

Australian Council of Superannuation Investors

CEO Pay in ASX200 Companies



ACSI Annual Survey of S&P/ASX200 Chief Executive Remuneration

September 2015

This study was commissioned by
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prepared by OwnershipMatters

acsi

About ACSI

ACSI is a collaboration between 29 Australian profit-for-members superannuation funds, and six major international pension funds and asset owners, who have joined together to efficiently advance their collective ownership rights to improve the management of environmental, social and governance (ESG) investment risks and opportunities by Australian listed companies.

Full details on ACSI and its research publications, policy positions and membership are available on our website at www.acsi.org.au.

ACSI's Australian member funds, in aggregate manage over \$400 billion of superannuation assets on behalf of more than 8 million Australian superannuation fund members.

Of this total, approximately 30% is invested in Australian listed equities, which translates to approximately 11% of the average ASX200 listed company, and growing in accordance with the growth of the Australian superannuation industry generally.

ACSI's mission is, therefore, to enhance sustainable long-term value for the retirement savings that are entrusted to our Members as fiduciary institutional investors. ACSI achieves this by representing the collective rights and interests of Members through influencing companies, investors, government and opinion leaders.

The focus of ACSI's research, policy and representation is environmental, social and governance (ESG) investment risks and opportunities.

Specifically, ACSI works on behalf of its Members in three key areas:

- **Research & policy formation**
Identifying the most significant ESG issues for investors.
- **Company engagement & voting advice**
Engaging directly with companies on behalf of Members, and advising Members on how to exercise their formal ownership rights.
- **Engaging with regulators and other system-wide market participants**
Ensuring that markets are oriented towards beneficiaries and focused on the long term.

About Ownership Matters

Ownership Matters is an Australian governance advisory firm. Its principals have collective experience of 30 years in advising institutional investors on governance issues at ASX listed companies.

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Foreword

For almost a decade and a half, the Australian Council of Superannuation Investors' annual study of Chief Executives' pay has set the benchmark for critical analysis of how company boards are remunerating the people charged with enhancing the performance of Australia's largest listed companies for the benefit of their owners.

The structure, and even the disclosure, of executive pay arrangements has almost always been a controversial subject – and, most likely, always will be.

Over that time, ACSI has always sought to innovate and improve the scope of the CEO Pay report – and this year is no exception. For the first time, ACSI has included valuations of Realised pay for all CEOs in the sample, not just the amounts that companies are statutorily required to report.

ACSI began the journey on realised-pay data in its 2012 and 2013 studies, where it disclosed details for the highest and lowest paid CEOs. Investors, and others, now have a more comprehensive view of the level of rewards actually received by CEOs at the majority of companies within the S&P/ASX200 index.

The realised pay calculations include the market value of shares and options, which either vested or were exercised during the past year, providing a picture of the actual value received by executives from their remuneration packages. ACSI believes that statutory reporting requirements often provide an incomplete picture on the outcomes for executives, chiefly because the only accounting for equity grants to these people represents a notional face value for instruments which, depending upon their company's performance, may (or may not) become "real" securities in the hands of executives.

While the packaging and disclosure of CEO pay has undoubtedly become more disciplined in recent years, thanks to legislation like 'two strikes' and termination pay - as well as challenging scrutiny from ACSI and others – company boards and investors cannot afford to lose sight of the quantum of rewards being delivered.

These figures suggest that the existing requirements for reporting executive pay have the potential to significantly understate the rewards received by executives. While some executives have clearly reaped far more value from their employment arrangements than was previously thought, in other companies, where the equity failed to vest because performance hurdles were not met, CEO pay was not as large as previously believed.

Statutory reporting, which is designed to show the expense to the company, not the reward to the individual, may only be disclosing the tip of the iceberg in terms of the wealth accruing to senior executives, which invites further discussion in the boardrooms of Australia's leading companies about whether these were the intended outcomes of their respective pay structures.

The bottom line test for any reward structure is, however, whether the outcome for the executives is aligned with that of the company's owners.

Yours sincerely,



Louise Davidson
Chief Executive Officer

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Executive Summary

This is ACSI's 14th study of CEO pay in the S&P/ASX100 (ASX100), and the fourth year that ACSI has extended the study to encompass all of the S&P/ASX200 (ASX200). This study is the first to include Realised pay for all CEOs in the sample (83 CEOs in the ASX100 and 75 from the ASX101-200 cohort), providing a picture of the actual value received by those executives through their remuneration. This builds upon the realised-pay data provided for the highest and lowest paid CEOs in the sample in the 2013 and 2012 studies.

Realised Pay

- For CEOs in the ASX100, **average Realised pay in 2014 was \$5.63 million**, compared to average Reported pay of \$5.01m. The realised-pay average was significantly distorted by a handful of outliers - most notably Ramsay Health Care's Chris Rex, whose 2014 Realised pay was \$30.8 million.
- Westfield's co-CEOs, the **Lowy brothers Peter and Steven, were the highest paid on a reported basis, and the second highest paid on a realised basis** at \$24.4 million. The only other chief executive to realise more than \$20 million was James Hardie Industries' Louis Gries.
- Outside the ASX100, the highest paid was Nine Entertainment Co.'s David Gyngell, whose Reported pay was \$19.59 million** and Realised pay \$18.03m. Average Realised pay for this cohort was \$2.3 million, below average Reported pay of \$2.34m. Premier Investments' Mark McInnes (\$7.56 million) recorded the second highest Realised pay in the sample.
- The CEO with the **most understated** pay in the ASX200 was **Seek's Andrew Bassat, who reaped \$17.95 million** - largely from option exercises - well in excess of his Reported pay of \$4.21 million.
- Veda Advantage's Nerida Caesar had the most overstated** pay on a reported basis, realising \$2.83 million against "accounting pay" of \$8.28m – although her Reported pay did capture the likely future benefits of lucrative equity allocations she received as part of Veda's IPO.

10 highest paid CEOs in S&P/ASX 100 on a realised pay basis in FY14

Rank	CEO (ASX code)	Realised pay	Reported pay	Reported pay	1yr TSR (FY14)	3yr TSR (FY14)	5yr TSR (FY14)
		(\$m)	(\$m)	Ranking	%	%	%
1	Chris Rex (RHC)	\$30.8	\$9.1	9	29.4	39.0	35.1
2	Peter & Steven Lowy (WDC/WFD)	\$24.4	\$22.1	1	38.9	25.5	12.7
3	Louis Gries (JHX)	\$20.8	\$12.6	3	53.7	38.8	31.2
4	Andrew Bassat (SEK)	\$17.9	\$4.2	41	78.0	38.1	33.3
5	Andrew Mackenzie (BHP)	\$15.6	\$7.8	14	18.6	-3.3	3.6
6	Colin Goldschmidt (SHL)	\$13.4	\$3.8	47	21.7	15.4	12.0
7	Gail Kelly (WBC)	\$12.9	\$11.0	4	3.4	24.3	10.9
8	Ken MacKenzie (AMC)	\$12.7	\$8.4	10	16.6	21.9	25.2
9	Mike Wilkins (IAG)	\$11.5	\$7.5	15	14.6	25.9	15.8
10	Nicholas Moore (MQG)	\$11.4	\$13.1	2	66.2	23.3	22.4

Fixed Pay

- **Median fixed pay for ASX100 CEOs fell 1.1% in 2014**, with the median ASX100 CEO receiving fixed pay of \$1.81 million.
- **ASX 101-200 sample was distorted by the sharp decline in the number of exploration companies**, from nine in FY13 to four in 2014, **and by the inclusion of several highly-paid CEOs of newly-listed companies** including Nine, Veda and OzForex.
- As a result, the **ASX 101-200 average pay soared almost 34%** from \$1.75 million **to \$2.34 million**. The median for the ASX 101-200 was up 8.2 per cent from \$1.58 million to \$1.71 million. Average Realised pay for this cohort was \$2.3 million, and median Realised pay was \$1.74 million.
- **Median fixed pay for the ASX101-200 CEO cohort rose 3%** to \$930,000 while the median cash bonus fell 4% to \$335,000; median cash pay rose 11.8% to \$1.28 million and median Reported pay rose 8.2% to \$1.71 million.

Bonuses Paid and Accrued

- Bonuses, however, rose – the **median cash bonus in the ASX100 lifted 12% to \$1.07 million**. The **proportion of CEOs getting a bonus rose** for the second year in succession, **to just over 90% - the highest since 2008**, which saw median and average cash pay rise strongly – the median rose 14.3% to \$2.89 million.
- For the **ASX101-200, the average bonus was up more than 40% to \$609,010**, again due to large bonuses for CEOs of newly-listed company, but the median actually fell 4.4% to \$334,500.

Termination Payments

- Termination Payments were dominated by **two large payments** (the largest payouts recorded in the ACSI study since FY11): **\$13.59 million for former Leighton CEO Hamish Tyrwhitt and \$8.13 million**, in various payments, **to former PanAust CEO Gary Stafford**. Excluding these, there were six other Termination Payments in excess of \$1 million across the ASX200.

