$929,525	$1,823,413[13]
4	Rick Francis	Spark Infrastructure	$983,305	$1,138,040[14]
5	Gerry Harvey	Harvey Norman Hldgs	$1,029,300	$1,029,300
6	Ken Brinsden	Atlas Iron	$1,246,538	$864,662[15]
7	Edmund Bateman	Primary Health Care	$1,500,000	$1,500,000
8	Robert Velletri	Monadelphous	$1,644,810	$3,529,655[16]
9	Terry Burgess	OZ Minerals	$1,682,866	$1,183,710[17]
10	Nino Ficca	SP Ausnet	$2,124,138	$1,357,697[18]
Average			**$1,264,076** ***(FY12:$1,182,817)***	**$1,392,675** ***(FY12:$3,486,782)***

[13] Cash pay, excluding reversal of previously-expensed equity incentives considered unlikely to vest. See p. 38, 2013 annual report.
[14] Value vested from p. 25, 2013 annual report.
[15] No equity vested and no options were exercised during FY13.
[16] Value of options vested taken from disclosures on p. 52 of the 2013 annual report.
[17] No equity vested during FY13.
[18] Value of long term incentive paid in cash from p. 59, 2013 annual report.

In FY13, the gap between statutory pay for the 10 lowest-paid Top 100 CEOs, and their realised pay, was much lower than in FY12. Average realised pay for this cohort in FY12 was nearly three times larger than their statutory pay, while in FY13 it was only 10.2% higher. Of the 10 CEOs, four – at Regis Resources, Flight Centre, Harvey Norman and Primary Health – held no equity incentives in FY13, but all four already had meaningful shareholdings in their companies. Of the other six, no equity vested for the CEOs of OZ Minerals and Atlas Iron, while the CEO of SP Ausnet had less than half of his cash-based, long term incentive vest. Computershare's Stuart Crosby had no equity vest during FY13, but his statutory pay was lower than his actual pay due to the company reversing previously accrued expenses, relating to zero exercise-price options that he was allocated in FY10, after judging the earnings-per-share hurdles were unlikely to be achieved at the end of FY14.

The other CEOs who had higher realised than statutory pay in FY13 were those at Spark, where the difference was marginal, and Monadelphous's long-serving CEO Robert Velletri, who exercised 250,000 options in September 2012 for a gain at exercise of $2.473 million. Lack of equity incentives vesting during FY13 explained the significant decline in realised pay for the Bottom 10 CEOs in FY13.

The influence of cultural factors on overall pay levels is also apparent in the consistency with which the same companies appear in the Top and Bottom 10 CEO groups. Major bank and mining company CEOs are heavily represented in the Top 10 each year, showing company size is a major determinant of overall pay. The leaders of Westfield Group have appeared in the highest 10 paid CEOs in the Top 100 every year ACSI has conducted the longitudinal CEO pay study - with the exception of FY11, when Frank Lowy retired midway through the year.

At the other end of the scale, Primary Health's Ed Bateman and Harvey Norman's Gerry Harvey have appeared in the Bottom 10 for the past three years, and SP Ausnet's Nino Ficca with Regis Resources' Mark Clark for the past two years. Flight Centre CEO Graham Turner's company was promoted to the ASX 100, but he remained among the lowest paid CEOs. Many 'low' paid CEOs are company founders and/or have significant equity holdings. The Lowy family also has significant wealth as investors in Westfield, alongside high levels of executive pay.

Table 3.3: FY13 Top 10 ASX 101-200 CEOs on a statutory basis with realised pay comparison; FY12 figures in italics

Rank	CEO	Company	FY13 Statutory Pay	FY12 Realised Pay
1	Mark Bennett	Sirius Resources	$5,984,652	$719,652[19]
2	David Southon & David Harrison	Charter Hall Grp	$4,359,760	$4,281,812[20]
3	**Peter Gammell**	Seven Group	$4,255,964	$4,245,243[21]
4	John Borghetti	Virgin Australia	$3,651,000	$2,511,000[22]
5	Terry Smart	JB Hi-Fi	$3,002,782	$2,799,679[23]
6	Doug Rathbone	Nufarm	$2,966,655	$2,526,972[24]
7	Bronte Howson	Automotive Hldgs	$2,904,029	$5,198,302[25]
8	Mark Hooper	Sigma Pharma	$2,791,498	$1,790,997[26]
9	Chris Delaney	Goodman Fielder	$2,752,380	$2,299,407[27]
10	Chris Kelaher	IOOF Holdings	$2,735,370	$2,828,925[28]
Average			**$3,540,409** ***(FY12:$3,135,493)***	**$2,920,199** ***(FY12:$2,639,784)***

Note: Executives in **bold** had their pay distorted by the impact of departure at the end of FY13.

[19] No options exercised during FY13.
[20] Value of equity vested based on disclosures on pp. 46-47 of the 2013 annual report and closing share prices on 2 July 2012 and 29 August 2012.
[21] Value of equity vested based on p. 51 of the 2013 annual report and the closing share price on 1 October 2012.
[22] No equity incentives vested during FY13.
[23] No equity vested and no options were exercised in FY13.
[24] No equity incentives vested during FY13.
[25] Value of equity vested based on p. 71 of the 2013 annual report and the closing share price on 1 October 2012.
[26] Value of equity vested from p. 20, 2013 annual report and closing share price on 31 January 2013.
[27] No equity vested in FY13.
[28] Value of equity vested based on disclosures on p. 48 of the 2013 annual report and p. 39 of the 2011 annual report and closing share prices on 25 February 2013 (option exercise), 27 November 2012 and 2 July 2012.

The influence of company size on remuneration levels is again apparent from the FY13 results: Excluding Sirius Resources' Mark Bennett, whose statutory pay was swelled by a grant of options that vested entirely during the FY13 year, the highest paid ASX 101-200 CEOs (the co-CEOs of Charter Hall) would have been ranked only just above the median of the Top 100 CEOs in FY13. That said, eight of the Top 10 highest paid CEOs of ASX 101-200 companies in FY13 received cash pay of $2.30 million or more.

There were also several CEOs who appeared in the FY12 and FY13 Top 10 groups, again indicating high levels of CEO pay are persistent and reflect company-specific factors outside of performance. The CEOs common to the FY12 and FY13 groups were Seven's Peter Gammell, the co-CEOs of Charter Hall, Virgin Australia's John Borghetti, Nufarm's Doug Rathbone and Sigma's Mark Hooper. The CEO of JB Hi-Fi, Terry Smart, was ranked among the Top 10-paid CEOs in FY13 for the ASX 101-200 sample after being ranked among the lowest paid ASX 100 CEOs in the FY12 sample (JB Hi-Fi returned to the Top 100 early in 2014).

At an individual CEO level in FY13, the gap between statutory and realised pay for this cohort was relatively small with the largest discrepancies being at Sirius Resources – where Mark Bennett's statutory pay of $5.99 million was more than eight times actual pay – and Automotive Holdings where Bronte Howson's realised pay of $5.20 million was well above his disclosed pay of $2.90 million.

In the case of Sirius, the discrepancy was created by the CEO being allocated 3 million options that vested immediately. He exercised no options during FY13, but in July and October 2013 did exercise options granted in prior years for a gain at the time of exercise of $3.4 million.[29] At Automotive Holdings, Howson received (and largely sold) 844,000 shares after vesting of zero exercise-price options granted in 2009.

The Top 10 group for the FY13 ASX 101-200 cohort was distorted by a departing CEO, Seven Group's Peter Gammell. His FY13 remuneration included $1.02 million in termination-related payments, although had these been excluded he would still have been ranked among the 10 highest-paid CEOs in the sample.[30]

Table 3.4: 2013 Bottom 10 ASX 101-200 CEOs on a statutory basis with realised pay comparison; 2012 figures in italics

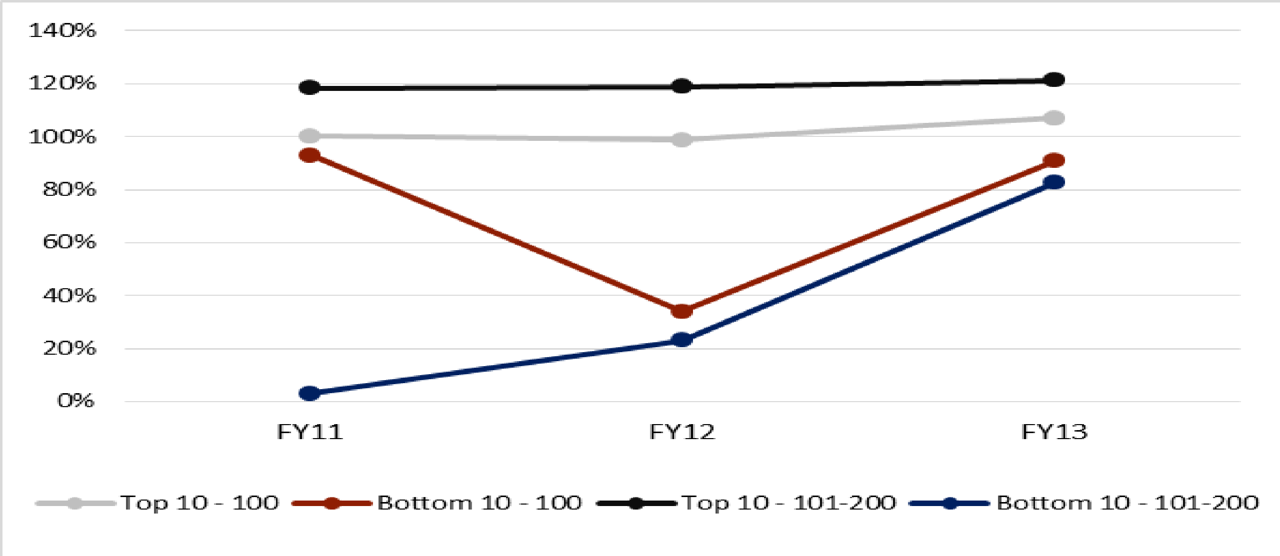
Rank	CEO	Company	FY13 Statutory Pay	FY13 Realised Pay
1	Ross Dobinson	Acrux	$369,159	$369,159
2	Stewart Elliott	Energy World	$438,480	$438,480
3	Kerr Neilson	Platinum Asset	$439,532	$439,532
4	Chris Scott	G8 Education	$444,490	$444,490
5	Les Davis	Silver Lake Res.	$587,999	$587,999
6	Peter Hepburn-Brown	Medusa Mining	$740,318	$740,318
7	Stephen Price (FWD)	Fleetwood Corp	$766,648	$691,667[31]
8	Ian Little (ENV)	Envestra	$767,230	$767,230
9	Brad Sampson (DML)	Discovery Metals	$821,090	$744,305[32]
10	Karl Simich (SFR)	Sandfire Res.	$852,819	$2,321,725[33]
Average			**$622,776** ***(FY12:$650,724)***	**$754,490** ***(FY12:$2,804,945)***

[29] See change of director interest notices for Mark Bennet on 25 July 2013 & 25 October 2013.
[30] See pp.53-54 of the 2013 annual report; $926,398 related to cash payments and $96,250 to accelerated accounting expense for share based payments he retained on departure.
[31] No equity vested and no options were exercised during FY13.
[32] No equity vested and no options were exercised during FY13.
[33] Value of cash settled equity taken from p. 58, 2013 annual report.

Realised pay levels for the 10 CEOs with the lowest statutory pay in the ASX 101-200 sample fell sharply, relative to FY12. This reflected declining fortunes for junior resources companies – in FY12, three CEOs of small resources companies reaped substantial gains from exercising options while in FY13 only one of the Bottom 10 had realised pay higher than their statutory pay, Sandfire's Karl Simich.[34] Of the 10 CEOs in this group, Simich was the only one to receive a benefit from equity incentives during FY13.

Over the three years the ACSI study has included realised and statutory pay for the Top 10 and Bottom 10 of the 101–200 sample, the volatility of outcomes has been much greater than at larger companies. This is partly due to the nature of remuneration at these smaller companies where CEOs and other executives receive occasional allocations of options that vest on, or shortly after, allocation and are so expensed in one year (rather than the expense being smoothed over several years, as occurs in companies with longer vesting periods). It is also partly due to the prevalence of small resources companies in this group, with share prices inherently more volatile than those of larger, more established companies.

Graph 3.4: Statutory pay as a proportion of realised pay FY11 – FY13



The graph above shows that the relationship between average statutory and realised pay is more volatile among the lower-paid CEOs in the Top 100 and the ASX 101-200 samples – that is, on average, statutory pay is a more reliable indicator of overall executive pay levels for higher paid CEOs. This may reflect the significant cash component of highly-paid CEO remuneration, as well as regular grants of equity incentives where, over time, the rewards from vesting approximate the average amortised value.

It also reflects the more volatile nature of remuneration at small resources companies, noted above. The classic case study remains Aquila Resources, whose executive chairperson, Tony Poli, in FY11 reaped a paper gain on exercising options of $169.36 million – the impact of this is still apparent in the graph above given Poli was, on a statutory basis, among the lowest paid CEOs in the ASX 101-200 sample in FY11. The net 17.17 million Aquila shares Poli received from exercising these options were ultimately sold in July 2014, along with the rest of his Aquila shareholding, into the $3.40 per share takeover offer for Aquila by Baosteel and Aurizon, giving him a cash gain on the options of $58.37 million.[35]

[34] In his case, statutory pay was lower than cash pay due to the reversal of previously accrued expenses relating to cash settled options. Under AASB 2, the value of options settled in cash is marked to market at each balance date and Sandfire's share price declined nearly 30 % in FY13 resulted in expenses previously accrued being reversed.

[35] In a 14 December 2010 ASX announcement Aquila stated Poli sold 2 million shares at $10 per share to fund the $20 million exercise price for the options, resulting in a net gain of 17,166,4000 shares. According to Aquila disclosures he sold no shares from the end of FY11 to the July 2014 sale into the Baosteel/Aurizon offer.

4. Fixed Pay

Fixed pay for the purposes of the study includes components of CEO pay that are paid irrespective of performance. These typically include:

- Salary
- Superannuation, including the accounting value of defined benefit pension accruals
- Leave accruals and other entitlements
- Accrued end-of-service or retention payments
- Non-monetary benefits

Where a CEO receives cash retention payments, or termination payments are included in overall pay due to a year-end departure (as occurred with CSL's Brian McNamee, Alumina's John Bevan and Seven's Peter Gammell), these are also included in fixed pay.

4.1 The Top 100 Fixed Pay

Among Top 100 CEOs, in FY13 termination payments for two CEOs increased average fixed pay relative to FY12 even as there was generally lower fixed pay across the sample. Median CEO fixed pay fell 6.2% to $1.83 million, while average fixed pay rose 2.5% to $1.95 million, the second highest level recorded in the 13 years of the study, behind only the $2.02 million average in FY09.

The increase in the average was driven by two severance payments to CEOs who departed service at the end of FY13 – CSL's Brian McNamee received $2.82 million and Alumina's John Bevan $1.75 million. If these payments are excluded average fixed pay across the Top 100 fell marginally, to $1.89 million for FY13.

Table 4.1: Fixed pay, S&P/ASX 100[36]

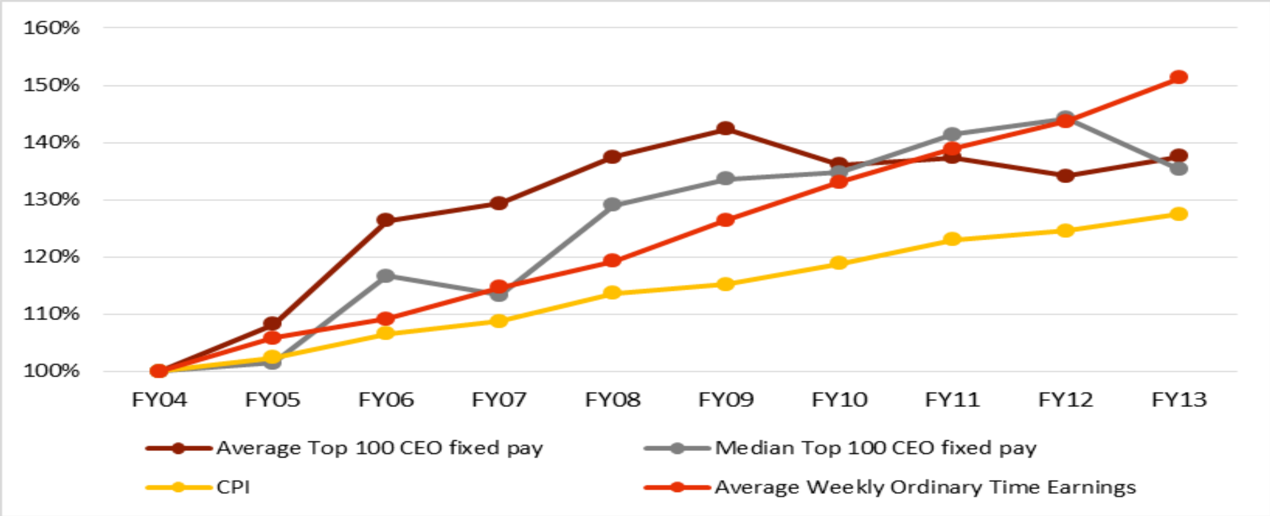
	FY13	FY12	FY08	FY03	One year increase	Five year p.a increase	10 year p.a increase
Median	$1,830,614	$1,951,814	$1,745,856	$1,136,537	-6.21%	0.95%	4.88%
Average	$1,948,949	$1,900,878	$1,947,350	$1,361,769	2.53%	0.02%	3.65%
Highest	$6,359,705[37]	$4,926,208	$9,204,760	$6,716,040			
Lowest	$247,275	$540,971	$198,648	$345,056			

The decline in median fixed pay reversed five consecutive years of increases in median pay levels, and the trend of median and average fixed pay converging as 'outlier' levels of pay reduced. Graph 4.1 (below) also indicates the extent to which Australian boards have reduced real growth in CEO fixed pay since the Financial Crisis, with average and median fixed-pay growth slowing markedly since FY09 – average and median CEO fixed-pay growth outpaced wages growth and inflation until FY09. Since then average and median CEO fixed pay has not kept pace with growth in wages and inflation.

[36] Full fixed pay data over the history of the longitudinal study is disclosed in Appendix 1. The 2003 figures exclude News Corporation; data inclusive of News is available in the Appendix.