Methodology

The 2014 study includes the pay of CEOs of all companies in the S&P/ASX200, for all financial years that ended in calendar 2014 (2014; the years included range from 31 January 2014, for Sigma Pharmaceuticals, to 31 December 2014). ACSI commenced its longitudinal study of ASX100 CEO pay in 2001 and, so, has 14 years of data on CEO pay for this cohort and four years of data for the S&P/ASX101-200 group. The 2014 sample included 83 ASX100 CEOs (up from 82 for 2013) and 75 ASX101-200 CEOs (down from 79). Not all constituents of the ASX200, as at 30 June 2014, 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 are removed to avoid distorting total remuneration figures.
- A small number of entities in ASX200 index as at 30 June 2014 were externally managed (such as Charter Hall REIT and Investa Office Fund). Those entities do not disclose remuneration for their executive team because they are not employees of the listed entity.
- Companies domiciled outside of Australia, and subject to different remuneration disclosure requirements such as Henderson Group, are not included. As in past years, entities such as James Hardie (domiciled in Ireland) and Oil Search (domiciled in PNG) are 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) are included for the same reason.

All pay figures are in Australian dollars, and are as disclosed in each company's 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 Corporation (WFD) and Charter Hall, the combined remuneration of the joint CEOs has been included in the sample (WFD's joint CEOs have been included in the study despite the restructure of Westfield & Westfield Trust during 2014 given they remained co-CEOs of first Westfield Group (WDC) and then WFD throughout 2014; WDC securityholders received WFD securities on a one-for-one basis and the co-CEOs' remuneration did not change during 2014).

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, while Rowen Craigie is treated as CEO of Crown Resorts.

This year's study also includes Realised pay data for the entire sample, using the Realised pay methodology employed in the 2012 and 2013 studies. Realised pay is calculated based on 'cash pay' – Reported 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.

Realised and Reported Pay: ASX100

The average Realised pay for a ASX100 CEO in the 2014 sample was \$5.626 million, 12.3% higher than the reported average. This gap however was largely due to three CEOs – those at Ramsay Health Care, Seek and Sonic Healthcare – whose Realised pay for 2014 was well over three times their 2014 pay, calculated in accordance with the Corporations Act.

Table 1: Average, median & outliers ASX100 total CEO pay

	Realised pay	Reported pay
Highest	\$30,796,223	\$22,088,011
Lowest	\$657,073	\$657,073
Average	\$5,626,235	\$5,008,869
Median	\$3,958,000	\$4,195,278

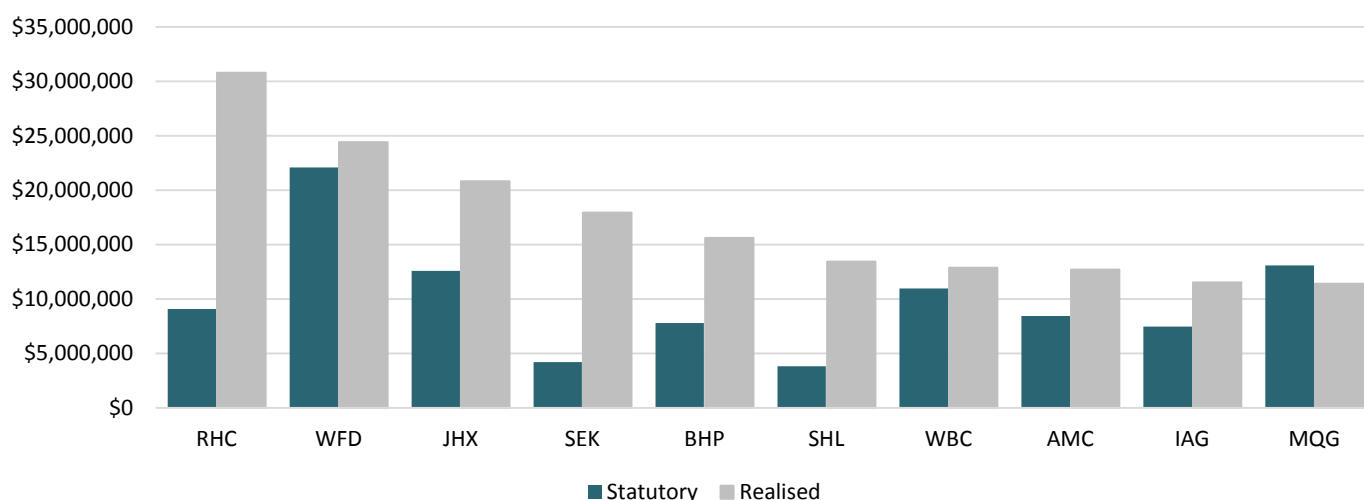
Between them, these three CEOs had Realised pay of \$62.19 million and Reported pay of \$17.13 million. Without these outliers, the gap between reported and Realised pay was much smaller - as shown in Table 1 (above), the median Realised pay among ASX100 CEOs was 5.7% lower than the reported median.

Realised pay across a group of CEOs is more likely to include a cohort where Realised pay is significantly higher than Reported pay. This is because Reported pay ‘smooths’ the value of share-based payments over the vesting period – typically several years for large companies – and also values nearly all equity allocations at a discount to the market price at time of grant (at the very least to take account of the time value of money). No allowance is made in these valuations for very large share price increases, which explains the significant value derived by the CEOs of Ramsay, Seek and Sonic.

When rapid share-price increases are coupled with options, which provide much greater ‘upside’ than zero exercise-price options (ZEPOs; also known as ‘share rights’), the potential for Realised pay to significantly outstrip Reported pay is even greater – in the case of Sonic and Seek, option exercises were the primary reason for such large gaps between reported and Realised pay.

In 2014 the highest paid CEO in the ASX100 on a Realised pay basis was Ramsay’s CEO, Chris Rex at \$30.8 million (well above his Reported pay of \$9.09 million). This was largely due to the vesting in July 2013 of 600,000 ‘retention rights’, allocated to him when he became CEO in July 2008. These rights, on conversion to shares, were worth \$21.23 million - reflecting the more than three-fold increase in the RHC share price between their allocation and vesting.¹

Graph 1: 10 highest paid CEOs in ASX100 on realised-pay basis



¹ Ramsay Health Care Limited, 2014 annual report, p. 49. The accounting value expensed by RHC over the five-year vesting period was \$5.304 million – see p. 28, 2009 annual report.

The other CEO to enjoy Realised pay that was many multiples of their Reported pay, was Seek's Andrew Bassat. As in the case of RHC's Rex, the gain for Bassat was due to the exercise of options originally granted before Seek's share price rose significantly. In Bassat's case the gains of \$12.71 million were on options granted in November 2008 and November 2011, and the accounting expense over the vesting periods for these options incurred by Seek was well under \$1.5 million.²

The table below reconciles Bassat's Reported pay to his Realised pay, to show the impact of option exercises and equity vesting on outcomes. Bassat sold 1.1 million shares to help fund the option exercise and taxation costs in 2014.

Table 2: 2014 reported to Realised pay reconciliation for Seek CEO Andrew Bassat

Category	Amount	Information source
A - Reported pay	\$4,209,747	2014 annual report, pp.34-35.
B - Less share-based payments expense	(\$2,371,431)	As above.
C - Plus value of performance rights on vesting	\$1,200,002	Change of director's interest notice, 10 September 2013, closing 3 September 2013 share price.
D - Plus value of 2008 options at exercise	\$2,840,196	As above; closing 6 September 2013 share price.
E - Plus value of 2011 options at exercise	\$12,069,360	Change of director's interest notice, 27 February 2014, closing 27 February 2014 share price.
Total Realised pay	\$17,947,875	A – B + C + D + E

As is clearly seen in Table 3 (below), in most cases Reported pay is a reasonable guide to Realised pay, especially as most executives with high Reported pay also receive high levels of cash pay. Of the 10 highest-paid CEOs on a realised basis in the ASX100, half were also ranked in the Top 10 on a Reported pay basis. Only two – Bassat and Sonic Healthcare's Colin Goldschmidt – were ranked outside the top 15 CEOs on a Reported pay basis.

Table 3: 10 highest-paid CEOs in ASX100 on a Realised pay basis in 2014

Rank	CEO (ASX code)	Realised pay	Reported pay 2014	
		\$m	\$m	Rank
1	Chris Rex (RHC)	\$30.80 ³	\$9.09	9
2	Peter & Steven Lowy (WDC/WFD)	\$24.40 ⁴	\$22.09 ⁵	1
3	Louis Gries (JHX)	\$20.84 ⁶	\$12.59	3
4	Andrew Bassat (SEK)	\$17.95	\$4.21	41
5	Andrew Mackenzie (BHP)	\$15.62 ⁷	\$7.79	14
6	Colin Goldschmidt (SHL)	\$13.44 ⁸	\$3.83	47
7	Gail Kelly (WBC)	\$12.89 ⁹	\$10.98	4
8	Ken MacKenzie (AMC)	\$12.69 ¹⁰	\$8.42	10
9	Mike Wilkins (IAG)	\$11.52 ¹¹	\$7.47	15
10	Nicholas Moore (MQG)	\$11.41 ¹²	\$13.08	2

² The expensed fair values for these options is from Seek's 2009 annual report, p. 22 & the 2012 annual report, p. 29.

³ Ramsay Health Care Limited, 2014 annual report, p. 66.

⁴ Westfield Corporation, 2014 annual report, pp. 27 & 29.

⁵ Scentre Group, 2014 annual report, p. 29 and Westfield Corporation, 2014 annual report, pp. 18 & 19.

⁶ James Hardie Industries plc, 2014 FY 20-F, pp. 51-53.

⁷ BHP Billiton, 2014 annual report, pp. 198,200 & ASX announcement, 23 August 2013, '2008 long term incentive plan vesting and CEO awards outcome'. Dividend equivalent payments converted to AUD using the average FX for the period 21 – 23 August 2013.

⁸ Sonic Healthcare Limited, 2014 annual report, pp. 29-30; change of director's interest notice, 28 August 2013.

⁹ Westpac Banking Corp., 2014 annual report, p. 69.

¹⁰ Amcor Limited, change of director's interest notices, 28 August 2013 & 3 September 2013.

¹¹ Insurance Australia Group Limited, 2014 annual report, pp.37,41, change of director's interest notices, 22 July 2013, 3 September 2013, 10 September 2013, 12 November 2013.

¹² Macquarie Group Limited, 2014 annual report, pp. 78,80 & change of director's interest notice, 21 August 2013.

Table 4 (below) shows the 10 highest-paid ASX100 CEOs on a reported basis (and their ranking in FY13), reprising a similar table in past ACSI studies.

It confirms that high levels of Reported pay generally reflect high levels of actual pay – only Wesfarmers’ Richard Goyder ranks outside the top 20 on a realised-pay basis, and his 2014 Realised pay ranked him 23rd out of 83 CEOs in the sample due to his high fixed pay and large cash bonus.

Table 4: 10 highest-paid CEOs in ASX100 on Reported pay basis

Rank	CEO (ASX code)	Reported pay		Realised pay	
		\$m	FY13 Rank	\$m	2014 Rank
1	Peter & Steven Lowy (WDC/WFD)	\$22.09	2	\$24.40	2
2	Nicholas Moore (MQG)	\$13.08	7	\$11.41	10
3	Louis Gries (JHX)	\$12.59	15	\$20.84	3
4	Gail Kelly (WBC)	\$10.98	5	\$12.89	7
5	Mike Smith (ANZ)	\$10.44	3	\$7.75 ¹³	16
6	Sam Walsh (RIO)	\$10.32	4	\$9.29 ¹⁴	13
7	Peter Coleman (WPL)	\$9.41	18	\$6.90 ¹⁵	20
8	Richard Goyder (WES)	\$9.40	9	\$6.51 ¹⁶	23
9	Chris Rex (RHC)	\$9.09	11	\$30.80	1
10	Ken MacKenzie (AMC)	\$8.42	10	\$12.69 ¹⁷	8
Average reported & Realised pay for Top 10 CEOs <i>(FY13 in italics)</i>		2014: \$11,583,188 <i>(FY13: \$10,979,459)</i>		2014: \$14,351,245 <i>(FY13: \$10,267,283)</i>	

High pay is persistent. Of the 10 highest-paid CEOs on a reported basis, seven were in the Top 10 for FY13 - and all were in the top 20. The only CEOs to fall out of the FY13 Top 10 were those who left their positions: CSL’s Brian McNamee, Sims’ Dan Dienst (both of whose differing departures had a major influence on their inclusion in the 2013 Top 10), and Telstra’s David Thodey, who in 2014 was ranked 11th. While the Lowy brothers are at the top of both the statutory and Realised pay lists when their individual pay packages are combined as co-CEOs – on an individual basis, both men would rank in the Top 10 for both realised and Reported pay.

For most Australian-listed companies, Realised pay data is readily available through disclosures in remuneration reports and, on occasion, changes of directors’ interest notices. The exception among the companies listed above is Macquarie, where the proportion of the annual ‘profit share’ released during a given year is no longer disclosed (this portion of the profit share is invested in a notional portfolio of Macquarie-managed entities and released over three to seven years).¹⁸

¹³ Australia & New Zealand Banking Group Limited, 2014 annual report, p. 50.

¹⁴ Rio Tinto, 2014 annual report, pp.96-97.

¹⁵ Woodside Petroleum Limited, 2014 annual report, p. 69.

¹⁶ Wesfarmers Limited, 2012 annual report, p. 79.

¹⁷ See n. 10.

¹⁸ This was disclosed by Macquarie in 2012 and 2013 – see, for example, p. 68 of the 2013 annual report.

As Table 5 (below) shows, there were 14 CEOs in the 2014 sample who had Realised pay that was at least 30% lower than the reported figure. This includes Wesfarmers' Richard Goyder, who is one of the 10 highest-paid CEOs on a reported basis.

Table 5: ASX100 CEOs with most overstated pay in 2014

Rank	CEO (ASX code)	Realised pay as % of Reported pay	Reported pay		Realised pay	
			(\$m)	2014 Rank	(\$m)	2014 Rank
1	Nev Power (FMG)	35.5%	\$6.37	21	\$2.26 ¹⁹	65
2	David Knox (STO)	51.7%	\$6.78	17	\$3.51 ²⁰	47
3	Grant King (ORG)	57.9%	\$7.28	16	\$4.22 ²¹	3
4	Stuart Grimshaw (BOQ)	58.1%	\$3.18	57	\$1.84 ²²	73
5	Greg Hywood (FXJ)	58.1%	\$2.86	61	\$1.66 ²³	76
6	Brian Kruger (TOL)	60.7%	\$4.98	32	\$3.02 ²⁴	54
7	Tatts Group Limited (TTS)	62.8%	\$3.07	18	\$1.93 ²⁵	68
8	Paul O'Malley (BSL)	63.5%	\$4.95	33	\$3.14 ²⁶	53
9	Alan Joyce (QAN)	64.5%	\$3.97	46	\$2.56 ²⁷	61
10	Ian Smith (ORI)	65.1%	\$6.19	24	\$4.03 ²⁸	40
11	Steve Sewell (FDC)	65.5%	\$3.99	45	\$2.62 ²⁹	60
12	David Robb (ILU)	68.2%	\$5.09	30	\$3.47 ³⁰	49
13	Richard Goyder (WES)	69.3%	\$9.40	9	\$6.51	23
14	David Attenborough (TAH)	69.8%	\$2.51	69	\$1.75 ³¹	74

For many executives with 'overstated' pay, the overstatement relates to equity incentives that have not vested: at Santos and Origin Energy, for example, neither CEO has had any long-term incentives vest for a number of years, although annual bonuses at both companies have been persistent. Under the Corporations Act's pay-disclosure rules, however, equity incentives are expensed over their vesting period - and for incentives with 'market hurdles' (like relative total shareholder return) no adjustment is made to the expensed value if the incentives never vest (although the value of the incentives disclosed as pay is discounted to reflect the probability of no vesting occurring).

The fact Reported pay may overstate Realised pay in a particular year does not necessarily mean the disclosure is 'unfair' as it relates to a particular executive - it may simply reflect how the pay disclosure rules 'smooth' executive pay over several years. In the case of Federation Centre's Steve Sewell, his Reported pay includes the expensed value of equity incentives allocated in FY12, FY13 and 2014 and, as at the end of 2014, none of these incentives had vested - although in March 2015 Sewell had equity incentives vest under his first LTI allocation with a value (at vesting) of \$1.871 million.³² As Federation also awards half his annual bonus as equity, deferred for two years, the full impact of the \$2.77 million bonus he was awarded for 2014 was also not apparent from the remuneration table.

¹⁹ Fortescue Metals Group Limited, 2013 annual report, p.70; 2014 annual report, pp. 101,112.

²⁰ Santos Limited, 2014 annual report, pp. 54,66.

²¹ Origin Energy Limited, 2014 annual report, pp. 40,46-47.

²² Bank of Queensland Limited, 2014 annual report, pp. 22-23,26.

²³ Fairfax Media Limited, 2014 annual report, p. 51. Realised pay includes dividends on unvested LTI allocations approved at the 2011 AGM.

²⁴ Toll Holdings Limited, 2014 annual report, pp.48,51.

²⁵ Tatts Group Limited, 2014 annual report, pp.51-54.

²⁶ Bluescope Steel Limited, 2014 annual report, pp. 39,42.

²⁷ Qantas Airways Limited, 2014 annual report, pp. 50,60.