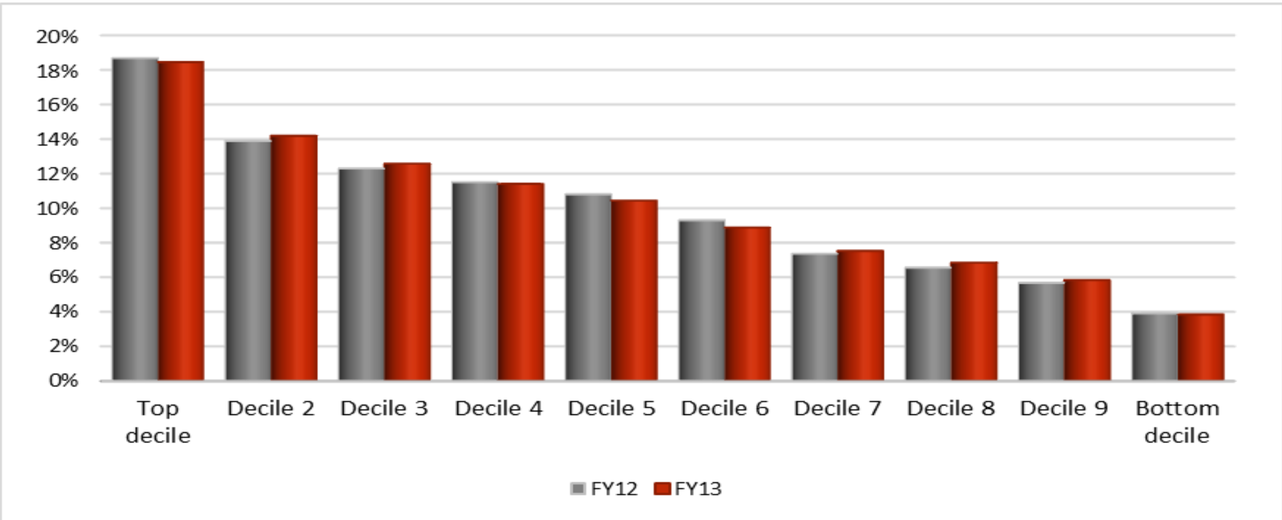
[37] This relates to former CSL CEO Brian McNamee and includes a $2.82 million severance payment payable on him retiring as at 30 June 2013. Excluding McNamee, the highest fixed pay was again the co-CEOs of Westfield Group at $5.006 million.

Graph 4.1: Top 100 CEO fixed pay growth relative to wages and inflation FY04 – FY13[38]



In FY13, 45% of Top 100 CEOs received fixed pay above $2 million, down from 50% in FY12. The proportion of CEOs receiving less than $1 million per annum in fixed pay was, however, largely the same in FY13 as in FY12, at 11% (FY12: 10.3%). The decline in median CEO pay levels may reflect boards taking the opportunity to hire new CEOs at lower fixed-pay levels than their predecessors.

Graph 4:2: Share of total Top 100 CEO fixed pay spend by decile for FY12 and FY13[39]



The overall distribution of fixed pay across the Top 100 CEOs, however, changed little between FY12 and FY13 as shown in Graph 4.2. In FY13, the top decile of CEOs, ranked by fixed pay, received 18.4% of all fixed pay paid to Top 100 CEOs, in line with the 18.7% share for FY12. The top half of Top 100 CEOs, by fixed pay, received 67% of the FY13 total, in line with FY12. In FY12 the bottom 20% by fixed pay received 9.6% of all fixed pay, similar to 9.7% for FY13.

[38] Inflation is measured using the all capital cities all groups consumer price index as at June for each year from the Australian Bureau of Statistics (ABS) catalogue number 6401.0. Earnings are measured using the average weekly adult ordinary time, full time earnings as at May of each year from ABS catalogue number 6302.0.
[39] The FY13 figures exclude CSL and Alumina.

Excluding Brian McNamee, in FY13 the highest fixed pay received by a CEO was for the co-CEOs of Westfield Group, Peter & Steven Lowy at $5.01 million. The combined fixed pay of Westfield's co-CEOs was the highest in the FY12 sample, and their predecessor as Westfield CEO, Frank Lowy (now non-executive chairperson), recorded the highest fixed pay for a Top 100 CEO from FY05 to FY10 before retiring midway through FY11. The CEO of Wesfarmers, Richard Goyder, received the highest fixed pay for an individual CEO at $3.66 million, while the lowest fixed pay was for Flight Centre CEO Graham Turner.

There were eight CEOs in FY13 with fixed pay above $3 million, with the others (in addition to the Lowys and Goyder) being McNamee, whose fixed pay was above $3 million even excluding his severance payment, Coca-Cola Amatil's former CEO Terry Davis, Rio Tinto's Sam Walsh, ANZ's Mike Smith, Westpac's Gail Kelly and Crown Resorts' Rowen Craigie.

4.2 ASX 101-200 Fixed Pay

Average and median fixed pay rose for CEOs of both exploration and non-exploration companies in the ASX 101-200 in FY13. Non-exploration company CEOs in this group saw their average fixed pay increase 6.7%, and median fixed pay for this cohort rose 3.3%, while the nine exploration-company CEOs enjoyed an average pay increase of 5.1% and a median increase of 29.7%.

The number of exploration entities included in the ASX 101-200 sample fell from 15 in FY12 to nine in FY13, although eight of the nine exploration CEOs were members of the FY12 sample.[40] As in prior years, exploration companies – those required to file quarterly cash flow statements with the ASX – are presented separately from non-exploration companies given pay arrangements for these early-stage companies are typically different to those at companies with recurring revenue and earnings.

Table 4.2: Fixed Pay, ASX 101-200 CEOs FY11 – FY13

	FY13	FY12	FY11
Median	$900,000	$875,000	$823,493
Median – excludes exploration companies	$937,041	$907,044	$906,768
Median – exploration companies	$815,870	$628,893	$607,480
Average	$1,066,452[41]	$973,576	$930,358
Average – excludes exploration companies	$1,104,129	$1,035,055	$1,021,167
Average – exploration companies	$773,406	$735,855	$642,794
Highest	$3,935,131[42]	$3,003,925	$3,007,279
Lowest	$305,799	$41,221	$280,351

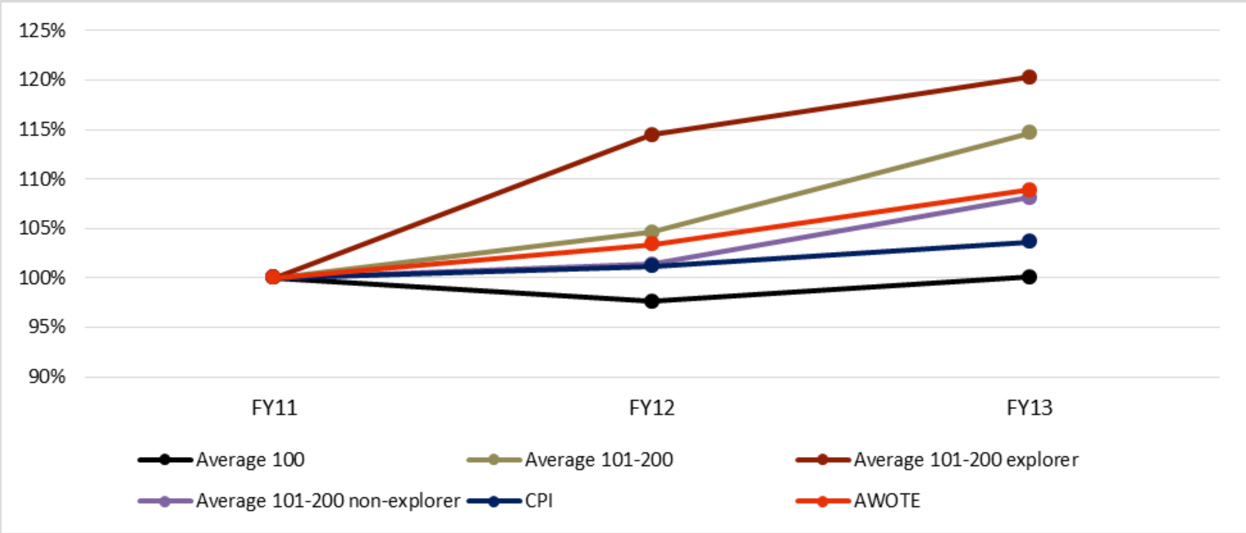
[40] The term 'exploration entities' includes Mesoblast, which while not a mining company is also required to file quarterly cash-flow statements under ASX Listing Rule 4.7B.

[41] Average fixed pay includes a 'termination effect' for Seven Group – see footnote below – and for GUD CEO Ian Campbell who departed shortly after FY13 year-end. If Campbell's termination payment of $1,213,430 and the payment to Peter Gammell is excluded, average fixed pay was $1,029,523.

[42] This relates to former Seven Group CEO Peter Gammell and includes $926,398 in termination payments payable on him ceasing employment as at 30 June 2013. Excluding these payments Gammell had the highest fixed pay in the 101-200 sample.

The ongoing substantial gap between fixed pay of Top 100 CEOs and their ASX 101-200 counterparts remains apparent from the FY13 data. Median fixed pay for a Top 100 CEO, even after a sharp decline in FY13, remains just over double that of an ASX 101-200 CEO, while average fixed pay is also almost half that of the average Top 100 CEO. In FY13, only five ASX 101-200 CEOs received fixed pay of more than $2 million (including GUD's outgoing CEO who, excluding a termination payment accrued in his FY13 pay, had fixed pay below $2 million; in FY12 three of 73 had fixed pay above $2 million) and 40% had fixed pay of $1 million or more (up from 34% in FY12).

Graph 4:3: ASX 101-200 CEO fixed pay FY11-FY13 relative to wages, inflation and Top 100 CEOs



As shown in graph 4.3 above, while CEOs of ASX 101-200 companies continue to receive fixed pay well below that of their Top 100 company peers, the rate of growth in fixed pay has been much faster since FY11. CEOs of exploration companies in the sample have enjoyed the most rapid increases, but non-exploration company CEOs have also enjoyed fixed-pay increases well above Top 100 CEOs, and inflation, and in line with average wages growth for ordinary employees.

The highest paid CEO for FY13 in the ASX 101-200 sample was again Seven's Peter Gammell, even excluding termination payments, while the lowest paid was Acrux executive chairperson Ross Dobinson. The new CEO of Seven Group, Don Voelte, had fixed pay on appointment at the start of FY14 of $3.2 million per annum, higher than that of Gammell.

5. Annual Bonuses

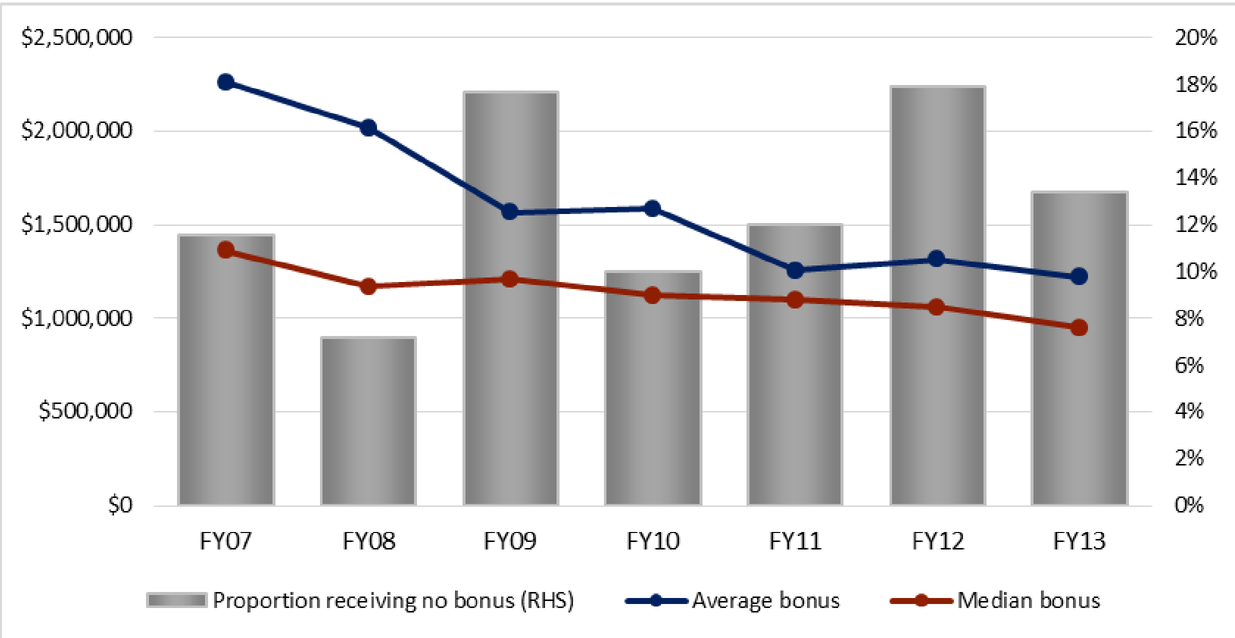
5.1 Annual Bonus – Top 100

Subdued fixed-pay growth for Top 100 CEOs in FY13 was matched by declines in average and median bonuses relative to FY12. The average bonus reported in statutory pay for FY13 was $1.21 million (inclusive only of those CEOs who received a bonus); this was 8.2% lower than FY12 and the lowest average bonus in the Top 100 sample since FY03 when the average bonus was $1.10 million. The median bonus also fell 12.7% to $925,000, the lowest median bonus since FY04. The proportion of CEOs receiving a bonus did however increase over FY12, from 82% to 87% (there were 11 CEOs in FY13 who received no bonus; of these, eight received no bonus on performance grounds).[43] If CEOs receiving no bonus are included the average FY13 bonus was $1.06 million, 2.1% lower than FY12.

Table 5.1: Annual cash bonus received, S&P/ASX 100 CEOs[44]

	FY13	FY12	FY08	FY03	One year increase	Five year p.a increase	10 year p.a increase
Median	$950,000	$1,060,095	$1,167,645	$725,000	-10.39%	-4.55%	2.47%
Average	$1,220,744	$1,315,221	$2,016,214	$1,102,603	-7.18%	-9.75%	0.91%
Highest	$6,101,360	$7,245,088	$27,223,798	$12,381,000			
Lowest	$100,000	$40,000	$202,293	$88,000			

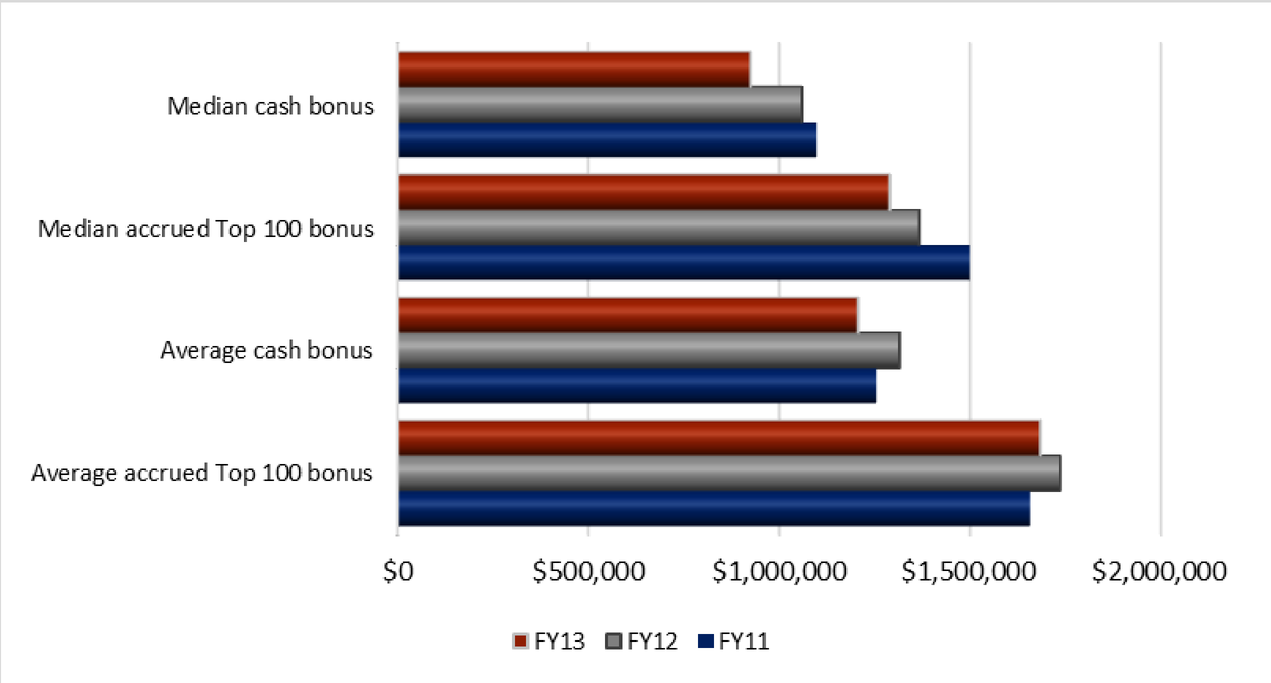
Graph 5.1: Average and median bonuses for Top 100 CEOs and proportion of CEOs receiving no bonus



[43] The CEOs of Primary Health Care, Seek and Regis Resources do not have annual bonus schemes.
[44] Full bonus pay data over the history of the longitudinal study is disclosed in Appendix 1. The 2003 figures exclude News Corporation; data inclusive of News is available in the Appendix.

The highest bonus was again received by the co-CEOs of Westfield Group; the decline in their reported bonus for FY13 relative to FY12 reflected increased deferral requirements, rather than any reduction in bonus awarded (as in FY10, FY11 and FY12 they received their target bonus).[45] In prior reports ACSI has observed increased requirements on executives to defer annual bonuses into equity, or payments linked to equity, may have reduced reported bonuses because the deferred component is then expensed over the vesting period and reported as a share based payment. The proportion of CEOs receiving a bonus in FY13, who had a proportion of their bonus deferred, rose from 34% to 44% - but the average and median accrued bonus also declined relative to FY13, with the average bonus accrued declining 1.8% to $1.71 million and the median accrued bonus falling 5 % to $1.30 million.

Graph 5.2: Accrued versus cash bonuses FY11 – FY13



In FY13 there were three Top 100 CEOs who received cash bonuses above $3 million, in line with FY12, while the proportion of CEOs receiving a bonus in cash above $2 million was also similar at 16% of the sample including CEOs who received no bonus (FY12: 15%). The proportion of CEOs who received a bonus of $1 million, or less, rose relative to FY12 from 56% to 60% (including those who received no bonus). Of the sample, 24% received a bonus of between $1 million and $2 million, down from 28% in FY12.