²⁸ Orica Limited, 2014 annual report, pp. 39-41.

²⁹ Federation Centres, 2014 annual report, pp. 66,68-69.

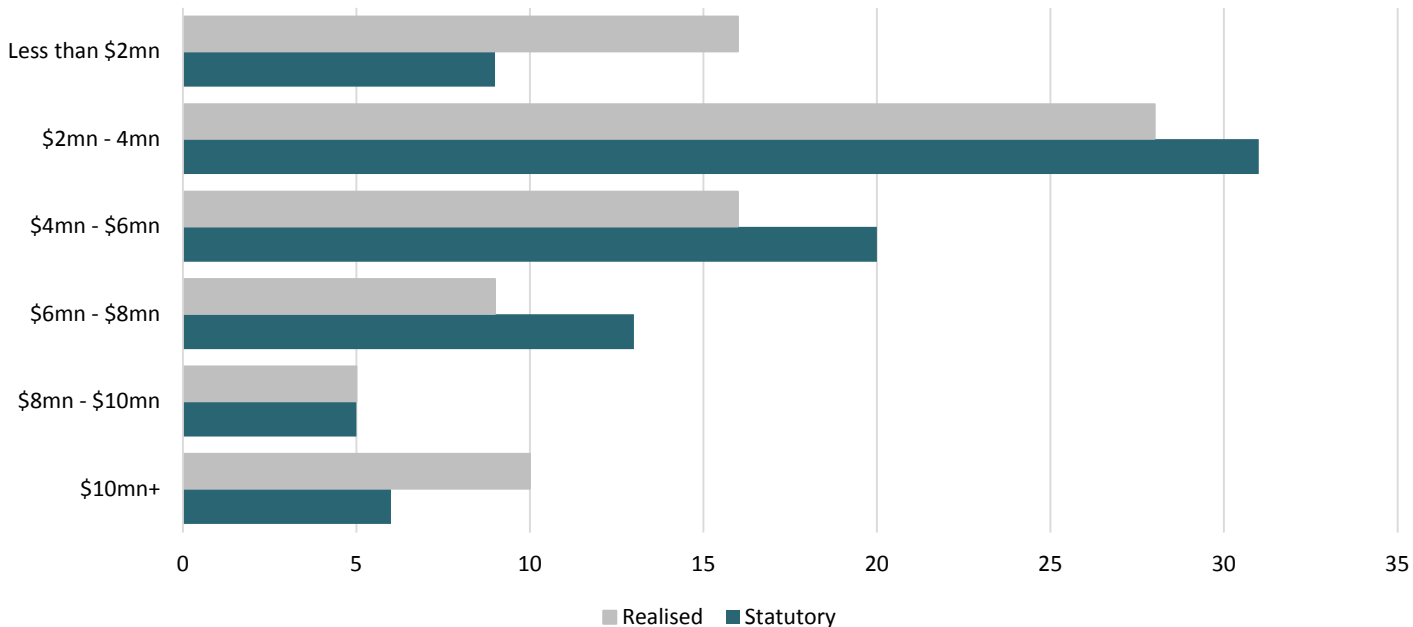
³⁰ Iluka Resources Limited, 2014 annual report, p. 87, 2013 annual report, p. 80, 2012 annual report, p. 32.

³¹ Tabcorp Holdings Limited, 2014 annual report, pp.62,65

³² Change of director's interest notice, 5 March 2015 and closing FDC security price on 4 March 2015.

The lowest paid CEO, on both a Realised and Reported basis, was Flight Centre founder Graham Turner, who in the 2013 study was also among the lowest-paid ASX100 CEOs. He does not participate in any equity incentive schemes, but is the largest shareholder in Flight Centre. Other than Turner, the other CEOs whose Reported and Realised pay matched were Harvey Norman’s Gerry Harvey, Sydney Airport’s Kerrie Mather, Primary’s Ed Bateman and Navitas’s Rodney Jones. In all cases, these executives did not participate in equity incentive schemes.

Graph 2: ASX100 CEO Realised & Reported pay distribution for 2014



Realised & Reported Pay: ASX101-200

The gap between average and median Realised and Reported pay for CEOs of companies in the ASX101-200 cohort was relatively small. Average Reported pay was 1.9% higher than Realised pay, at \$2.34 million, while median Realised pay across the 75 CEOs was \$1.74 million, marginally above the reported pay median.

Table 6: Average, median & outliers for 2014 ASX101-200 total CEO pay

	Realised pay	Reported pay
Highest	\$18,028,506	\$19,588,095
Lowest	\$357,009	-\$386,999
Average	\$2,297,001	\$2,341,142
Median	\$1,738,822	\$1,711,379

The lowest-paid CEO, on a realised basis, was ARB Corporation's Andrew Brown – in common with the lowest paid ASX100 CEO he is a major shareholder in the company he leads. On a reported basis, the lowest-paid CEO in the Second 100 was former UGL CEO Richard Leupen at -\$386,999. Unfortunately for long suffering UGL shareholders, this did not reflect their former CEO having to repay any of the significant remuneration he received from UGL during his long tenure, but instead reflected the reversal of amounts previously accrued for equity incentives subject to EPS hurdles that did not vest (Leupen did however receive the benefit of dividends on these incentives from their allocation in 2009 to their expiry in 2014).³³ Excluding Leupen, Brown was the lowest paid CEO on a reported basis.

At the other end of the scale, there was close correlation between the highest paid CEOs on a realised and reported basis. The highest paid CEO on both a realised and reported basis was Nine Entertainment Group's David Gyngell whose Realised and Reported pay was so high it would have ranked him among the 10 highest paid ASX100 CEOs, the only CEO from the Second 100 cohort to have a pay outcome of this size. In the case of Gyngell, and another of the highest paid ASX101-200 CEOs on a realised and reported basis, OzForex's Neil Helm, the impact of an initial public offering had a major impact on their 2014 pay outcome.

Of the 10 highest CEOs, on a Realised pay basis, in the Second 100 cohort, six were also ranked in the Top 10 on a Reported pay basis with co-CEO arrangements at Village Roadshow and Charter Hall partially accounting for their elevated ranking – although it is noteworthy that the cash cost of the Village co-CEOs was approaching \$7 million for 2014 with each CEO receiving fixed pay of approximately \$2.5 million.

³³ See UGL Limited, 'United Group Limited CEO extends contract until 2014', 24 June 2009. The estimated value of these dividends on 'performance shares' that never vested was \$1.917 million excluding the value of \$737,000 in franking credits.

Table 7: 10 highest paid CEOs in ASX101-200 on a Realised pay basis in 2014

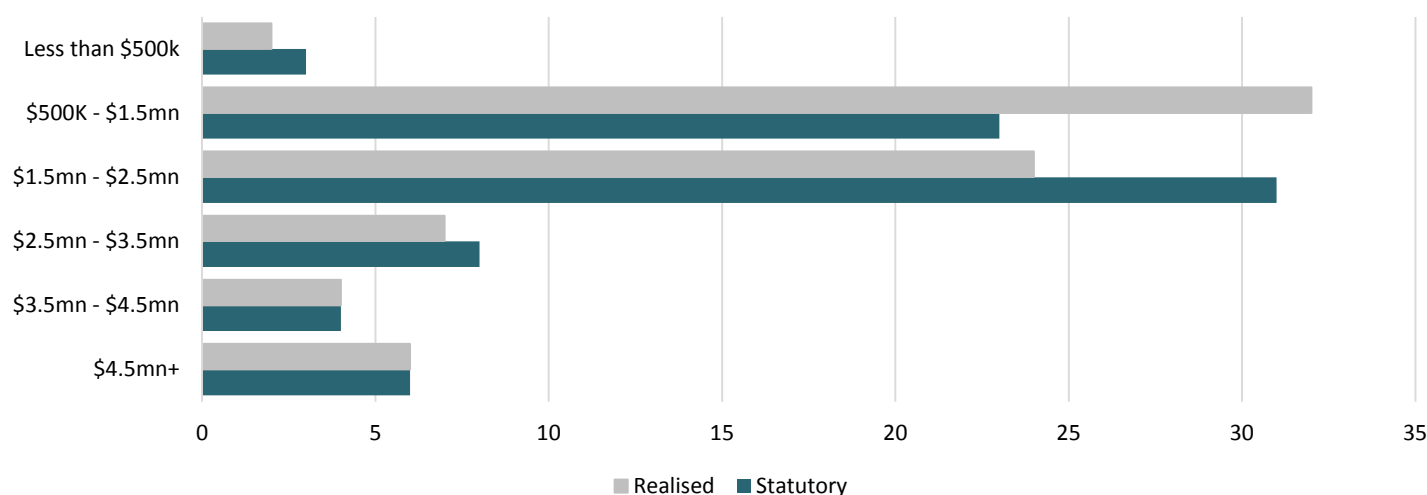
Rank	CEO (ASX code)	Realised pay (\$m)	Reported pay (\$m)	2014 Rank
1	David Gyngell (NEC)	\$18.03 ³⁴	\$19.59	1
2	Mark McInnes (PMV)	\$7.56 ³⁵	\$4.36	7
3	Burke/Kirby (VRL)	\$6.72 ³⁶	\$7.53	3
4	Hamish Douglass (MFG)	\$4.94 ³⁷	\$2.71	17
5	Southon/Harrison (CHC)	\$4.77 ³⁸	\$5.09	6
6	Don Voelte (SVW)	\$4.70 ³⁹	\$5.52	5
7	Mark Bennett (SIR)	\$4.49 ⁴⁰	\$1.22	58
8	Mark Hooper (SIP)	\$4.23 ⁴¹	\$2.50	18
9	Neil Helm (OFX)	\$4.14 ⁴²	\$4.19	8
10	Mick McMahon (SKE)	\$3.83 ⁴³	\$2.10	27

Note: Names in bold indicate the company listed during 2014.

Among the ASX101-200 CEOs, there were fewer cases where Realised pay was many multiples of Reported pay as among the ASX100 cohort. The largest discrepancy in the smaller company CEO cohort was for Sirius Resources' CEO Mark Bennett whose Reported pay of \$1.22 million was just over a quarter of his 2014 Realised pay of \$4.49 million. This was due to the exercise of options in 2014; it followed FY13 when Bennett's Reported pay significantly overstated his Realised pay.

Outside of UGL's Leupen – whose Realised pay of \$2.21 million comfortably outstripped his negative Reported pay - there were only two other CEOs in the ASX101-200 cohort whose Realised pay was more than twice the size of Reported pay: Ainsworth Game Technology CEO Daniel Gladstone, whose Realised pay of \$3.46 million was more than comfortably double Reported pay of \$1.56 million, and AWE's Bruce Clement, who realised \$3.13 million compared to Reported pay of \$1.51 million. For Gladstone the discrepancy arose when he exercised 500,000 options (over shares held by major shareholder Len Ainsworth) at \$0.225 per share in March 2014 when the share price was well above \$4; Gladstone sold all the shares he received.⁴⁴ For AWE's Clement the benefit came from 916,300 share rights which vested 30 June 2014 with a value at vesting of \$1.93 million.⁴⁵

Graph 3: ASX101-200 CEO Realised & Reported pay distribution for 2014



³⁴ Nine Entertainment Co. Holding Limited, 2014 annual report, pp. 28-29,34.

³⁵ Premier Investments Limited, 2014 annual report, pp. 19-20; change of director's interest notice, 19 May 2014.

³⁶ Village Roadshow Limited, 2014 annual report, pp. 19-20,26.

³⁷ Magellan Financial Group Limited, 2014 annual report, pp. 20,26; change of director's interest notice, 17 October 2013.

³⁸ Charter Hall Group, 2014 annual report, pp. 35,43.

³⁹ Seven Group Limited, 2014 annual report, pp. 30,36-37.

⁴⁰ Sirius Resources NL, 2014 annual report, pp. 76-85, change of director's interest notices, 25 July 2013 & 24 October 2013.

⁴¹ Sigma Pharmaceuticals Limited, 2014 annual report, pp. 16-17,20-21.

⁴² OzForex Group Limited, 2014 annual report, pp.42,46.

⁴³ Skilled Group Limited, 2014 annual report, pp. 26-27,31; change of director's interest notice, 20 February 2014.

⁴⁴ Ainsworth Game Technology Limited, 2014 annual report, p. 38; change of director's interest notice, 11 March 2014.

⁴⁵ AWE Limited, 2014 annual report, pp.52-53.

Excluding UGL's Richard Leupen, the three CEOs in the ASX101-200 cohort whose actual pay in 2014 was overstated the most by statutory disclosure were all among the Top 10 CEOs on a Reported-pay basis in 2014. The biggest discrepancy among the highest-paid CEOs of 101-200 entities, on a statutory reporting basis, was at Veda Advantage which listed during 2014. Veda's CEO, Nerida Caesar, had Reported pay of \$8.28 million but realised a much less dramatic \$2.83 million. She received a cash bonus as a result of the IPO of \$1.35 million but the equity she received on listing was either shares subject to escrow ending after the end of 2014, secured by a loan from Veda, or options which vested on allocation but were not exercised during 2014. These equity allocations provided the bulk - \$5.44 million - of her Reported pay in 2014 while her Realised pay comprised cash.⁴⁶

The other two were CEO of newly-listed Steadfast Group, Robert Kelly, and FlexiGroup's 2014 CEO, Tarek Robbiati. At Steadfast, the accounting expense associated with loan-funded shares Kelly received as part of listing added \$2.59 million to his 2014 Reported pay. The 5 million shares he received are subject to various escrow periods expiring from 2015 through to 2019.⁴⁷ For Robbiati, Reported pay in 2014 included a \$3.846 million 'benefit' from the cancellation of equity incentives which under accounting rules was treated as an acceleration of vesting – even though the incentives were cancelled for no consideration. Other than fixed pay the largest component of Robbiati's Realised pay was an \$800,000 loan he was provided on commencement which was forgiven by the company during 2014.⁴⁸

Table 8: 10 highest paid CEOs in ASX101-200 on a Reported pay basis in 2014

Rank	CEO (ASX code)	Reported pay (\$m)	2013 Rank	Realised pay (\$m)	2014 Rank
1	David Gyngell (NEC)	\$19.59	N/A	\$18.03	1
2	Nerida Caesar (VED)	\$8.28	N/A	\$2.83	18
3	Burke/Kirby (VRL)	\$7.53	N/A	\$6.72	3
4	Tarek Robbiati (FXL)	\$6.41	N/A	\$2.49	19
5	Don Voelte (SVW)	\$5.52 ⁴⁹	15	\$4.70	6
6	Southon/Harrison (CHC)	\$5.09	2	\$4.77	5
7	Mark McInnes (PMV)	\$4.36	11	\$7.56 ⁵⁰	2
8	Neil Helm (OFX)	\$4.19	N/A	\$4.14	9
9	Robert Kelly (SDF)	\$4.13	N/A	\$1.42	46
10	Tim Worner (SWM)	\$3.54	N/A	\$3.29 ⁵¹	14

Note: Names in bold indicate the company listed during 2014.

The greater volatility in the make-up of the ASX101-200 relative to the ASX100 is also apparent in the lack of continuity in the 2014 Top 10. Of the FY13 Top 10 ASX101-200 CEOs on a Reported pay basis only one made the 2014 list, the co-CEOs of Charter Hall, David Harrison & David Southon. Of the nine other FY13 Top 10 members, five remained in the ASX101-200 2014 sample:

- Sirius' Bennett (part of the Realised pay Top 10).
- Nufarm's Doug Rathbone (21st in the 2014 sample due to a decline in bonuses).
- Automotive Holding's Bronte Howson (22nd in the 2014 sample).
- Sigma's Mark Hooper (in the 2014 Realised pay Top 10).
- Goodman Fielder's Chris Delaney (28th in 2014).

⁴⁶ Veda Advantage Limited, 2014 annual report, pp.64-66,84-85,88 .

⁴⁷ Steadfast Group Limited, 2014 annual report, pp.42-43,46-48.

⁴⁸ FlexiGroup Limited, 2014 annual report, pp.15,21.

⁴⁹ Don Voelte was included in the FY13 sample as CEO of Seven West Media (SWM); he became CEO of Seven Group, SWM's largest shareholder, on 1 July 2013.

⁵⁰ Premier Investments Limited, 2014 annual report, pp. 19-20; change of director's interest notice, 19 May 2014.

⁵¹ Seven West Media Limited, 2014 annual report, pp. 52-55.

The four members of the FY13 Top 10 who were no longer in the peer group in 2014 were the retired Peter Gammell (formerly of Seven Group), Virgin's John Borghetti (where the company is no longer part of the ASX 300) and JB Hi-Fi's Terry Smart and IOOF's Chris Kelaher (included in the 2014 ASX100 sample). Cultural factors – the propensity of certain companies to have very high or very low levels of pay - are however clearly at work in 2014 as in prior years in the ASX101-200 cohort as well as the ASX100. The successor to Gammell at Seven Group was Don Voelte, who was included the 2014 Top 10 sample while Voelte's successor at Seven West, Tim Worner, made the 2014 Top 10.

Across the entirety of the ASX200 in 2014 the CEOs with the most overstated pay were Caesar, Robbiati, Fortescue's Nev Power and Kelly. No other CEO of the 154 others in the sample had Reported pay more than twice their Realised pay. Of the full sample of 158 CEOs across the Top 200:

- There were 55 whose Realised pay was higher than Reported pay (30 from the ASX100).
- Another 14 had Reported pay equal to Realised pay; in all cases these CEOs had no equity incentives with five being part of the ASX100.
- In 89 cases (48 in the ASX100) Realised pay was lower.