5.2 Annual Bonus – ASX 101-200

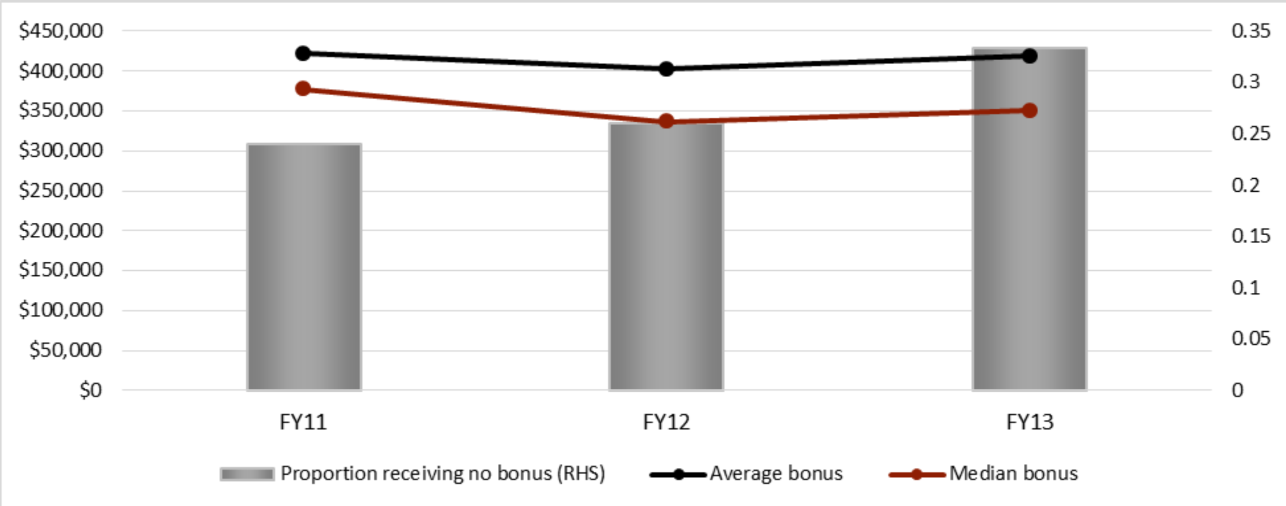
Modest increases in average and median bonuses for those ASX 101-200 CEOs who received a bonus for FY13 obscured a sharp increase in the proportion of CEOs receiving no bonus. In FY13, 26 of the 79 companies in the sample paid their CEO no bonus, up from 19 out of 73 for FY12. If CEOs receiving no bonus are included, average bonuses in FY13 fell just under 6% to $280,242.

[45] See pp. 111-12, 2010 annual report, pp. 43-44, 2011 annual report, p. 17, 2012 annual report and p.16, 2013 annual report.

Table 5.2: Annual cash bonus received ASX 101-200 CEOs FY11 – FY13

	FY13	2012	2011
Median	$350,000	$336,500	$376,915
Median – excludes exploration companies	$355,524	$353,885	$400,000
Median – exploration companies	$189,063	$250,000	$200,781
Average	$418,911	$402,025	$421,576
Average – excludes exploration companies	$429,240	$432,230	$458,461
Average – exploration companies	$338,004	$251,000	$245,054
Highest	$1,166,229	$1,156,000	$1,500,000
Lowest	$32,500	$50,000	$26,250

Graph 5.3: Average & median ASX 101-200 CEO bonuses FY11 – FY13



The increase in the proportion of ASX 101-200 companies that did not pay their CEO a bonus in FY13 was despite a decline in the number of exploration entities in the sample – of the nine exploration CEOs, three received no bonus (FY12: 15, and six did not receive a bonus). Among the non-explorer CEOs 23 of the 70, or 33%, did not receive a bonus (FY12: 22%). Among the non-explorer CEO cohort, of the 23 who received no bonus in FY13, 15 did not receive a bonus due to performance reasons (including CEOs who voluntarily waived bonuses in response to company circumstances, such as Evolution Mining's Jake Klein). In the other eight cases the CEO concerned did not participate in bonus schemes such as Platinum's Kerr Neilson.

Bonus deferral became more common among the ASX 101-200 CEO sample in FY13, although it remained well below the proportion of Top 100 CEOs having part of their bonus deferred. In FY13,12 of the 79 sample CEOs, 15%, had part of their bonus deferred, up from 8% in FY12 (as in FY12, no explorer CEO participated in a bonus deferral arrangement). The average accrued bonus for ASX 101-200 CEOs in FY13 was $474,939, up 12% from FY12, while the median was $372,496, up 6% on FY12.

The highest bonus for an ASX 101-200 CEO was received by Charter Hall's co-CEOs; the highest bonus for an individual CEO was for JB Hi-Fi's Terry Smart at $1.16 million. Only three ASX 101-200 CEOs received a bonus in excess of $1 million – the other was Automotive Holdings' Bronte Howson - unchanged from FY12. None of the ASX 101-200 CEOs who received a cash bonus of more than $1 million in FY12 received a $1 million bonus in FY13, and all were members of the FY13 sample.

6. Cash Pay

Cash pay in the ACSI study is defined as fixed pay, cash bonuses and accrual of entitlements. It removes the uncertainty introduced into assessing remuneration outcomes by the valuation of equity incentives under accounting standards (although as noted above in section 3, especially for larger companies, the gap between statutory and actual pay is less than is widely assumed). Cash pay is also a useful proxy for the amount of 'take home' pay an executive receives in a given year.

6.1 Cash Pay – Top 100

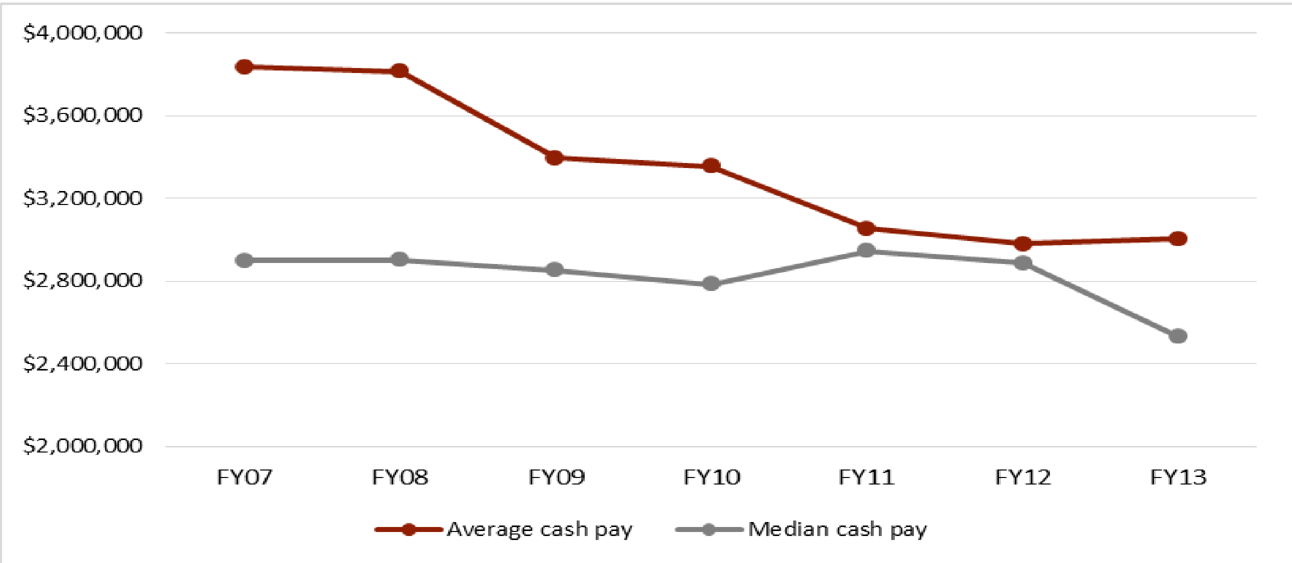
In FY13 average median cash pay for Top 100 CEOs fell 12.4%, reflecting lower cash bonuses and lower fixed pay. Average cash pay actually rose marginally, presumably due to a higher proportion of Top 100 CEOs receiving a bonus in FY13 than in FY12. Median cash pay at $2.53 million was at its lowest level since FY06.

Consistent with other results in the FY13 sample, the gap between median and average cash pay widened in FY13, as shown in Graph 6.1 below, reversing the trend in recent years of fewer CEOs with very high cash pay distorting overall results.

Table 6.1: Cash pay for Top 100 CEOs[46]

	FY13	FY12	FY08	FY03	One year increase	Five year p.a increase	10 year p.a increase
Median	$2,529,885	$2,888,441	$2,903,752	$1,740,537	-12.41%	-2.72%	3.81%
Average	$3,005,935	$2,981,530	$3,814,687	$2,141,128	0.82%	-4.65%	3. 45%
Highest	$11,107,787	$12,171,296	$27,894,726	$13,393,275			
Lowest	$616,972	$540,971	$198,648	$387,472			

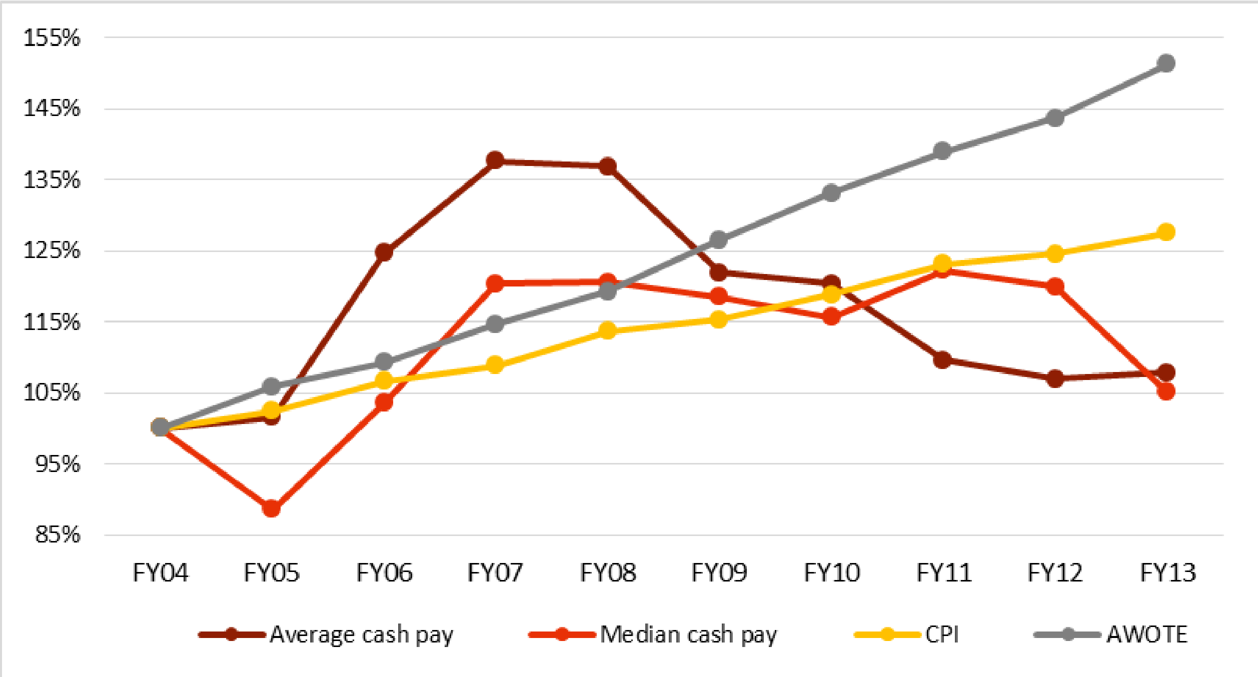
Graph 6.1: Average and median Top 100 CEO cash pay FY07 – FY13



[46] Full cash pay data over the history of the longitudinal study is disclosed in Appendix 1. The 2003 figures exclude News Corporation; data inclusive of News is available in the Appendix.

The decline in average and median cash pay since FY07 is matched by the relative decline in Top 100 CEO cash pay relative to inflation and average adult wages. If bonuses are included, the decline is even greater than the relative decline in CEO fixed pay shown in Graph 4.1 (p.15). Prior to FY08, CEO cash-pay growth outstripped wages and inflation, before declining in absolute and relative terms.

Graph 6.2: Top 100 CEO cash pay relative to inflation and wages FY04 – FY13



In FY13, the highest cash pay was again received by Westfield's co-CEOs with $11.11 million, with the decline from FY12 levels reflecting the increased bonus deferral requirements noted above. There were three CEOs receiving more than $6 million in FY13, up from two in FY12, with the others being CSL's Brian McNamee (who also received more than $6 million in FY12; his FY13 cash pay would have been just under $6 million excluding his severance payment) and Suncorp's Patrick Snowball.[47]

Nine CEOs received cash pay of more than $5 million, up from three in FY12, including three of the four major bank CEOs (the exception was NAB's Cameron Clyne), Telstra's David Thodey, Wesfarmers' Richard Goyder and Amcor's Ken MacKenzie. Only three CEOs received cash pay of less than $1 million (FY12: four) and these were Regis's Mark Clark (who again recorded the lowest cash pay in the Top 100), Flight Centre's Graham Turner and Atlas Iron's Ken Brinsden.

In FY13, 21 CEOs received between $1 million and $2 million in cash pay, in line with FY12. The overall distribution of cash pay remained similar to FY12 – in FY12, the top 20% of Top 100 CEOs, ranked by cash pay, accounted for 36.6 % of the total, similar to the 36.3% share for FY13. The bottom 20% by cash pay accounted for 8.3% in both FY12 and FY13.

[47] Suncorp defers half of its CEO's bonus into cash, as does CBA. The FY13 bonus amount for Suncorp is however accrued entirely in FY13 statutory pay as "there are no performance or service conditions required" (p. 36, 2013 annual report). The deferred cash amounts at Suncorp and CBA are however subject to clawback in certain circumstances.

6.2 Cash Pay – ASX 101-200

Average cash pay for the ASX 101-200 CEO sample rose 5.9% in FY13 despite a significant increase in the number of CEOs receiving no bonus – the impact of no bonuses is apparent in the decline in median cash pay across the sample. The increase in the average may be the result of the decrease in the number of exploration companies in the FY13 sample – in FY12, these types of entities accounted for 21% of the sample, but this fell to 11% for FY13. Median CEO cash pay for exploration and non-exploration companies however *rose* despite declining across the sample as a whole.

Table 6.2: Cash pay for ASX 101-200 CEOs

	FY13	FY12	FY11
Median	$1,148,587	$1,237,000	$1,157,500
Median – excludes exploration companies	$1,173,330	$1,361,685	$1,259,882
Median – exploration companies	$890,170	$724,114	$674,619
Average	$1,347,493	$1,273,000	$1,245,622
Average – excludes exploration companies	$1,392,333	$1,372,968	$1,384,398
Average – exploration companies	$998,742	$886,455	$806,164
Highest	$3,935,131[48]	$3,363,925	$4,507,279
Lowest	$369,159	$448,062	$365,053

In FY13, 30 of the 79 CEOs received less than $1 million (including seven of the nine explorers) a lower proportion than FY12, when 30 of the 73 received less than $1 million (including two-thirds of the explorer CEOs). In FY12 and FY13 nearly half the sample – 47% – received between $1 and $2 million.

In FY13 two ASX 101-200 companies paid CEOs more than $3 million in cash. This included Seven's Peter Gammell who, even after excluding his termination benefits, received just over $3 million - in FY12 he was the only ASX 101-200 CEO to receive more than $3 million in cash. The other was Charter Hall, where the co-CEOs collected $3.38 million between them. Another 10 CEOs received $2 million, or more, in cash pay in FY13 - up from nine in FY12, although this included GUD's outgoing CEO, Ian Campbell, whose cash pay included a severance payment of $1.21 million.

The only two exploration company CEOs to receive more than $1 million in cash in FY13 were Mesoblast's Silviu Itescu and Aquila Resources' Tony Poli. Both men enjoyed cash pay increases of well above 10%.

[48] This relates to former Seven Group CEO Peter Gammell and includes $926,398 in termination payments payable on him ceasing employment as at 30 June 2013. Excluding these payments Gammell had the second highest cash pay in the 101-200 sample behind the co-CEOs of Charter Hall at $3,380,868.

7. Total Statutory Pay

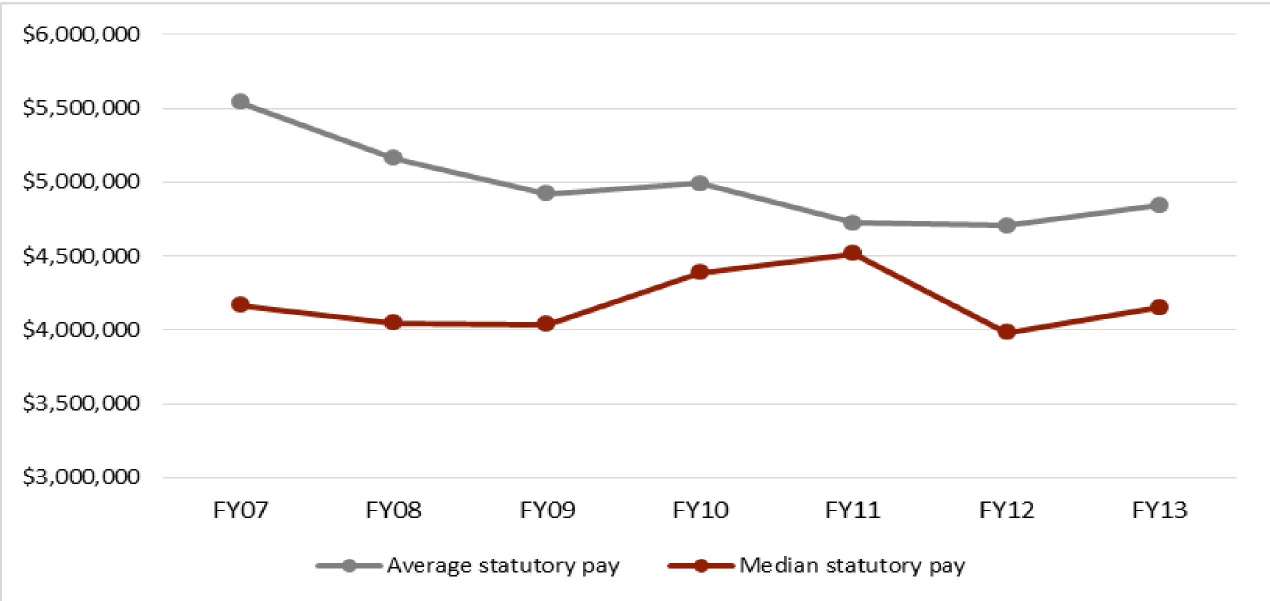
Statutory pay is the total remuneration disclosed for a CEO in a company's remuneration report, as required by Australian law. It therefore includes the value of share-based payments expensed under accounting standards – as noted elsewhere these require the estimated value to be expensed over the vesting life of the equity incentive and for incentives with 'market based' hurdles such as relative total shareholder return the amount expensed will bear no resemblance to the level of vesting.

7.1 Total Statutory Pay – Top 100

Statutory pay is the total remuneration disclosed for a CEO in a company's remuneration report, as required by Australian law. It therefore includes the value of share-based payments expensed under accounting standards – as noted elsewhere, these require the estimated value to be expensed over the vesting life of the equity incentive and, for incentives with 'market based' hurdles such as relative total shareholder return, the amount expensed will bear no resemblance to the level of vesting.

In FY13 average Top 100 CEO statutory pay rose 2.9% to $4.84 million, the highest recorded since FY10. Median statutory pay also rose, up 4.3% over FY12. The increase in the average in FY13 was in large part due to various termination related amounts included in CSL CEO Brian McNamee's remuneration – if these were excluded average CEO statutory pay would have been $4.73 million, only marginally higher than FY12.

Graph 7.1: Top 100 CEO statutory pay FY07 – FY13



Over the five years since FY08 Top 100 CEO statutory pay has been more resilient than cash bonuses or cash pay for Top 100 CEOs, remaining flat while these other categories of performance-linked remuneration have declined. This may reflect increased deferral of annual bonuses into equity which is then expensed over time as a share-based payment or it may reflect increased long term incentive allocations for CEOs.