The fact that a majority of the sample had Realised pay lower than Reported pay is offset by the fact Realised pay is more likely to be significantly higher than Reported pay than significantly lower given statutory accounting for non-equity pay gives a reasonably true reflection of actual outcomes. Of the 158 CEO sample, 23 of the 55 CEOs whose Realised pay was higher than Reported pay had Realised pay more than 50% greater than reported (12 in the ASX100) while only five had Realised pay more than 50% below Reported pay (including UGL's Leupen).

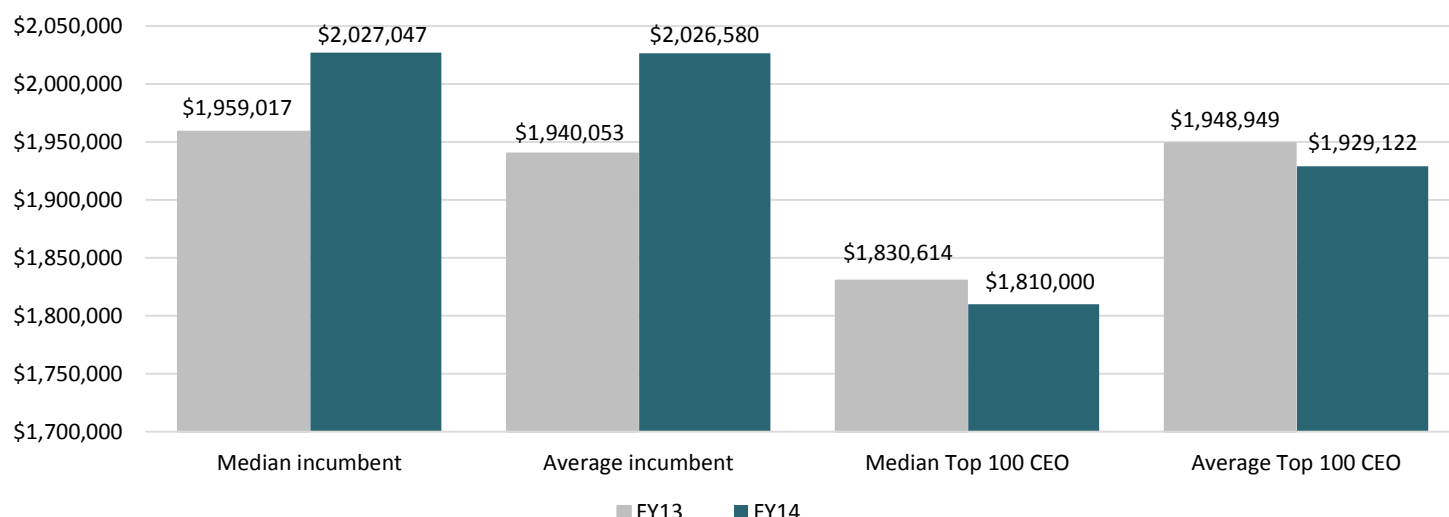
Fixed Pay

The 2014 sample continued the trend of recent years of minimal growth in fixed pay for at the top end of the sample and higher fixed pay among the ASX101-200 group.⁵² In the ASX100 group median and average CEO fixed pay both declined slightly and were effectively flat when compared with five years ago. Fixed pay for ASX100 CEOs has fallen relative to wages and inflation over the past five years with the CPI rising 2.65% per annum compound to June 2014 and average weekly adult ordinary time earnings increasing 4.13% per annum over the five years to 2014.⁵³

Table 9: Fixed pay, ASX100⁵⁴

	2014	FY13	FY09	FY04	One year increase	Five year p.a increase	10 year p.a increase
Highest	\$5,385,916	\$6,359,705 ¹	\$8,981,956	\$4,084,000			
Lowest	\$343,573	\$247,275	\$223,877	\$410,437			
Median	\$1,810,000	\$1,830,614	\$1,807,561	\$1,353,000	-1.13%	0.03%	2.95%
Average	\$1,929,122¹	\$1,948,949	\$2,016,923	\$1,416,877	-1.02%	-0.89%	3.13%

Graph 4: Incumbent ASX100 CEO outcomes 2013 & 2014 relative to ASX100 sample



The decline across the whole of the sample was largely due to changes in personnel rather than stagnant growth in fixed pay. The 62 incumbent CEOs – those who were CEO for all of FY13 and 2014 and whose company was in the ASX100 sample in both years – enjoyed significant fixed pay increases and significantly higher fixed pay than the sample as a whole. This was consistent with prior years. The highest paid CEO in the sample was the combined CEO role at Westfield (Peter & Steven Lowy) and the highest paid individual CEO was again Wesfarmers' Richard Goyder at \$3.587 million. The lowest paid CEO on a fixed pay basis was Flight Centre's Graham Turner. There were seven ASX100 CEOs receiving more than \$3 million in fixed pay in 2014.

52 Fixed pay includes salary, non-monetary benefits, retirement benefits including super and defined benefit valuations, leave accruals if accrued by the company and Termination Payments if accrued during the year where a CEO has served a full year in office.

53 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.

54 Full fixed pay data over the history of the longitudinal study is disclosed in Appendix 1. The 2004 figures exclude News Corporation; data inclusive of News is available in the Appendix.

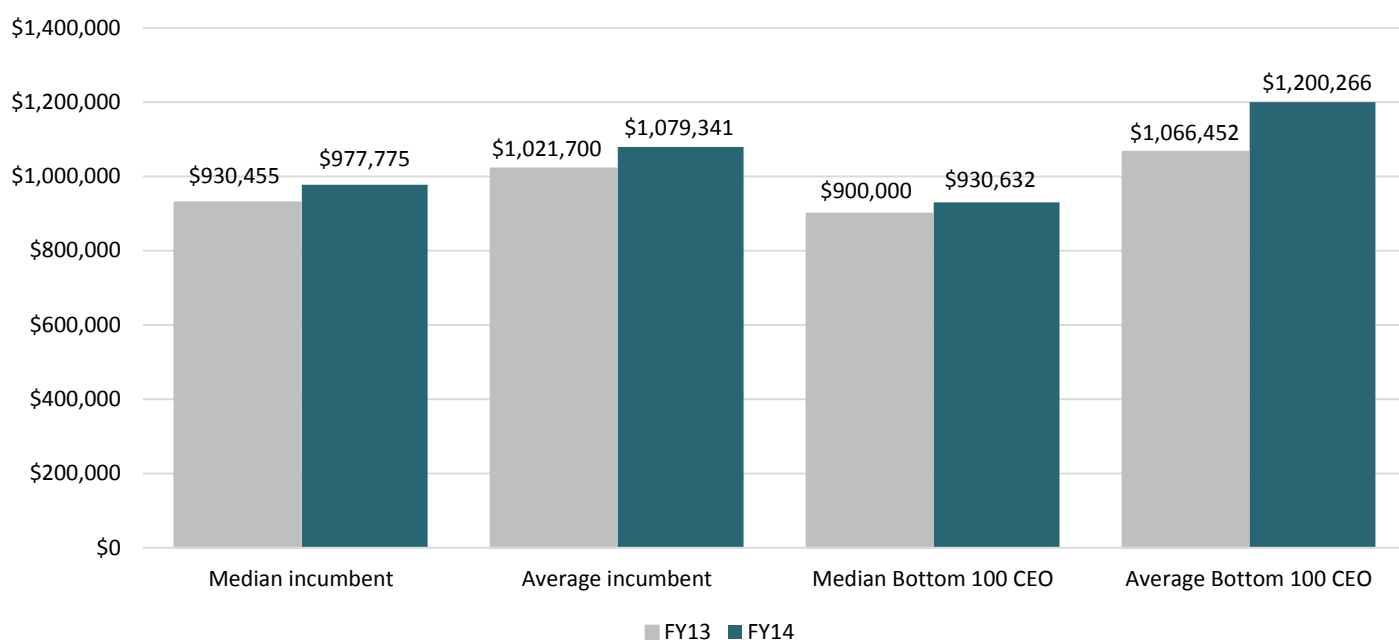
Table 10: Fixed pay, ASX101-200 CEOs FY11 – 2014

	Increase in 2014	2014	FY13	FY12	FY11
Highest	45.33%	\$5,718,958	\$3,935,131 ⁵⁵	\$3,003,925	\$3,007,279
Lowest	16.75%	\$357,009	\$305,799	\$41,221	\$280,351
Median	3.04%	\$930,632	\$900,000	\$875,000	\$823,493
Average	12.55%	\$1,200,266⁵⁶	\$1,066,452 ⁵⁷	\$973,576	\$930,358

Strong increases to fixed pay for CEOs in the ASX101-200 were not due to changes to the cohort. The sample as a whole and the 41 incumbent 'ASX101-200' CEOs (see graph 5) enjoyed strong median & average pay increases.