Accounting for equity incentives means the total value disclosed and expensed does not reflect the value derived by an individual from their incentives – although, as ACSI's various realised-pay case studies have demonstrated over the past three years, for Australia's highest-paid CEOs the gap between realised and statutory pay, over time, is smaller than discussion of statutory pay disclosures would suggest.

In FY13, other than Westfield's co-CEOs and McNamee (who excluding termination related amounts had total statutory pay of approximately $9.5 million), only ANZ CEO Mike Smith had statutory pay of more than $10 million. In FY12 only Westfield, with its co-CEOs, reported total CEO expense of above $10 million.

Table 7.1: Total statutory pay, S&P/ASX 100 CEOs[49]

	FY13	FY12	FY08	FY03	One year increase	Five year p.a increase	10 year p.a increase
Median	$4,155,693	$3,985,254	$4,049,293	$2,309,384	4.28%	0.52%	6.05%
Average	$4,843,607	$4,705,093	$5,162,441	$2,858,343	2.93%	-1.27%	5.42%
Highest	$19,110,336[50]	$21,105,291	$24,755,444	$13,393,275			
Lowest	$616,972	$540,971	$198,648	$387,472			

In FY13 the number of CEOs receiving total pay of more than $9 million remained steady at five (the others in FY13 were Rio's Sam Walsh and Westpac's Gail Kelly) while the number receiving less than $1 million rose from two to four (these were Regis' Mark Clark, who again was the lowest paid CEO on a statutory basis in FY13, Flight Centre's Turner, Computershare's Stuart Crosby due to a reversal of previously accrued long term incentive expense and Spark Infrastructure's Rick Francis). The overall distribution of pay across the sample remained relatively constant in FY13 – the top 20% of CEOs by statutory pay accounted for 39.3% of the FY13 total (FY12: 39.9%) while the bottom 20% accounted for 6.7%, up from 6.5% in FY12.

7.1.2 Total Statutory Pay – ASX 101-200

The different ways in which exploration and non-exploration entities allocate equity again had a major impact on statutory pay outcomes for ASX 101-200 CEOs in FY13. As noted above, an allocation of options to Sirius Resources' CEO Mark Bennett at the 2012 AGM, which vested immediately, saw his statutory pay for FY13 top the ASX 101-200 group with $5.99 million (equity incentives that vest immediately are expensed entirely within the year of allocation).

This single allocation of options lifted average statutory for exploration CEOs above non-explorer CEOs for the first time since ACSI began collecting ASX 101-200 CEO pay data; it also was a major contributor to the overall 6% increase in average ASX 101-200 CEO pay. Excluding Bennett's options, average statutory pay for ASX 101-200 CEOs would have been $1.69 million, or only 2% above the FY12 average. This adjusted average is more consistent with the slight decline in median statutory pay for ASX 101-200 CEOs in FY13 relative to FY12.

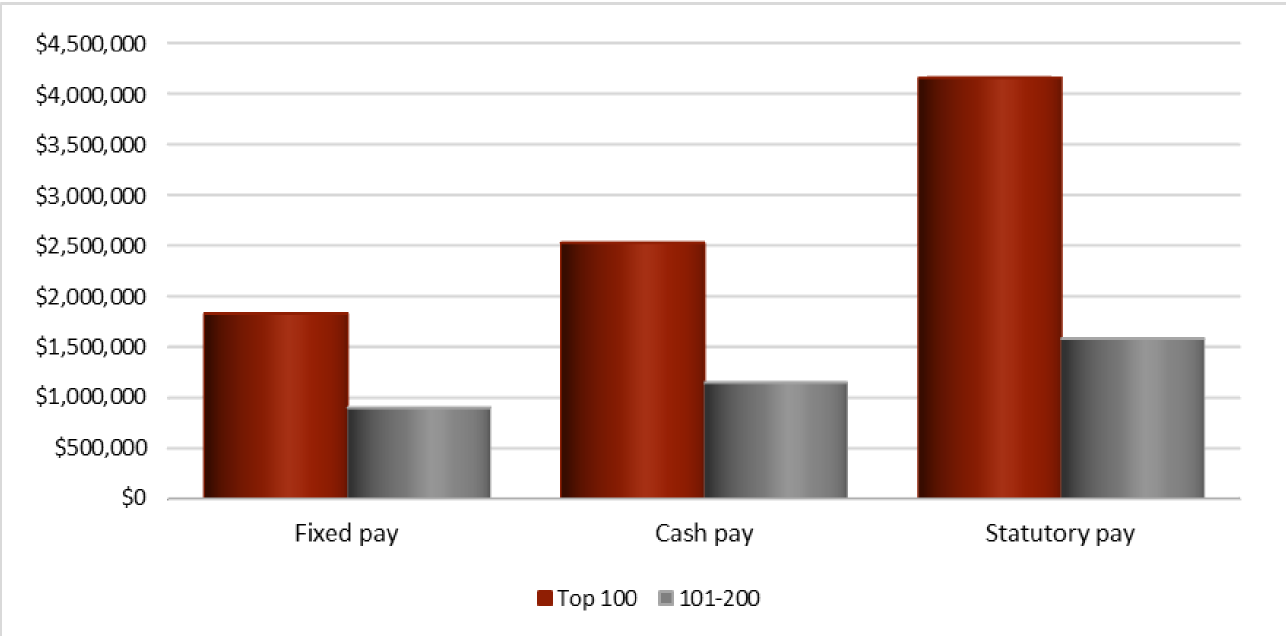
[49] Statutory pay data over the history of the longitudinal study is disclosed in Appendix 1. The 2003 figures exclude News Corporation.
[50] This relates to former CSL CEO Brian McNamee and includes a $2.82 million severance payment payable on him retiring as at 30 June 201 as well as an accelerated expensing of unvested equity incentives retained on departure with a value of approximately $7 million. Excluding McNamee the highest statutory pay was received by Westfield Group's co-CEOs at $18,389,503.

Table 7.2: Total statutory pay, ASX 101-200 CEOs

	FY13	FY12	FY11
Median	$1,582,325	$1,595,404	$1,518,654
Median – excludes exploration companies	$1,593,076	$1,661,863	$1,652,333
Median – exploration companies	$1,330,228	$1,237,000	$1,122,729
Average	$1,749,036	$1,654,603	$1,700,321
Average – excludes exploration companies	$1,742,078	$1,741,876	$1,739,607
Average – exploration companies	$1,803,658	$1,317,144	$1,575,914
Highest	$5,984,652	$4,072,000	$4,924,362
Lowest	$369,159	$448,062	$365,053

In FY13, 20% of the sample CEOs had statutory pay of less than $1 million, down from 26% of the FY12 sample (which included 15 exploration companies of whom seven had statutory pay of less than $1 million compared to three of nine in FY13). Only five CEOs exceeded statutory pay of $3 million – Bennett, Charter Hall's co-CEOs, Seven's Gammell, Virgin Australia's John Borghetti and JB Hi-Fi's Terry Smart (five CEOs exceeded $3 million in statutory pay in FY12 including Gammell, Borghetti and the Charter Hall co-CEOs).

Graph 7.2: Median Top 100 and ASX 101-200 CEO pay compared



The wide gap between pay for Top 100 and ASX 101-200 CEOs is again apparent at a fixed pay, bonus, cash pay and statutory pay level in the FY13 study. The aggregate statutory pay of $138.2 million, for all 79 of the ASX 101-200 CEOs in FY13, is comfortably below the statutory aggregate pay of the 14 highest-paid Top 100 CEOs of $141.7 million. Graph 7.2 compares median fixed pay, cash pay and statutory pay across the Top 100 and the ASX 101-200, and shows that Top 100 CEOs have much larger components of their total remuneration delivered as pay that is nominally at risk, such as cash bonuses - although based on data over the past three years, CEOs of ASX 101-200 companies are far less likely to receive a bonus, even if exploration companies are excluded.

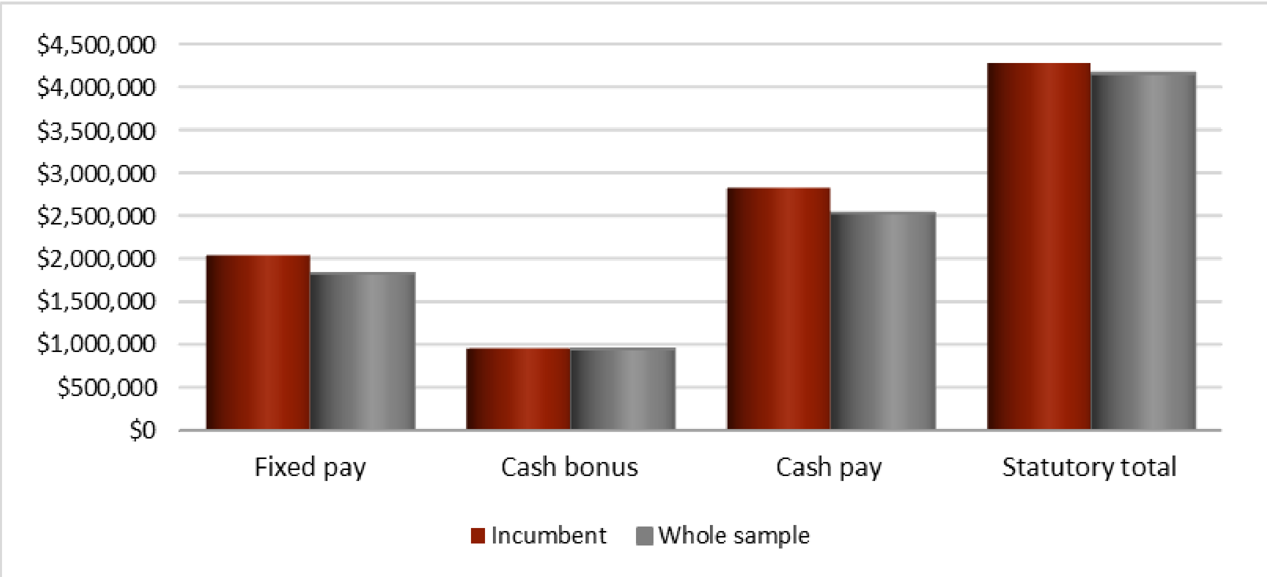
8. Incumbency Effect

The review of incumbent CEO pay, part of the annual pay study since 2007, was added to remove the impact of changes in the sample on overall pay numbers. It considers pay data for all CEOs in office for both FY12 and FY13 whose companies remained members of the S&P/ASX 100 or the ASX 101-200 group for those two years. Companies with new CEOs in FY12 or FY13 are excluded, as are companies that joined or left the Top 100 or ASX 101-200 between 30 June 2012 and 30 June 2013. Companies in the S&P/ASX 100 are considered separately from companies in the ASX 101-200.

Table 8.1: Incumbent CEO Pay FY12 v FY13, S&P/ASX 100

	FY12		FY13		Average	Median
	Average	Median	Average	Median	% increase	% increase
Fixed pay	$1,903,809	$1,976,557	$2,053,048	$2,036,537	6.72%	3.03%
Annual bonus	$1,418,503	$1,265,000	$1,264,952	$956,250	-10.82%	-24.41%
Cash pay	$3,118,970	$2,988,352	$3,134,377	$2,825,000	0.49%	-5.47%
Statutory total pay	$4,887,984	$4,206,844	$5,065,763	$4,278,222	3.64%	1.70%
Bonus accrued	$1,901,149	$1,512,939	$1,807,726	$1,365,000	-4.91%	-9.78%

Graph 8.1: Median incumbent via median whole sample Top 100 CEO pay in FY13



The FY13 incumbent group for the Top 100 includes 62 CEOs, up from 55 in FY12. As in prior years, in FY13 the incumbents had higher average and median fixed pay, annual bonuses, cash pay, total statutory pay and accrued bonuses than the Top 100 sample as a whole.

Among the FY13 incumbents sample there were nine CEOs in both FY12 and FY13 who received no bonus; only two CEOs – those at Incitec Pivot and Myer – received no bonus for both years due to performance being below target. Another three CEOs – at Seek, Primary and Regis – did not participate in annual bonus arrangements in either FY12 or FY13.

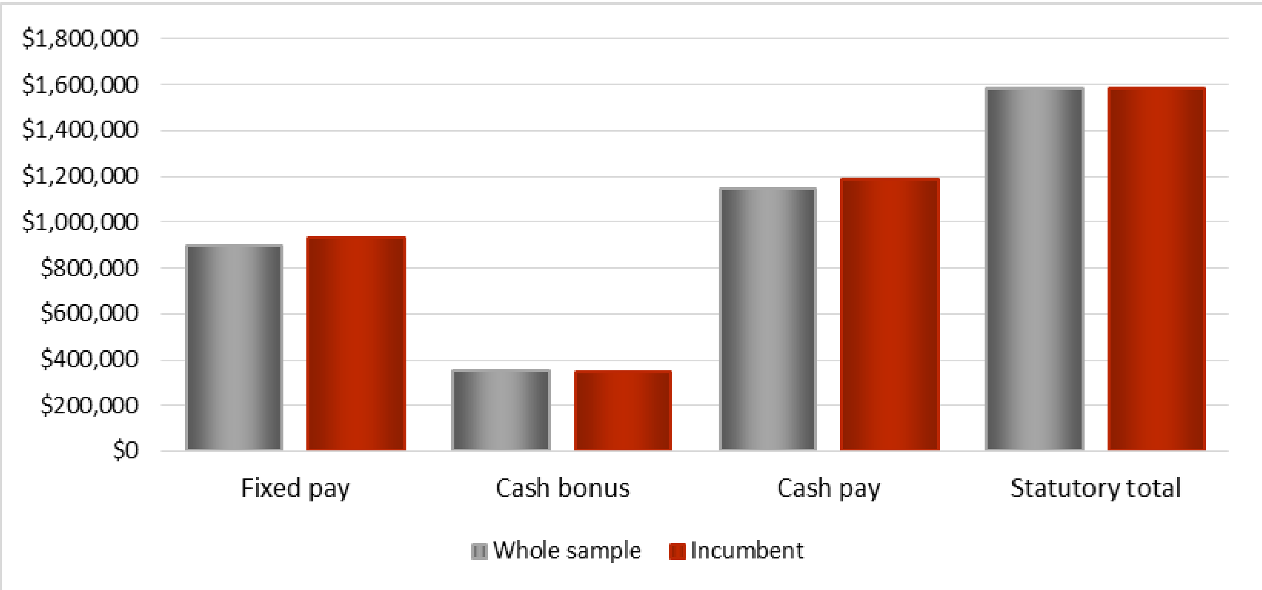
The advantage of incumbency was not apparent for the ASX 101-200 CEO sample in FY13, consistent with results from FY12. Median fixed pay, bonus, cash pay and statutory pay for incumbents in FY13 was similar to that for the whole sample, as shown in Graph 8.2 - statutory pay, for example, was marginally higher for the sample as a whole than for the 51 incumbent ASX 101-200 CEOs during FY13.

Table 8.2: Incumbent CEO Pay FY12 v FY13, ASX 101-200

	FY12		FY13		Average	Median
	Average	Median	Average	Median	% increase	% increase
Fixed pay	$1,007,227	$900,000	$1,097,177	$930,455	8.93%	-3.27%
Annual bonus	$406,978	$337,000	$410,789	$345,860	0.93%	2.63%
Cash pay	$1,336,556	$1,242,196	$1,387,146	$1,187,558	3.79%	-4.40%
Statutory total pay	$1,795,676	$1,710,533	$1,744,328	$1,582,325	-2.86%	-7.5%
Bonus accrued	$445,845	$337,000	$480,991	$385,938	7.88%	-14.52%

A potential explanation was that eight of the nine exploration entities in the FY13 ASX 101-200 sample were included in the incumbent group and, as observed elsewhere, exploration company CEOs tend to have lower cash pay and more volatile statutory pay than non-explorer CEOs.

Graph 8.2: Median incumbent v whole sample ASX 101-200 CEO pay in FY13



Of the 51 incumbent ASX 101-200 CEOs in FY13, 15 received no bonus in FY13 compared with 10 in FY12. Among this group only six received no bonus in both FY12 and FY13; these six cases – Ausdrill, Cabcharge, Discovery Metals, Karoon, Linc Energy and Platinum – involved CEOs who do not participate in a regular annual bonus scheme.

9. Termination Payments

This section covers payments on termination to CEOs of S&P/ASX 200 entities that departed during FY13. For the purposes of the study termination payments include payments in lieu of notice, contractual entitlements on termination, any ex gratia payments, bonuses paid for part-year worked and the value of any equity incentives allowed to vest early as a result of departure, although shares released from deferred bonus arrangements are excluded. It does not include pension or superannuation benefits. Bonuses paid for a part year worked are treated as termination payments as few employees outside of senior executives are entitled to a bonus if they cease employment prior to year end.

9.1 Termination Payments – Top 100

The larger size of the FY13 Top 100 CEO sample by definition meant there were fewer CEOs ceasing employment during FY13. As a result, the number of termination payments to departing CEOs fell to nine, down from 13 in FY12 (the FY13 figure excludes explicit termination payments to Brian McNamee of CSL, John Bevan of Alumina and a bonus that was negotiated as part of exit arrangements for former Sims CEO Dan Dienst; these payments, as in prior years, are included in the other remuneration totals above). There were another three CEOs who departed in FY13 - Rio's Tom Albanese, who departed at the start of the year and the retiring CEOs of Tatts and WorleyParsons – who received no termination payments.

The largest termination payment in the FY13 sample was actually a pro rata bonus paid to outgoing BHP CEO Marius Kloppers, based on his performance to May 2013; he received no other termination payments. The only other CEO to receive a termination payment above $2 million during the year was Echo's former CEO Larry Mullins at $2.41 million. Of the nine termination payments, five were above $1 million with the others being Stockland's Matthew Quinn, Transurban's Chris Lynch and Mirvac's Nick Collishaw.