The small number of incumbent CEOs in the ASX101-200 – just over half the 2014 sample – partly reflects changes in the composition of the Index. As a symptom, the number of exploration companies in the sample – those companies required to file quarterly cash flow statements with ASX – fell from nine in the FY13 sample to four in 2014 (outcomes for explorers are no longer broken out separately as in prior years).

Graph 5: Incumbent ASX101-200 CEO outcomes FY13 & 2014 relative to ASX100 sample



The highest paid CEO in the ASX101-200 was actually, like the ASX100, two people - co-CEOs Graham Burke and Robert Kirby of Village Roadshow. The highest individual CEO in the cohort was Seven Group's Don Voelte at \$3.25 million (his predecessor, Peter Gammell, had the highest fixed pay in the FY13 101-200 sample). The lowest fixed pay for a 101-200 CEO was Andrew Brown of ARB Corp – both the highest and lowest paid CEO roles in the ASX101-200 were filled by executives with major shareholdings in the companies they lead.

⁵⁵ 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.

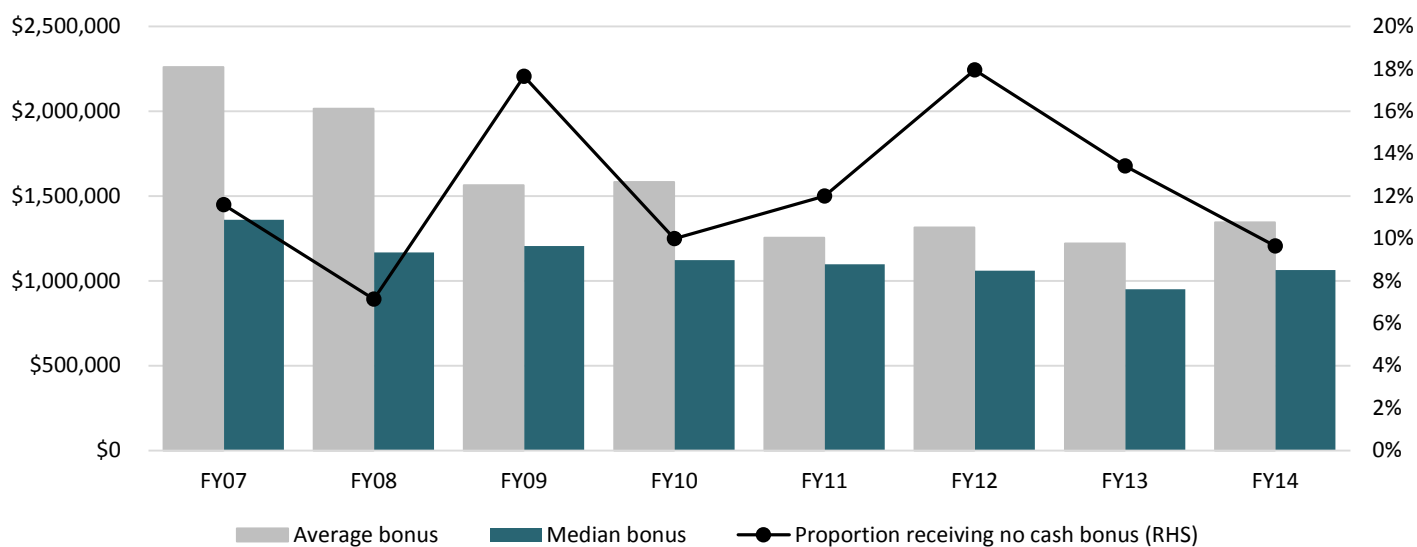
⁵⁶ Average fixed pay includes a termination impact for Lynas Corp's Eric Noyrez of \$1.24 million and Pacific Brands' John Pollaers \$1.4 million. If these are removed, the average fixed pay for 2014 was \$1,165,077.

⁵⁷ 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.

Annual Bonuses

In 2014 ASX100 CEOs enjoyed a more than 10% increase in average and median cash bonuses with the number of CEOs receiving no cash bonus also declining, to just under 10%. Bonus persistence, measured by the proportion of ASX100 CEOs receiving a bonus was at its highest level since 2008.

Graph 6: ASX100 CEO bonus outcomes FY07 – 2014



The better outcome on bonuses for ASX100 CEOs was especially marked for incumbent CEOs. The average bonus for an incumbent CEO rose 15.1% to \$1.473 million and the median even more, rising 34.3% to \$1.28 million.

Table 11: Cash bonuses, ASX100⁵⁸

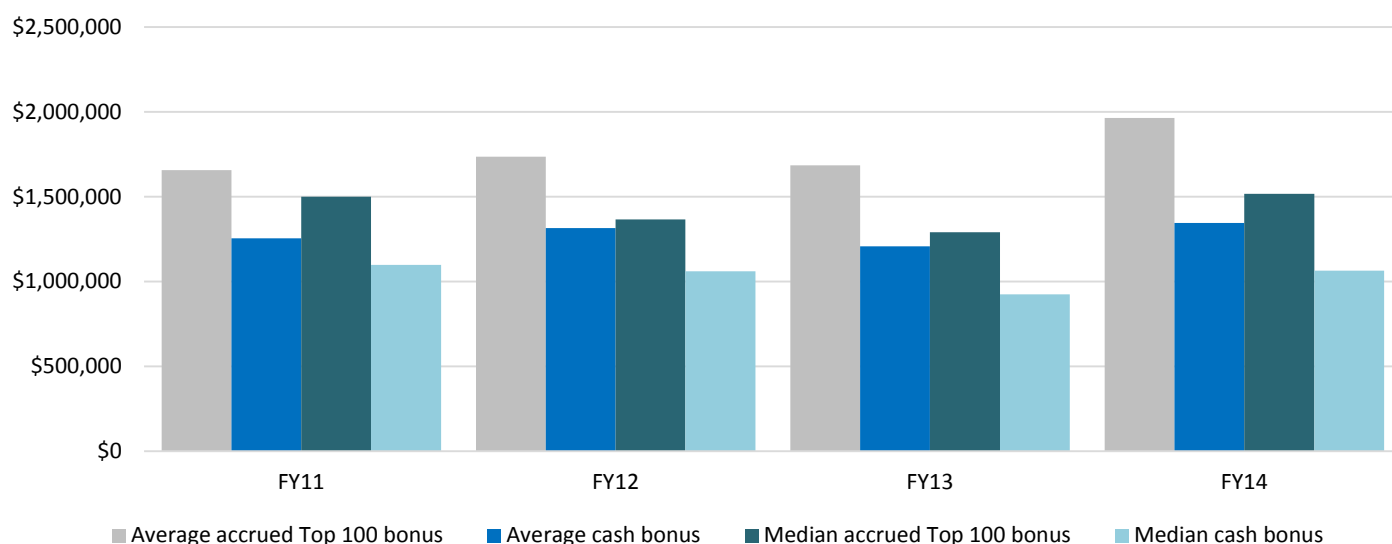
	2014	FY13	FY09	FY04	One year increase	Five year p.a increase	10 year p.a increase
Highest	\$7,766,336	\$6,101,360	\$8,238,246	\$13,400,000			
Lowest	\$152,000	\$100,000	\$223,877	\$126,000			
Median	\$1,065,009	\$950,000	\$1,206,662	\$900,000	12.11%	-2.47%	1.7%
Average	\$1,345,622	\$1,220,744	\$1,564,273	\$1,293,093	10.23%	-2.97%	0.4%

The highest bonus in the ASX100 was received by the co-CEOs of Westfield; the highest cash bonus awarded to an individual CEO was \$3.28 million to Woodside's Peter Coleman.

Among the eight CEOs who received no cash bonus in 2014, were two CEOs who were awarded a bonus entirely in equity: Fortescue's Nev Power and Fairfax's Greg Hywood. If the bonus awarded or accrued for 2014 is taken into account there were only six of the 83 ASX100 CEOs who received no bonus and accrued bonuses also showed strong increases as shown in Graph 7.

⁵⁸ Full bonus data over the history of the longitudinal study is disclosed in Appendix 2. The 2004 figures exclude News Corporation; data inclusive of News is available in Appendix 2. Bonus calculations are conditional on a bonus being paid.

Graph 7: Accrued bonuses for ASX100



Deferring bonuses into equity vesting over time reduces the apparent cash bonus as the equity component is expensed along with other share-based payments. Bonuses accrued for 2014 were their highest for the four years ACSI has been collecting this data with the average accrued \$1.965 million for 2014 (up 16.6% on FY13) and the median up 17.6% to \$1.517 million. The highest bonus accrued was for Westfield’s co-CEOs at \$11.95 million while the highest for an individual CEO was for Macquarie’s Nicholas Moore at \$11.37 million.