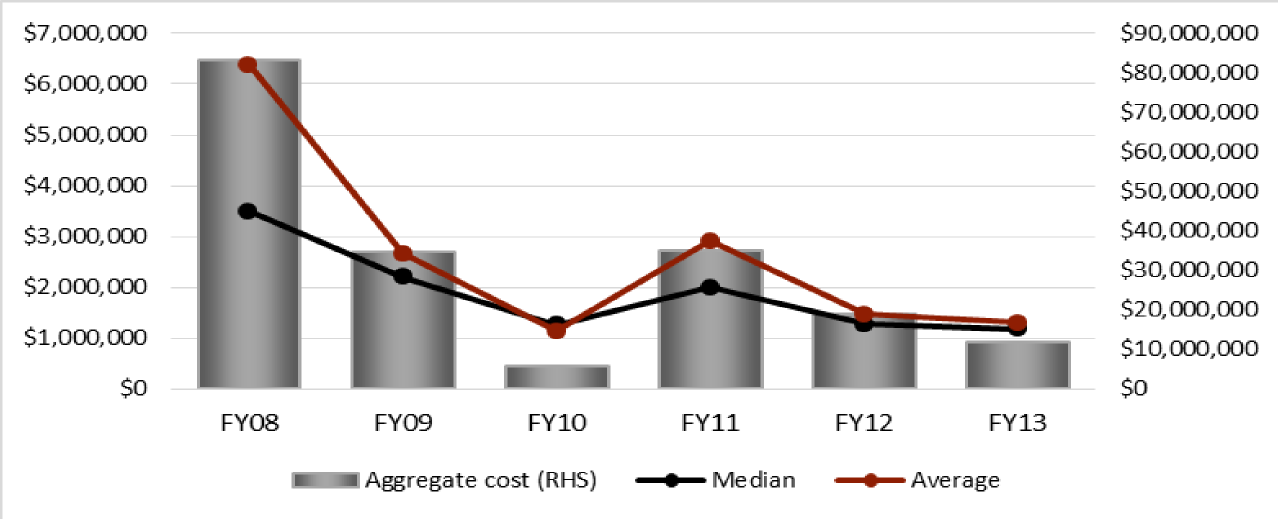
Table 9.1: CEO termination payments in the S&P/ASX 100 FY08 – FY13

	FY08	FY09	FY10	FY11	FY12	FY13
Aggregate	$83,028,043	$34,563,870	$5,701,176	$35,018,308	$19,064,880[51]	$11,811,085[52]
No. of payments	13	13	5	12	13	9
Average	$6,386,773	$2,658,759	$1,140,235	$2,918,192	$1,466,529	$1,312,343
Median	$3,504,000	$2,202,408	$1,260,000	$2,000,000	$1,280,000	$1,188,462
Minimum	$793,333	$168,000	$513,079	$566,667	$150,000	$141,459
Maximum	$18,309,786[53]	$6,386,465	$1,681,897	$10,900,000	$4,574,729	$2,810,170

Graph 9.1 below shows the steady decline in termination payments since the ACSI study began collecting termination payments data in FY08. The decline coincides with the announcement and introduction of the new termination payments legislation which was effective from November 2009 for new or materially-amended contracts, and the decline may be attributable to the legislation, investor pressure to reduce termination payments or a combination of these factors.[54]

[51] Figures disclosed in currencies other than AUD were converted into AUD using the exchange rate on the disclosed date of departure.
[52] Figures disclosed in currencies other than AUD were converted using the average exchange rate for FY13 as the payments related to pro rata bonuses.
[53] This payment, to former Santos CEO John Ellice-Flint, includes $14.592 million which was the value of options that vested on his departure calculated based on the difference between the exercise price and closing price on the date his termination arrangements were announced to the ASX on 14 May 2008. It is not known if these options have been exercised. The cash termination payments were $3.718 million.
[54] The termination payments legislation defined what constituted a termination payment more strictly and reduced the maximum payment able to be paid without shareholder approval from seven times total pay to one times' base salary.

Graph 9.1: Termination payments for S&P/ASX 100 CEOs FY08 – FY13



9.2 Termination Payments – ASX 101-200

There were only five termination payments for ASX 101-200 CEOs in FY13, down from six in FY12. This excludes termination payments, noted above, included in the total FY13 remuneration of former GUD CEO Ian Campbell and for former Seven Group CEO Peter Gammell. There were another two departing CEOs who did not receive any termination payments – the former CEO of Wotif, Robbie Cooke, who replaced Dick McIlwain at Tatts, and the CEO of Aveo Group (then FKP), Peter Brown, who retired during FY13.

Table 9.2: Termination payments – ASX 101-200

	FY11	FY12	FY13
Aggregate	$14,945,926	$5,761,582	$5,531,944
Number of payments	11	6	5
Average	$1,358,721	$960,264	$1,106,389
Median	$1,025,000	$685,195	$1,212,194
Minimum	$270,710	$72,698	$301,926
Maximum	$3,630,000	$2,510,000	$1,532,000

In the FY13 sample the largest termination payment was received by former FlexiGroup CEO John DeLano and consisted of 400,000 zero exercise-price options the board allowed to vest early on his departure (the value of $1.53 million is based on the closing price for FlexiGroup on the day the board made this decision).[55] Outside of this payment there were two other termination payments above $1 million, to former Pacific Brands CEO Sue Morphet (her successor, John Pollaers, departed the company in July 2014) and Ten CEO James Warburton.[56]

[55] See 2013 FlexiGroup annual report, p. 17.
[56] The payment of $1.212 million to Warburton was estimated based on his disclosed salary for FY13 of $2.2 million and the date of his departure in FY13. See p. 20, Ten Network 2013 financial report.

10. Pay for Performance Case Studies & Methodology

In the following pages the pay for the five highest and five lowest paid of the S&P/ASX 100 and S&P/ASX ASX 101-200 CEOs is compared across key performance measures for shareholders:

- Return on assets (ROA).
- Return on equity (ROE).
- Total securityholder return (TSR).

ROA represents the ratio of net profit after tax to the average of an entity's total assets on hand at the beginning and end of the performance period.

ROE is determined by dividing net profit after tax by total securityholder equity, averaged over the beginning and the end of the reporting period.

TSR is the total return a securityholder would obtain from owning the entity's securities for a period of time. TSR takes into account the increase (or decrease) in the security price between the start and end of the period in question, and also the value of distributions paid during the year (for the purposes of calculating TSR, dividends are not reinvested). TSR is expressed as a percentage and is not adjusted for the impact of capital raisings which should have an influence on security prices over time.

Performance on all three measures is assessed over five years, or from the length of the individual's tenure as CEO, whichever is shorter.

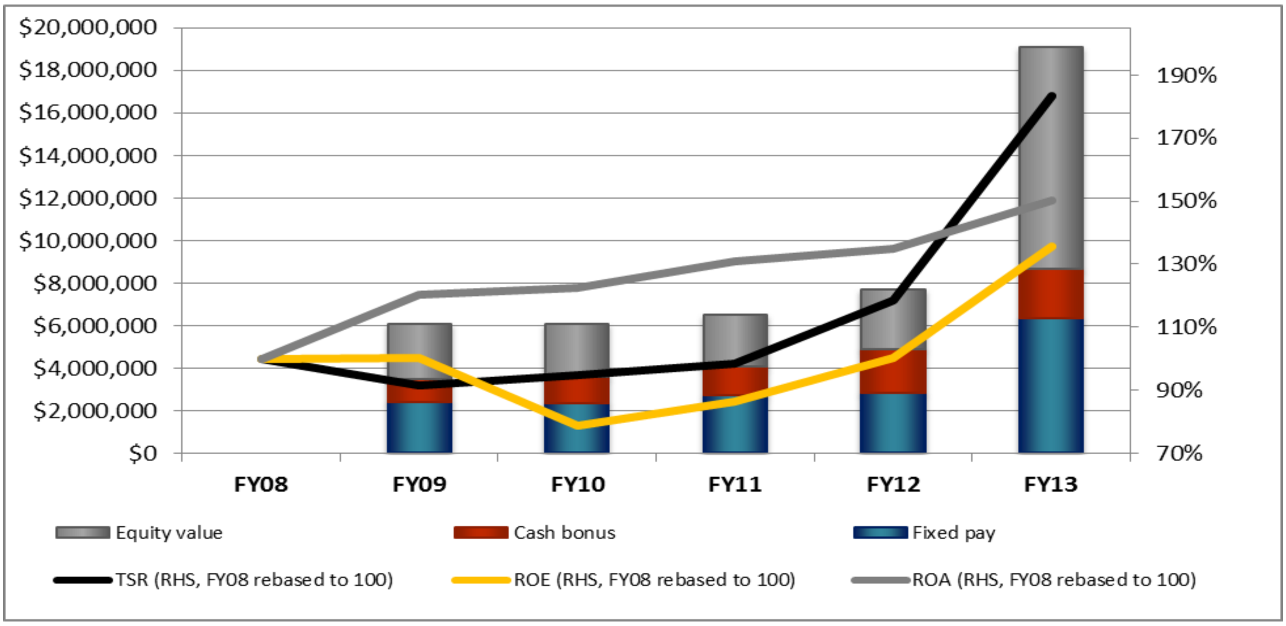
As in past years these case studies are intended to provide an indication of the link between high and low levels of CEO pay and performance over time, rather than a statistical analysis of whether CEO pay reflects performance. There is also good reason not to expect particular components of executive pay to exactly mirror performance – annual bonuses may reflect progress on initiatives which may reduce returns in the short term in the expectation of improved performance over time. In particular the disclosed statutory value of equity pay for an individual CEO does not necessarily reflect the return they received from equity incentives given how equity-based payments are accounted.

In addition, for exploration companies such as Sirius Resources (which again comprise a reasonable proportion of the ASX 101-200 CEO case studies), measures of corporate performance linked to profitability are not useful. This is because these entities are usually seeking new energy or resource assets to develop, or are in the process of development and have no recurring revenue. For these companies, TSR – share price performance because there are no dividends - is the best indicator of performance although these entities' share prices are inherently volatile given their lack of recurring revenue and the impact of market conditions and commodity prices on their financial viability.

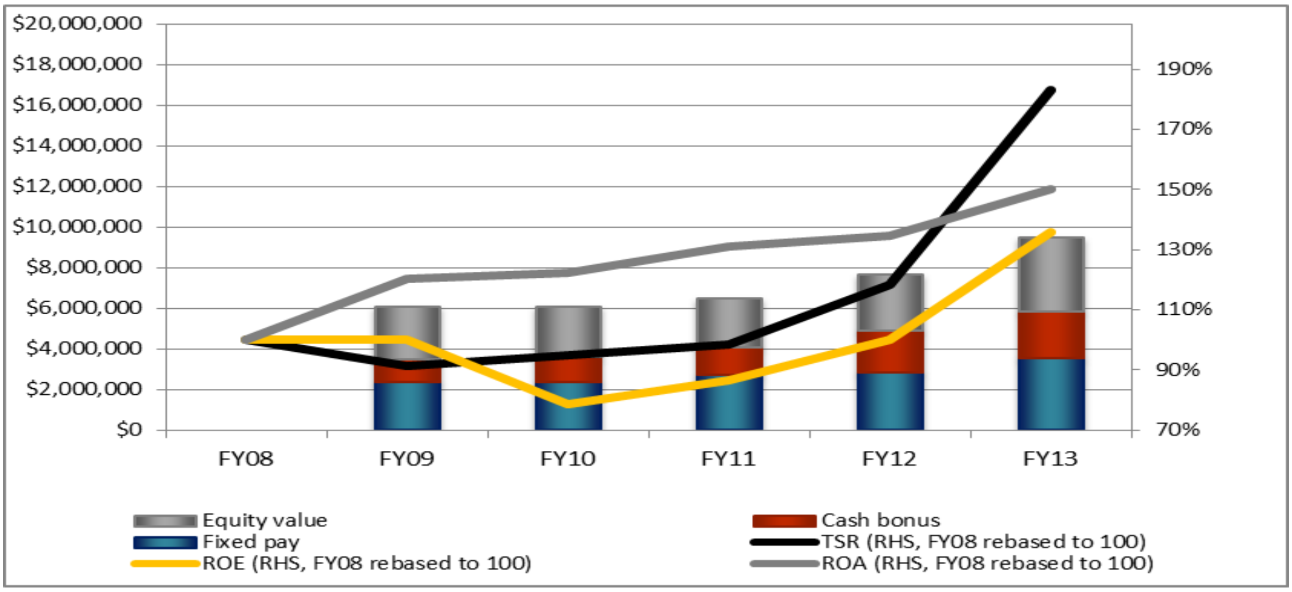
11. Five Highest Paid S&P/ASX 100 CEO Case Studies

11.1 CEO 1: Brian McNamee, CSL Ltd

Graph 11.1: Pay for performance for Brian McNamee



Graph 11.2: Pay for performance for Brian McNamee, less FY13 termination impact

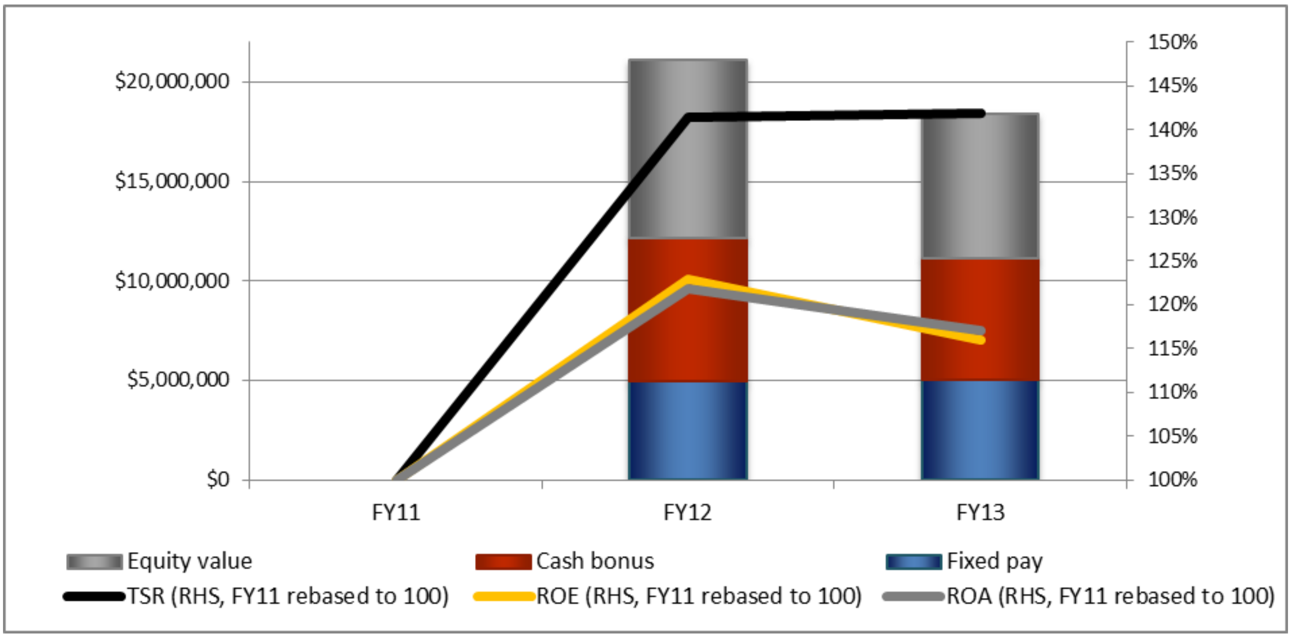


As noted elsewhere in this report, Brian McNamee retired at the end of FY13. His last five years in office were marked by strong TSR performance in his final two years, and steadily improving ROA over the whole period.

The first graph illustrates the statutory pay disclosed over the full five-year period, including termination benefits accrued in his final year as CEO; the second shows his pay, excluding termination impacts over the five year period. The increase in his disclosed statutory pay, commencing in FY11, remains apparent even if the impact of termination on statutory pay is excluded.

11.2 CEO 2: Peter & Steven Lowy, Westfield Group

Graph 11.3: Pay for performance for Peter & Steven Lowy



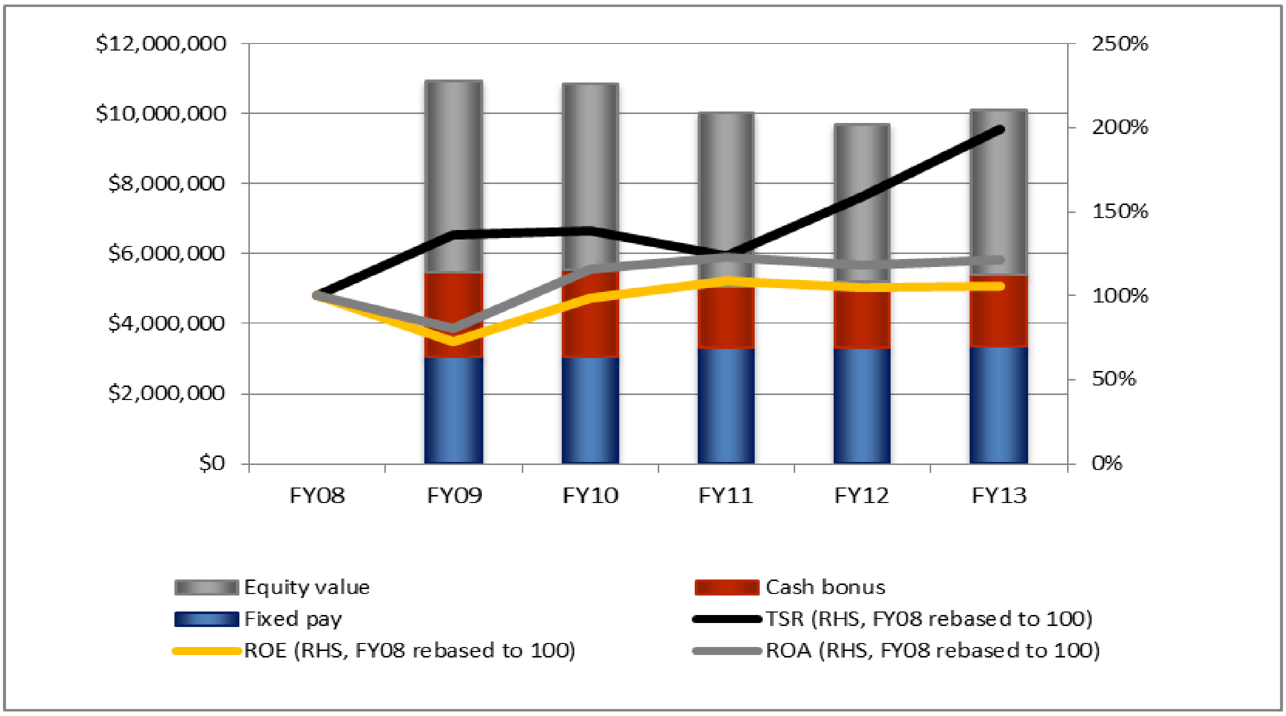
The co-CEOs of Westfield Group, Peter and Steven Lowy, assumed their current roles midway through FY11 on the retirement from executive duties of their father, chairperson & co-founder Frank Lowy. On assuming the co-CEO role neither man received an increase in their overall remuneration packages – which on an individual basis already ranked them among the highest paid executives in Australia.

The decline in ROE and ROA in FY13 reflects a slight decline in statutory profit due to asset disposals, also captured in Westfield's preferred reporting measure, funds from operations. On a per security basis this has been largely offset by security repurchases.

The decline in pay for the co-CEOs in FY13 reflects the decision to increase the proportion of their annual bonuses deferred in FY13, reducing the cash bonus disclosed for FY13. As previously noted, incentive pay outcomes at WDC have been remarkably persistent over time with senior executives consistently receiving bonuses at target.

11.3 CEO 3: Mike Smith, ANZ Bank

Graph 11.4: Pay for performance for Mike Smith



A perennial inclusion among the highest-paid CEOs since joining ANZ in FY08, Mike Smith's statutory pay over the period has been remarkably consistent, as has his cash pay. The decline in overall statutory pay from FY09 and FY10 reflects the vesting of the 330,000 ANZ shares he received as a 'sign-on' in FY08 on joining the bank from HSBC.

Performance, as measured by ROA and ROE, has also been consistent since recovering from the impact of the financial crisis in FY09, with these two return measures showing incremental improvement from FY10 onwards. Performance measured by TSR has recovered more strongly since the GFC and rose sharply in FY12 and FY13 (a similar performance pattern is also apparent with Westpac CEO Gail Kelly, noted below).

11.4 CEO 4: Sam Walsh, RIO

Table 11.1: Pay for performance for Sam Walsh

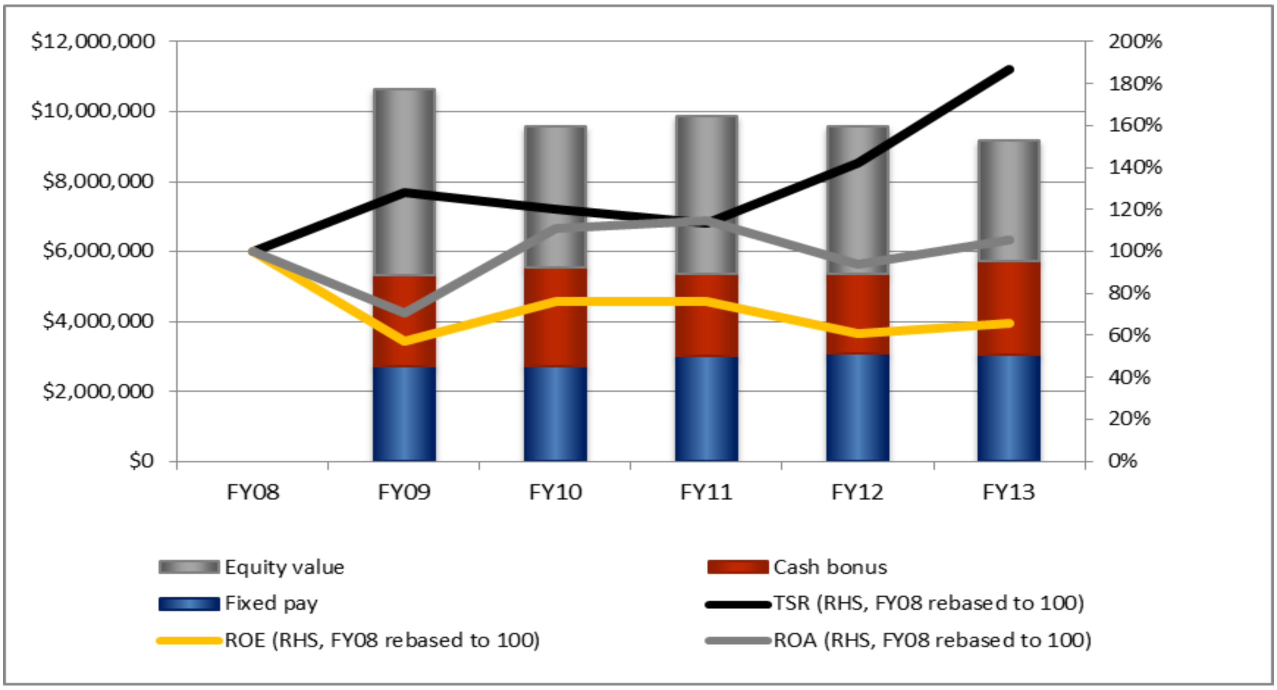
	FY12	FY13
TSR (calendar year)	12%	6.1%
ROA	-2.5%	0.9%
ROE	-6.1%	2.3%
Base pay	N/A	$3,346,412
Bonus	N/A	$1,262,777
Equity value	N/A	$4,891,069
Total Pay	N/A	$9,500,258

Note: Unable to compare on graph due to commencement in role at start of FY13

The current CEO of Rio Tinto, Sam Walsh, assumed the role at the start of FY13 following the termination of his predecessor, Tom Albanese. This was announced at the same time as the impairment of Mozambique coal mining assets purchased under Albanese in FY11; this followed substantial impairments in FY12 (and prior years) flowing from Rio's ill-fated acquisition of Alcan in FY08 for US$38 billion. It is difficult to assess the pay for performance link based on the above data, which relate to Walsh's first year as CEO – he was previously head of Rio's most profitable division, its iron ore business, and a member of the board. The recovery in ROA and ROE in FY13 reflects lower impairment expenses relative to FY12.

11.5 CEO 5: Gail Kelly, Westpac

Graph 11.5: Pay for performance for Gail Kelly



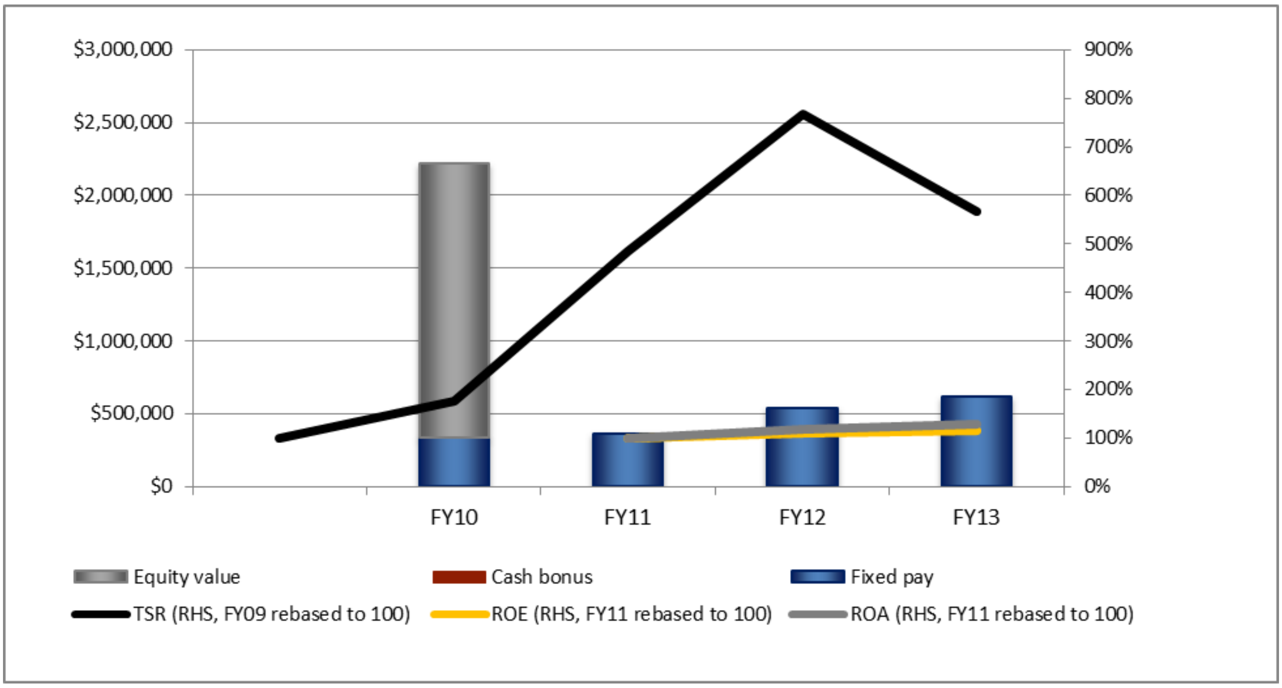
For Westpac CEO Gail Kelly, two major events have influenced performance over the past five years: The financial crisis at the start of the period, and the acquisition of St George Bank during FY09 - both of which reduced ROE and ROA in FY09. The Westpac share price has recovered from the start of FY09, and as with ANZ, increased rapidly in FY12 and FY13. One feature of Westpac's profitability since FY09 has been the more rapid increase of ROA relative to ROE as levels of equity capital have outpaced asset growth (assets were 17 times equity at the end of FY09, and at the end of FY13 were just under 15 times equity).

Consistent with ANZ CEO Mike Smith, Gail Kelly's statutory and cash pay has been persistent over this period. The decline from FY09 pay levels also has a similar explanation as for Smith – it reflects the vesting over time of equity she was granted on joining Westpac from St George.

12. Five Lowest Paid S&P/ASX 100 CEO Case Studies

12.1 CEO 1: Mark Clark, Regis Resources

Graph 12.1: Pay for performance for Mark Clark

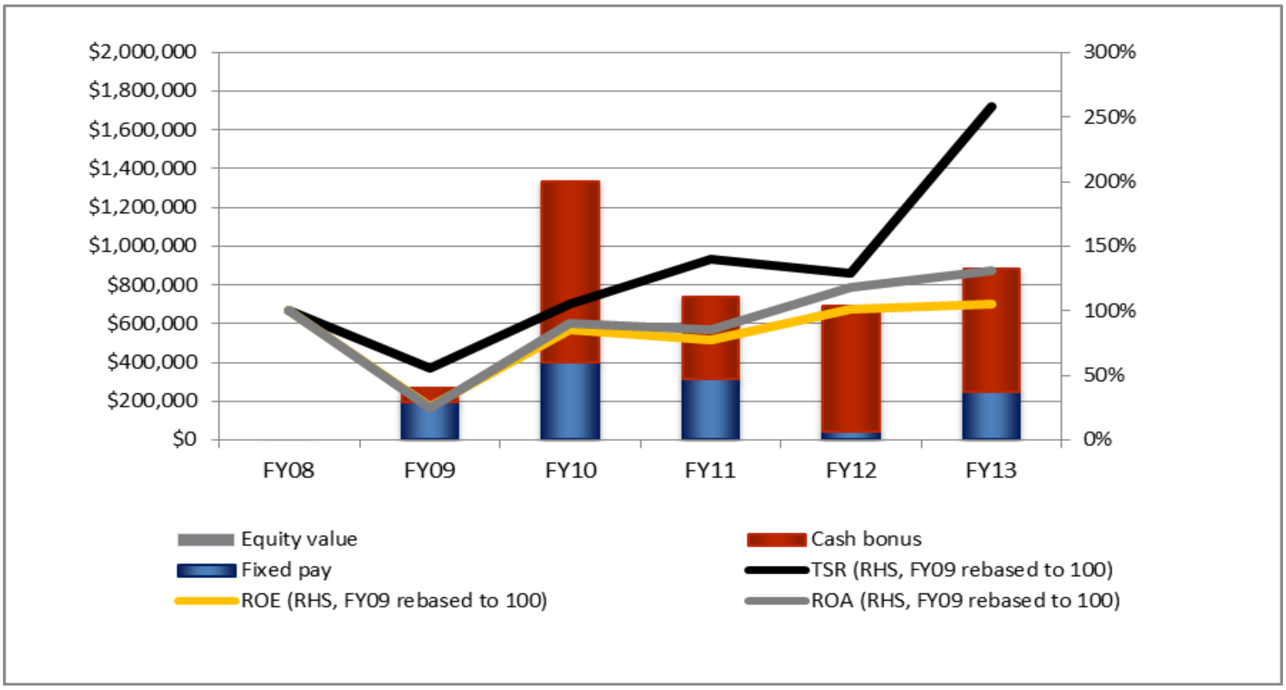


The above graph illustrates the returns available when investing in pre-production resources companies: Gold miner Regis commenced production at the start of FY11 after a new board and management team, including Clark, took control of the company in May 2009. Declining gold prices largely account for the fall in TSR in FY13; ROE and ROA performance is only tracked from FY11, the year Regis began to be profitable.

As noted in FY12, Regis' success since 2009 has not been reflected in large cash pay for Clark or the rest of the executive team. Clark reaped a substantial benefit in FY12 from exercising options granted shortly after he took over at Regis; these options were expensed entirely in FY10 as shown above. Since then he has not been granted any additional equity incentives

12.2 CEO 2: Graham Turner, Flight Centre

Graph 12.2: Pay for performance for Graham Turner



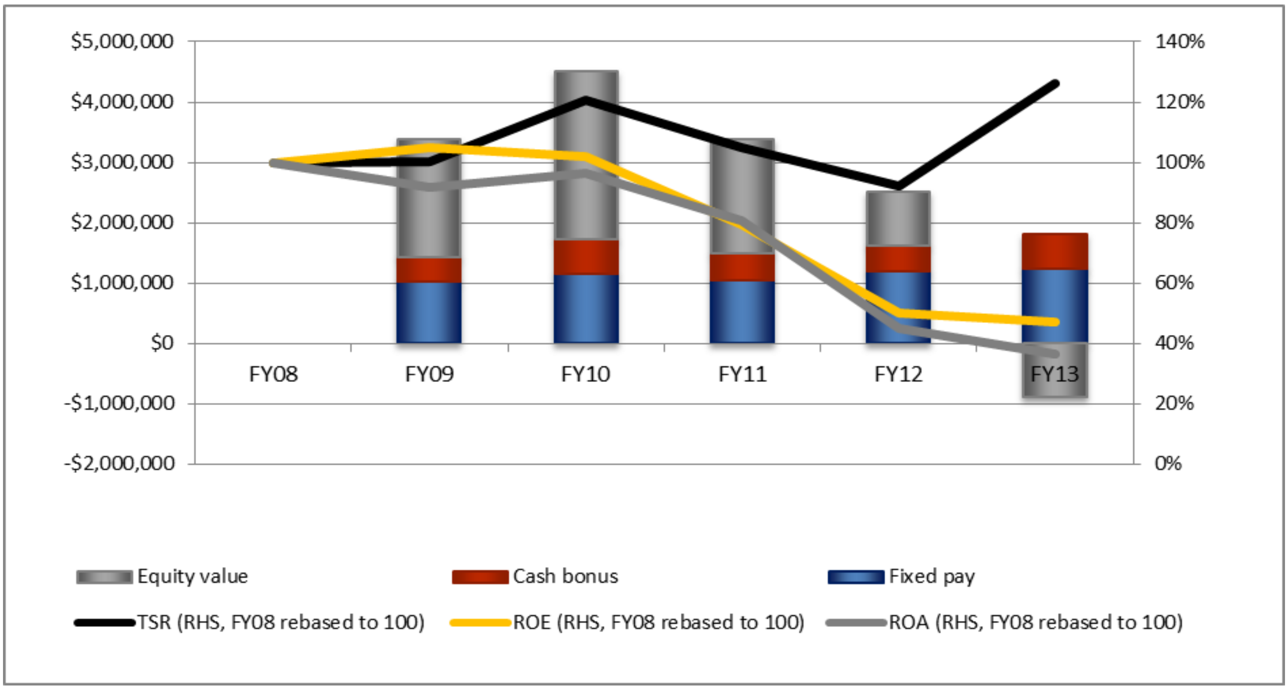
After being included in the lowest paid ASX 101-200 CEOs in FY12, the strong performance of Flight Centre's share price in FY13 saw it included in the Top 100 in FY13. The low pay received by founder and CEO Graham Turner relative to most other large company CEOs has, however, remained unchanged although his wealth increased substantially during FY13 due to his major shareholding in the company.

Flight Centre's performance since the impact of the financial crisis in FY08 and FY09 also vindicates the decision of non-management shareholders to reject a proposed management buyout in FY07 at a minimum price of $16 – Flight Centre shares ended FY13 at $39.33 and last traded at above $40 per share.

As noted last year, Turner did not receive a salary from Flight Centre prior to FY09 and his remuneration disclosures in recent years have been affected by movements in statutory leave accruals.

12.3 CEO 3: Stuart Crosby, Computershare

Graph 12.3: Pay for performance for Stuart Crosby



The CEO of Computershare until the end of FY14, Stuart Crosby, owes his inclusion in the lowest paid Top 100 CEOs in FY13 to the failure of equity incentives granted in FY10 to vest. These incentives were subject to hurdles based on growth in adjusted ('management') earnings per share and during FY13 the board decided these hurdles were unlikely to be met. As a result the previously accrued expenses relating to this equity (disclosed in FY10, FY11 and FY12) were reversed resulting in a negative equity value for FY13.

Computershare's performance over the five years to FY13 is one of modest TSR, and declining ROA and ROE. This reflects the company's ongoing acquisitive nature – assets grew 62% from the start of FY09 to the end of FY13 while statutory profit – which includes the full cost of acquisitions – has declined. Even using 'management earnings', Computershare's preferred measure of profitability, ROE and ROA fell significantly between the start of FY09 and FY13.

Even though returns have at best been mediocre over this period, the CEO enjoyed some significant returns despite his relatively low cash pay – Crosby had 1.5 million shares vest in FY11 and FY12 under equity incentive awards from FY06 and FY07.

12.4 CEO 4: Rick Francis, Spark Infrastructure

Table 12.4: Pay for performance for Rick Francis

	FY12	FY13
TSR (calendar year)	29.1%	3.4%
ROA	11.3%	8.7%
ROE	11.9%	9.3%
Base pay	N/A	$652,844
Bonus	N/A	$350,000
Equity value	N/A	-$19,539
Total Pay	N/A	$983,305

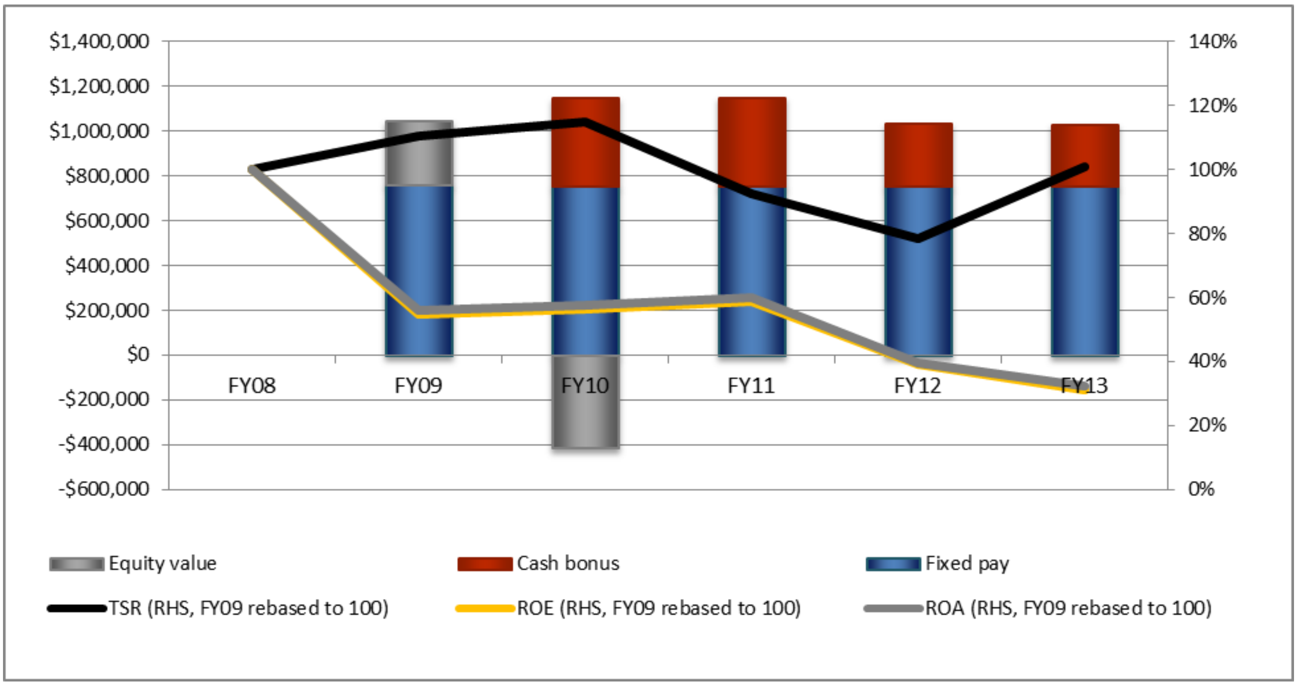
Note: Unable to compare on graph due to commencement in role midway through FY12

The current CEO of Spark, Rick Francis, was formerly CFO and became CEO midway through FY12. His FY13 statutory pay is complicated by the reversal of previously accrued equity incentive expense at the end of FY13 (Spark's equity incentive is settled in cash, but reflects security price performance, and under accounting standards is 'marked to market' each balance date).

At Spark, traditional return metrics are complicated by its unique structure – securityholders who invest in Spark own a unit in a trust stapled to a loan note. Interest paid on the loan note is deducted from profit – the return data above has been adjusted to add the loan note interest back to profit.

12.5 CEO 5: Gerry Harvey, Harvey Norman

Graph 12.4: Pay for performance Gerry Harvey

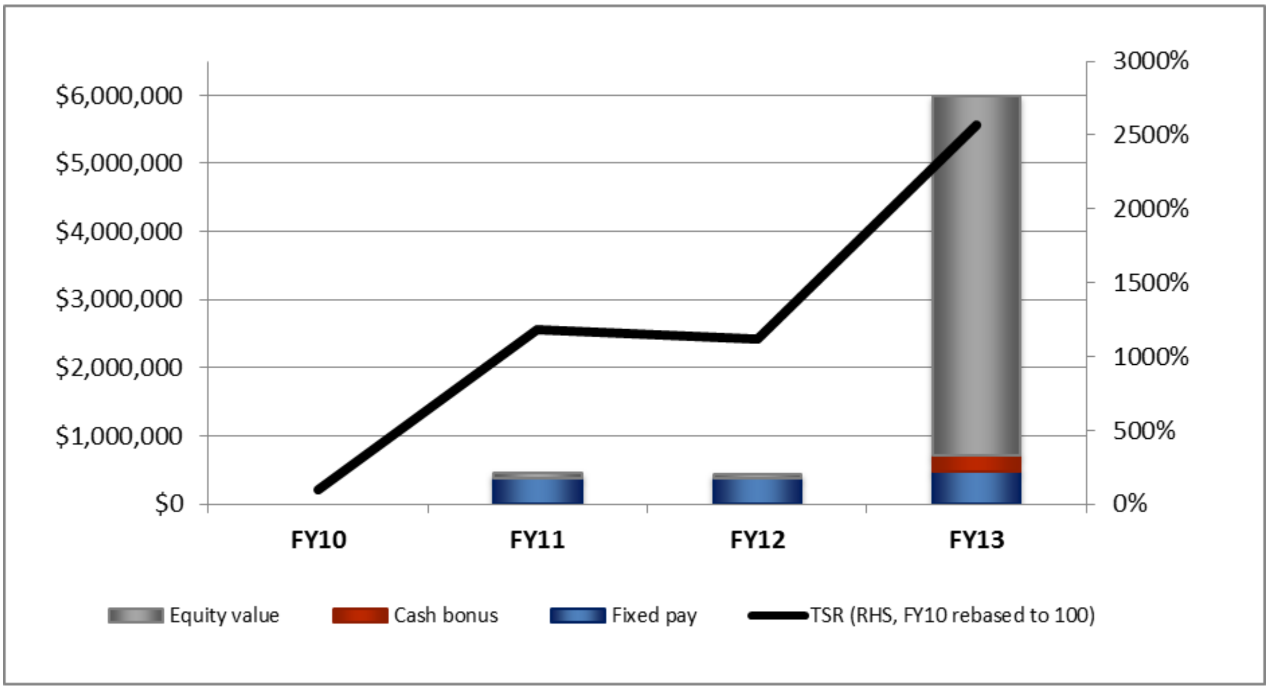


Co-founder of Harvey Norman Gerry Harvey has been a persistent presence among the lowest paid Top 100 CEOs. His package, although it ostensibly includes a performance-related cash bonus, has produced consistent outcomes for the past four years although his fixed pay has remained unchanged over this period.

Returns to shareholders over this period continue to reflect difficult conditions for retailers. TSR prior to FY13 had declined sharply since FY10 while profitability measured by ROA and ROE has dropped consistently since the end of FY08.

13.1 CEO 1: Mark Bennett, Sirius Resources

Graph 13.1: Pay for performance for Mark Bennett

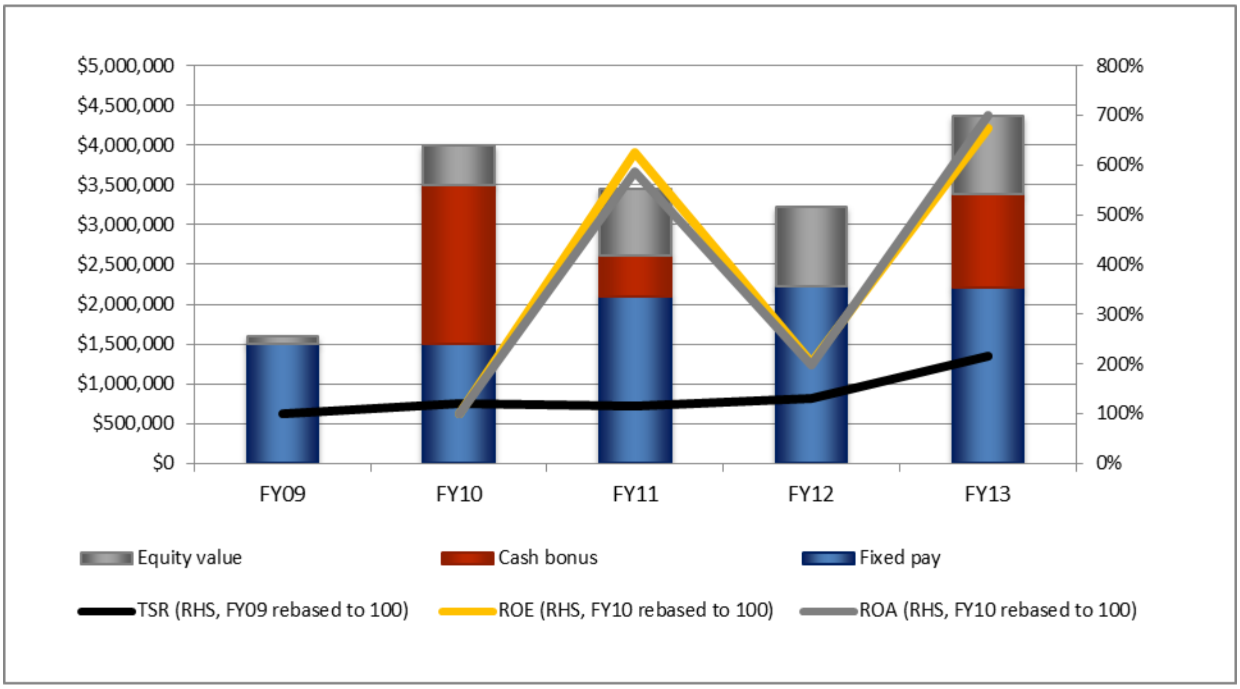


Junior resources company Sirius Resources' exploration activities paid off for investors in FY13 with the announcement of the major Bollinger nickel find. An already impressive return to investors since the end of FY10 was easily eclipsed – the Sirius share price closed at $1.86 at the end of FY13, having begun the year at $0.05.

In keeping with its status as a junior explorer with no recurring revenue, Sirius' CEO Mark Bennett received modest cash pay throughout the period although he did receive a cash bonus in FY13. Options approved by shareholders during FY13 which vested immediately explain the large jump in his statutory pay for FY13.

13.2 CEO 2: David Harrison & David Southon, Charter Hall Group

Graph 13.2: Pay for performance for David Harrison & David Southon

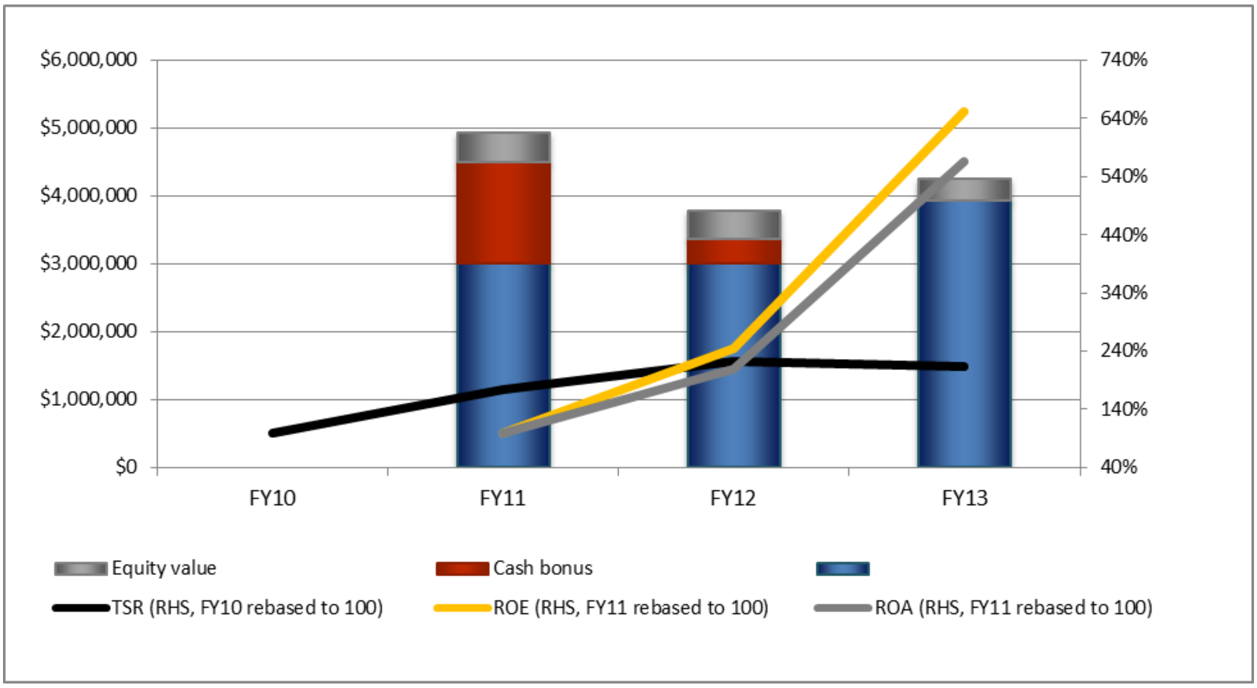


The co-CEO structure adopted by Charter Hall means it is a perennial inclusion among the highest-paid CEOs in the ASX 101-200 sample. The payment of bonuses in FY13 meant a rise in the pay rankings relative to FY12, when total pay ranked the Southon & Harrison duo fourth in the ASX 101-200 CEO pay sample.

Pay for the pair has included large bonuses in FY10 (when the group acquired Macquarie's real estate platform) and FY13. Performance measured via statutory profit – which at Charter Hall has involved restatements of prior year results due to a decision to equity account its holding in two unlisted funds, as well as the volatility of marking to market investment property assets each balance date - has rebounded strongly after the group posted a substantial loss in FY09. TSR has also improved significantly over this time.

13.3 CEO 3: Peter Gammell, Seven Group

Graph 13.3: Pay for performance for Peter Gammell

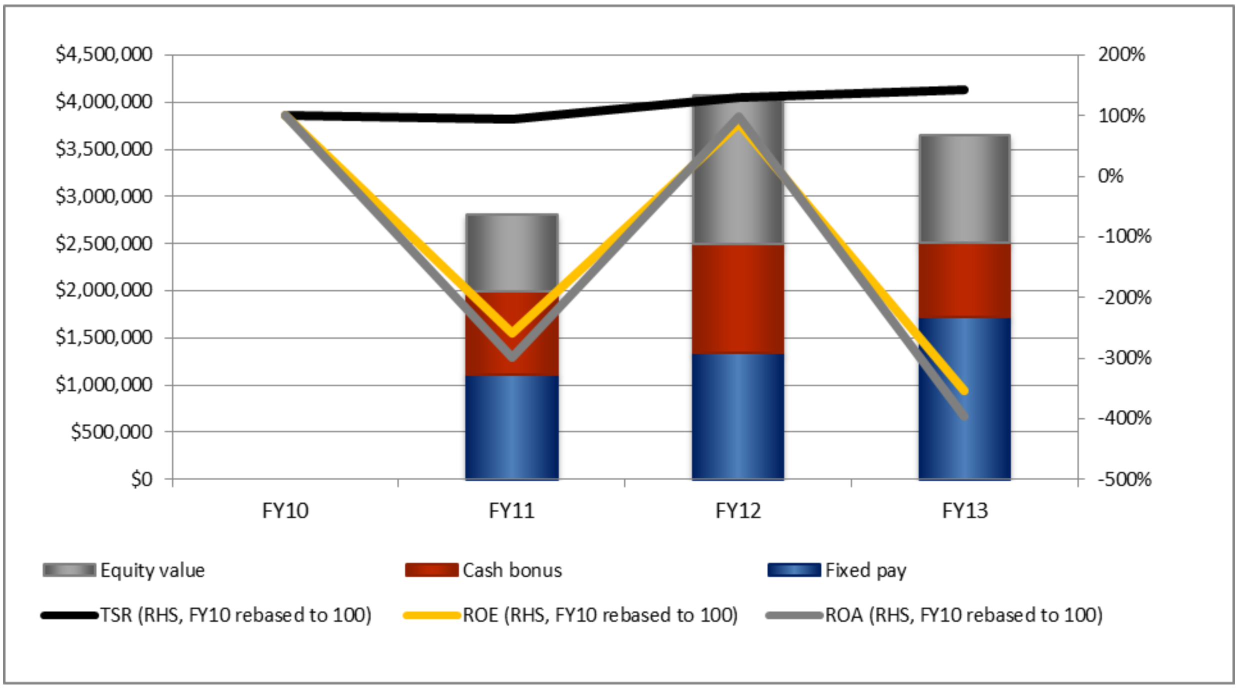


The Seven Group CEO was again among the highest paid CEOs in the ASX 101-200 cohort, this year ranking third (last year Gammell was behind only Virgin's John Borghetti). Even excluding the impact on statutory pay of his departure from Seven at the end of FY13, Gammell's fixed pay of $3 million would have ranked him among the highest paid ASX 101-200 CEOs – his fixed pay for FY13 was again the highest for any CEO in this group. This high level of fixed pay makes his remuneration relatively insensitive to performance.

Accounting measures of Seven's profitability remain less meaningful than at many other mature S&P/ASX 200 entities due to Seven's portfolio of equity-accounted investments – such as Seven West Media – in addition to their wholly-owned businesses such as WesTrac. TSR has however grown strongly since the end of FY10. Seven Group in its current form was created during FY10 when Seven Network, Seven's predecessor entity, acquired WesTrac from Seven Network's major shareholder Kerry Stokes.

13.4 CEO 4: John Borghetti, Virgin Australia

Graph 13.4: Pay for performance for John Borghetti

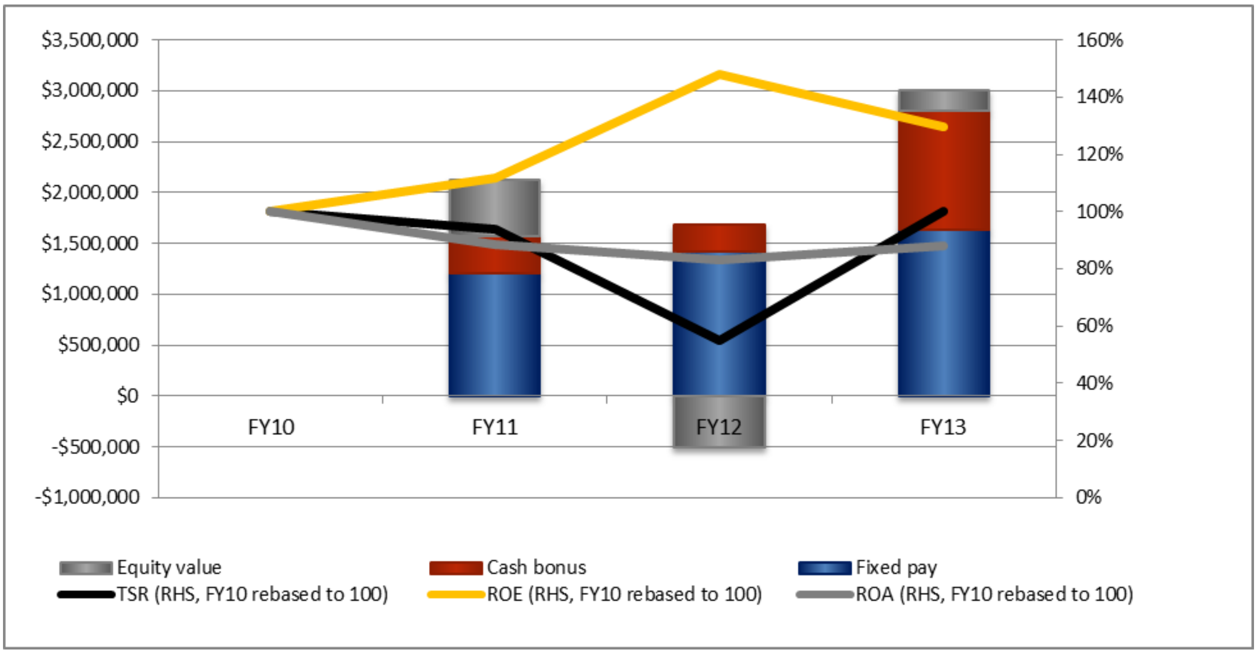


The CEO of Virgin Australia, John Borghetti, commenced his role in May 2010. His tenure has been widely viewed as positive based on Virgin's standing relative to its major domestic competitor, Qantas, although in terms of returns to shareholders, performance has been mixed with large losses in FY11 and FY13. TSR, which reflects only share price movements given no dividends were paid over the period, was marginally positive over the three years to 30 June 2013.

Based on the increase in his overall remuneration since FY11, the board has also judged Borghetti to be a success. Fixed pay increases drove rises in cash pay in FY12 and FY13. Virgin will not be included in the 2014 CEO pay study given the company is no longer a member of the S&P/ASX 200 after its airline major shareholders – Etihad, Singapore Airlines and Air New Zealand – all increased their stakes at the end of 2013, reducing the company's weighting in equity indices.

13.5 CEO 5: Terry Smart, JB Hi-Fi

Graph 13.5: Pay for performance for Terry Smart



In FY13, JB Hi-Fi was included in the ASX 101-200 sample after falling out of the S&P/ASX 100 (it has since been restored to the Top 100). Since becoming CEO at the end of FY10, Terry Smart has overseen a significant increase in ROE even as ROA has declined – debt levels rose between FY10 and FY13 although they remained low relative to most other listed companies. TSR declined before recovering in FY13. Cash pay also rose sharply in FY13 due to bonuses increasing significantly.

CEO Smart, who was COO prior to becoming CEO, announced his decision to retire in April 2014 and he will be succeeded in August 2014 by long-term CFO Richard Murray.

14. Five Lowest Paid S&P/ASX 101-200 CEO Case Studies

14.1 CEO 1: Ross Dobinson, Acrux

Table 14.1: Pay for performance for Ross Dobinson

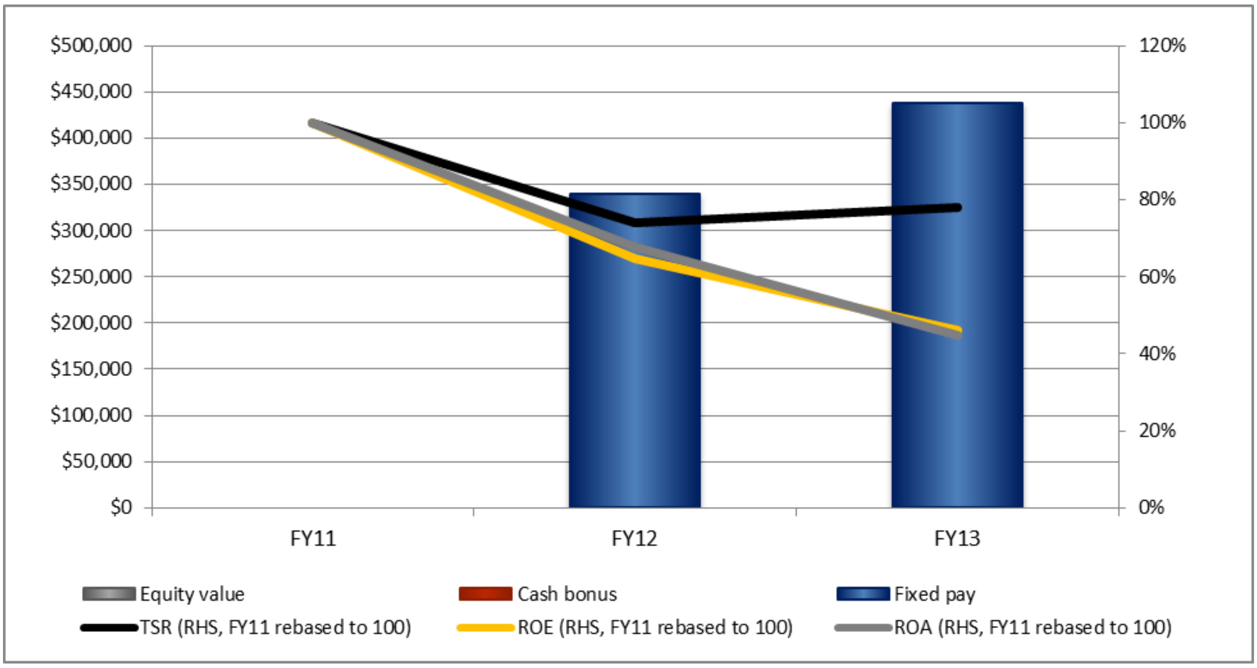
	FY12	FY13
TSR (calendar year)	23.9%	-14.5%
ROA	12.6%	12.4%
ROE	15%	13.9%
Base pay	N/A	$305,799
Bonus	N/A	$63,360
Equity value	N/A	$0
Total Pay	N/A	$369,159

Note: Unable to compare on graph due to commencement in role start of FY13

The executive chairperson of biotech company Acrux, Ross Dobinson, took on executive duties at the start of FY13 following the departure of Richard Treagus at the end of FY12 (Treagus had the second lowest pay in the ASX 101-200 sample for FY12). In FY13, Dobinson received only fixed pay and a relatively small cash bonus while performance as measured by profitability, and TSR was subdued.

14.2 CEO 2: Stewart Elliott, Energy World Corp.

Graph 14.1: Pay for performance for Energy World's Stewart Elliott

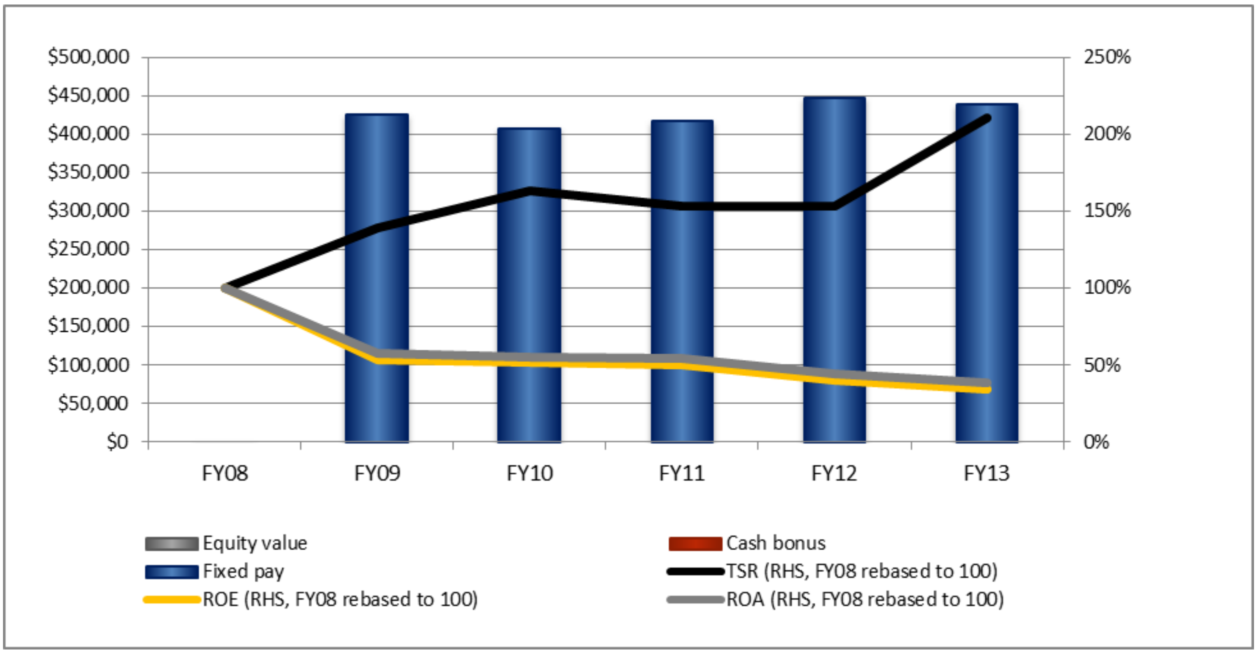


Prior to FY12, Energy World was effectively externally managed by a company controlled by executive chairperson and major shareholder, Stewart Elliott. From FY12 a more traditional structure was adopted, with Elliott being paid a relatively low salary by Energy World; the company in FY13 also directly remunerated another two executive directors.

From the end of FY11 to the end of FY13, EWC's share price performance was poor and profitability also declined. Almost all of the group's revenue in the above period was derived from energy supply agreements with Indonesian Government agencies.

14.3 CEO 3: Kerr Neilson, Platinum Asset Management

Graph 14.2: Pay for performance for Kerr Neilson

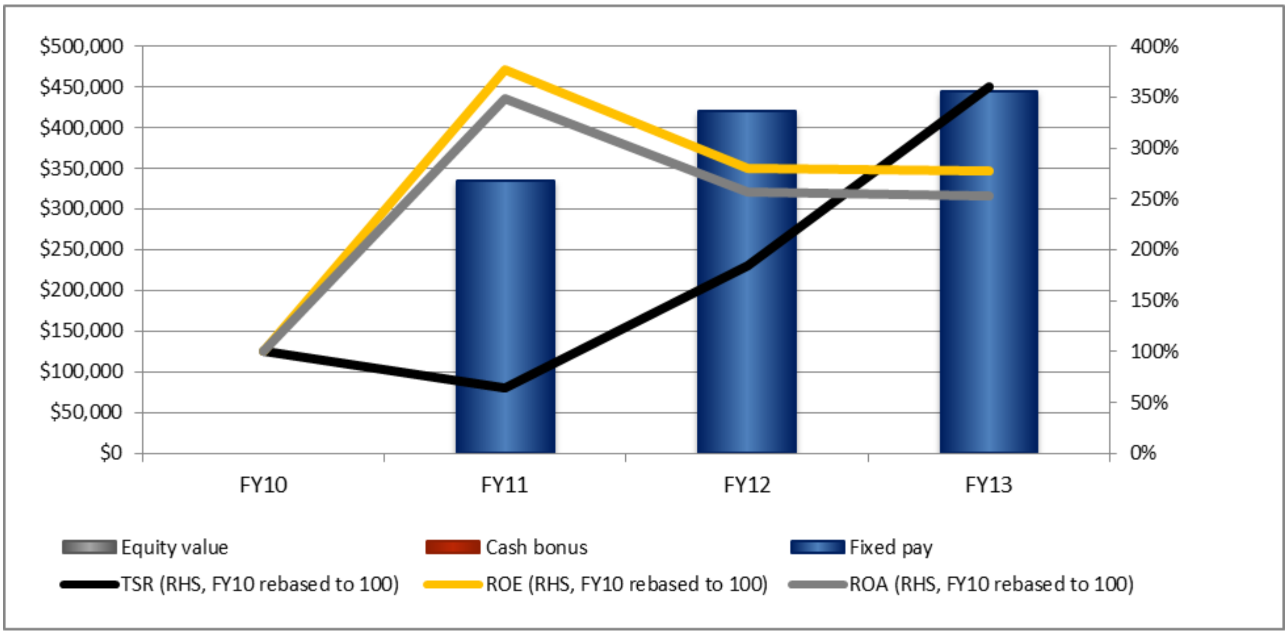


Platinum CEO and founder Kerr Neilson continues to derive the majority of his wealth from Platinum as a shareholder and not as an employee. He has never received a bonus or an equity incentive from the company with movements in fixed pay reflecting changes to leave accruals over time.

From the end of FY08 to the end of FY13 Neilson's wealth as a shareholder increased significantly as TSR doubled. This coincided with a period of declining profitability although even in FY13 ROE and ROA were both above 40%.

14.4 CEO 4: Chris Scott, G8 Education

Graph 14.3: Pay for performance for Chris Scott

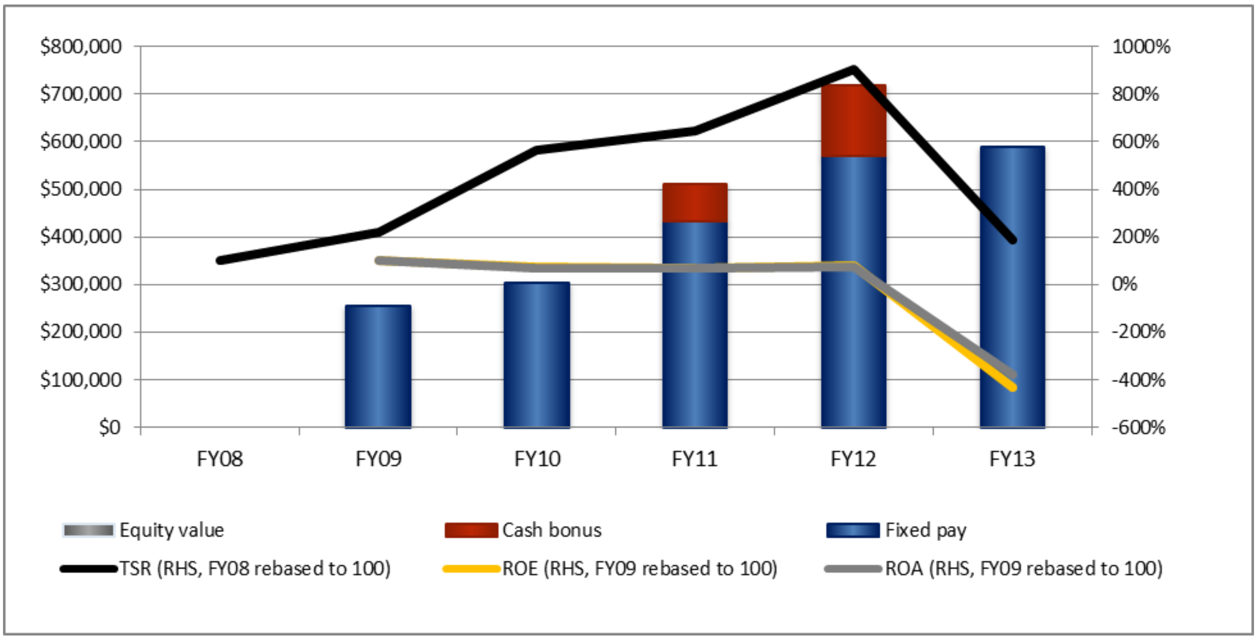


Based on recent media reports the extent of G8 CEO Chris Scott's shareholding in the company is unclear. In any event, the strong TSR recorded over the three years to the end of FY13 has significantly increased the value of Scott's shareholding, disclosed in the 2013 annual report as 2 million shares as at 31 December 2013.

Based on performance since G8 was created, via a merger in FY10, the strategy of growth by acquisition has delivered rich rewards to shareholders through TSR and strong growth in ROE and ROA. This has not been matched by the rate of growth in the remuneration of Scott. Disclosures in annual reports show his fixed pay – his only disclosed remuneration – remains well below $500,000.

14.5 CEO 5: Les Davis, Silver Lake Resources

Graph 14.4: Pay for performance for Les Davis



Any shareholder in Silver Lake who invested at the end of FY08, and sold at the end of FY13, would have good reason to be satisfied with their investment. TSR over this period was strong, even after a significant share price decline in FY13 - common to most gold mining companies as the gold price fell from record highs. This decline in the gold price also drove Silver Lake to a loss in FY13; the company had been profitable since its first full year of production in FY09.

The pay of CEO Les Davis over this period has remained relatively modest, despite significant increases in his fixed pay after FY10. He received bonuses only in FY11 and FY12 and has had no equity incentives granted in the five years to FY13.

Appendix A: Top 100 CEO Fixed Pay Data 2001 to 2013

Year	Average	Median	Minimum	Maximum
2013	$1,948,949	$1,830,614	$247,275	$6,359,705[57]
2012	$1,900,878	$1,951,814	$540,971	$4,926,208
2011	$1,946,748	$1,914,050	$277,638	$4,573,000
2010	$1,929,062	$1,823,168	$119,057	$8,964,902
2009	$2,016,923	$1,807,561	$223,877	$8.981,956
2008	$1,947,350	$1,745,856	$198,648	$9,204,760
2007	$1,833,228	$1,533,948	$321,331	$8,885,278
2006	$1,789,826	$1,579,292	$394,769	$8,888,197
2005	$1,533,231	$1,373,437	$494,531	$8,789,826
2004	$1,416,877	$1,353,000	$410,437	$4,084,000
	$1,554,410	$1,376,798		*$11,731,875*
2003	$1,361,769	$1,136,537	$345,056	$6,716,040
	$1,424,285	*$1,137,769*		*$13,486,153*
2002	$984,045	$903,838	$50,575	$7,938,000
	$1,027,288	*$914,330*		*$7,938,000*
2001	$888,407	$780,975	$52,055	$2,650,565
	$1,008,012	*$781,788*		*$8,543,137*

(Data in italics, 2001-04, includes News Corp.)

[57] This relates to former CSL CEO Brian McNamee and includes a $2.82 million severance payment payable on ceasing to be CEO at the end of FY13. Excluding McNamee, the highest fixed pay was for the combined co-CEOs of Westfield Group, Peter & Steven Lowy, at $5.006 million. The highest fixed pay for an individual CEO below McNamee was Wesfarmers' Richard Goyder at $3.661 million.

Appendix B: Top 100 CEO Bonus Data 2001 to 2013

Year	Average	Median	Minimum	Maximum
2013	$1,220,744	$950,000	$100,000	$6,101,360
2012	$1,315,221	$1,060,095	$40,000	$7,245,088
2011	$1,255,212	$1,098,300	$57,750	$3,367,965
2010	$1,584,120	$1,122,000	$13,642	$10,298,586
2009	$1,564,273	$1,206,662	$223,877	$8,238,246
2008	$2,016,214	$1,167,645	$202,293	$27,223,798
2007	$2,260,741	$1,360,000	$750,000	$25,615,987
2006	$1,683,252	$1,005,890	$100,000	$15,833,577
2005	$1,364,295	$1,000,000	$75,000	$13,892,889
2004	$1,293,093 *$1,671,608*	$900,000 *$911,803*	$126,000	$13,400,000 *$17,980,437*
2003	$1,102,603 *$1,283,330*	$725,000 *$735,129*	$88,000	$12,381,000
2002	$902,969 *$937,347*	$468,011 *$475,000*	$50,000	$10,944,000
2001	$769,125 *$871,389*	$377,936 *$386,805*	$73,000	$6,239,739

(Data in italics, 2001-04, includes News Corp.)

Appendix C: Top 100 CEO Cash Pay Data 2001 to 2013

Year	Average	Median	Minimum	Maximum
2013	$3,005,935	$2,529,885	$616,972	$11,107,787
2012	$2,981,530	$2,888,441	$540,971	$12,171,296
2011	$3,055,428	$2,945,000	$335,388	$6,734,522
2010	$3,354,770	$2,785,900	$132,699	$15,964,902
2009	$3,397,328	$2,853,198	$239,295	$14,931,956
2008	$3,814,687	$2,903,752	$198,648	$27,894,726
2007	$3,837,684	$2,900,000	$321,331	$26,286,806
2006	$3,476,833	$2,492,718	$415,862	$16,504,181
2005	$2,832,457	$2,134,534	$581,750	$14,653,688
2004	$2,787,708 *$3,146,703*	$2,408,309 *$2,408,670*	$410,437	$14,692,011 *$29,712,312*
2003	$2,141,128 *$2,444,368*	$1,740,537 *$1,773,180*	$387,472	$13,393,275 *$25,793,845*
2002	$2,200,664 *$2,381,356*	$1,427,877 *$1,447,111*	$50,575	$11,922,336 *$16,294,620*
2001	$1,814,371 *$2,018,190*	$1,375,000 *$1,422,662*	$166,457	$7,823,072 *$14,858,824*

(Data in italics, 2001-04, includes News Corp.)

Appendix D: Top 100 CEO Statutory Pay Data 2001 to 2013

Year	Average	Median	Minimum	Maximum
2013	$4,843,607	$4,155,693	$616,972	$19,110,336
2012	$4,705,093	$3,985,254	$540,791	$21,105,291
2011	$4,724,758	$4,517,815	$426,542	$11,803,992
2010	$4,991,319	$4,388,073	$132,699	$16,157,746
2009	$4,924,256	$4,039,748	-$961,853	$14,931,956
2008	$5,162,441	$4,049,293	$198,648	$24,755,444
2007	$5,540,815	$4,168,554	$404,062	$33,489,818
2006	$4,561,393	$3,274,675	$415,862	$21,210,349
2005	$3,766,549	$3,092,576	$659,002	$18,553,566
2004	$3,564,486 *$3,913,123*	$3,074,837 *$3,138,235*	$410,437	$14,692,011 *$29,712,312*
2003	$2,858,343 *$3,163,769*	$2,309,384 *$2,325,692*	$387,472	$13,393,275 *$26,681,537*
2002	$3,059,008 *$3,228,695*	$2,081,110 *$2,098,601*	$50,575	$11,922,336 *$16,294,620*
2001	$2,450,513 *$2,644,393*	$1,843,987 *$2,120,411*	$166,457	$11,682,638 *$14,858,824*

(Data in italics, 2001-04, includes News Corp.)

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