The 2014 101-200 sample was distorted by large cash bonuses received by CEOs of companies that were listed during 2014 by their private equity backers. Nine’s David Gyngell received the largest bonus to a ASX101-200 CEO since ACSI began collecting 101-200 CEO pay data, while the \$2.8 million paid to OzForex’s Neil Helms and the \$1.93 million to Veda’s Nerida Caesar would each have been the highest paid bonuses in the sample in any of the three prior years. Absent these outliers, who also distorted realised, reported and cash pay outcomes for the ASX101-200 cohort, outcomes for other CEOs were more subdued with the median declining 4.4%. The average bonus increase for incumbent ASX101-200 CEOs was a far more modest 10.4% to \$460,000 and the median bonus for an incumbent CEO fell 4.6% and was only marginally above the whole of sample median.

Table 12: Cash bonuses, ASX101-200 for 2014

	Increase in 2014	2014	FY13	2012	2011
Highest		\$5,169,183	\$1,166,229	\$1,156,000	\$1,500,000
Lowest		\$52,275	\$32,500	\$50,000	\$26,250
Median	-4.43%	\$334,500	\$350,000	\$336,500	\$376,915
Average	43.40%	\$609,010	\$418,911	\$402,025	\$421,576
Proportion receiving no bonus		21%	33%	26%	24%

Bonus deferral remained far less common among the ASX101-200 sample. Bonus deferral into equity occurred at only 14 of the 59 ASX101-200 sample companies where a bonus was paid (12 of 53 in FY13), compared to 55 of 77 of the ASX100. The median accrued bonus rose only 2.1% in 2014, to \$380,150.

Cash Pay

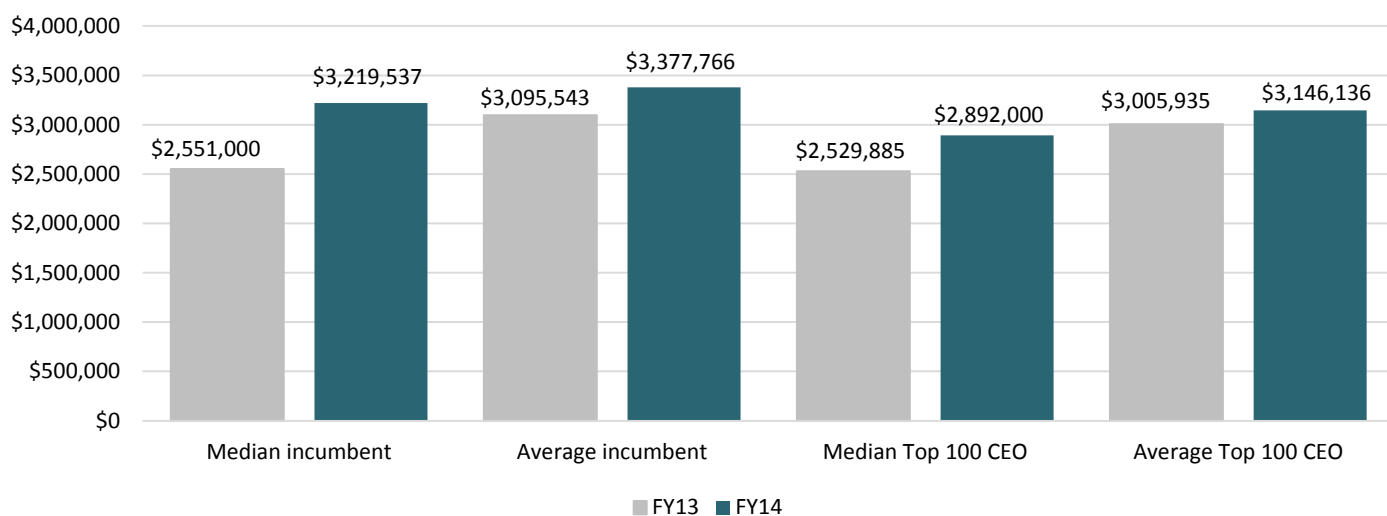
Consistent with more ASX100 CEOs receiving bonuses, cash pay across the ASX100 CEO sample rose in 2014 with incumbent CEOs enjoying even larger increases.⁵⁹

Table 13: Cash pay, ASX100⁶⁰

	2014	FY13	FY09	FY04	One year increase	Five year p.a increase	10 year p.a increase
Highest	\$13,152,252	\$11,107,787	\$14,931,956	\$14,692,011			
Lowest	\$657,073	\$616,972	\$239,295	\$410,437			
Median	\$2,892,000	\$2,529,885	\$2,853,198	\$2,408,309	14.31%	0.27%	1.85%
Average	\$3,146,136	\$3,005,935	\$3,397,328	\$2,787,708	4.66%	-1.52%	1.22%

Across the sample median cash pay was up 14.3% and for incumbent CEOs the increase to the median was even larger, at 26.2%. Median cash pay was at its highest level for the sample as a whole since FY11 and was the third highest in the history of the study while average cash pay was at its highest level since FY10.

Graph 8: Incumbent ASX100 cash pay FY13 & 2014 relative to sample



The co-CEOs of Westfield were, as with reported, fixed pay, cash bonus and awarded bonus the highest paid CEOs in the ASX100 sample in 2014 at \$13.15 million, while there also consistency in the lowest paid CEO on a cash pay basis being Flight Centre's Graham Turner. The individual CEO with the highest cash pay was Woodside's Peter Coleman at \$5.97 million; there were six other ASX100 CEOs with cash pay in excess of \$5 million including every major bank CEO other than NAB (Cameron Clyne departed NAB during 2014).

In the ASX101-200 sample the distorting impact of three private equity IPO CEOs – Nine's Gyngell, OzForex's Helms and Veda's Caesar – had a major impact on average cash pay. In 2014 average cash pay across the sample rose nearly 25% to \$1.68 million although the median rose nearly 12%; for the incumbent cohort average cash pay rose 7.7% to \$1.44 million and the median incumbent cash pay rose 10.8% to \$1.28 million.

⁵⁹ Cash pay is defined as disclosed CEO pay less the value of share based payments expense as reported in the statutory remuneration table.

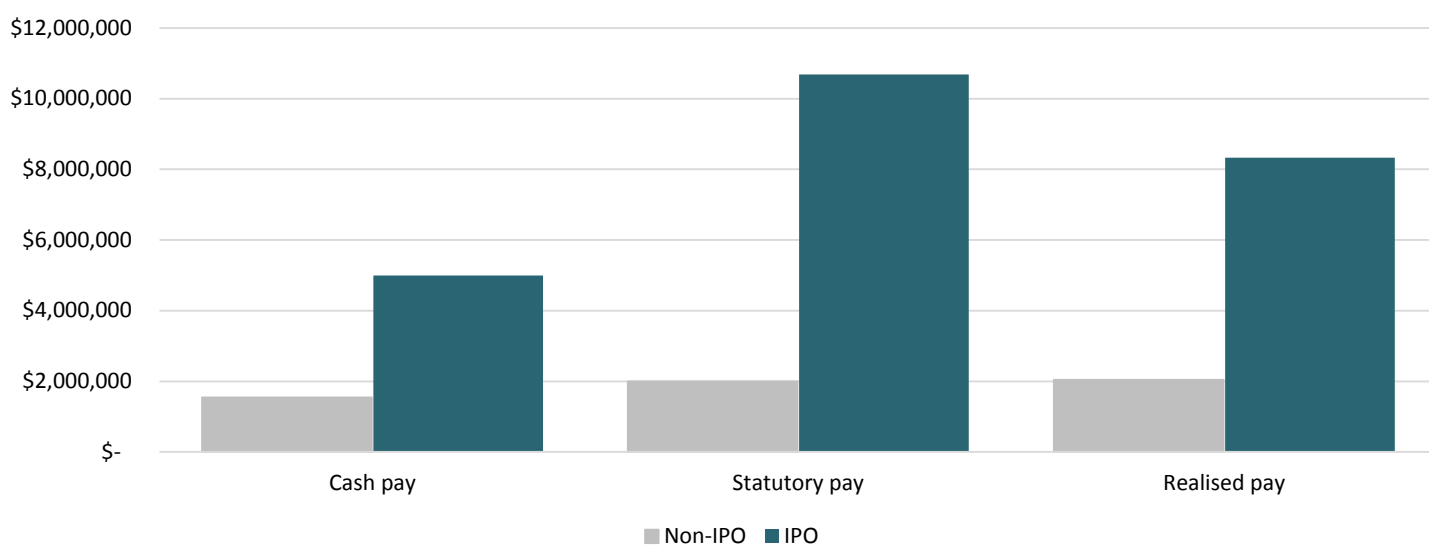
⁶⁰ Full cash pay data over the history of the longitudinal study is disclosed in Appendix 3. The 2004 figures exclude News Corporation; data inclusive of News is available in Appendix 3.

Table 14: Cash pay, ASX101-200 for 2014

	Increase in 2014	2014	FY13	FY12	FY11
Highest		\$8,028,508	\$3,935,131 ⁶¹	\$3,363,925	\$4,507,279
Lowest		\$357,009	\$369,159	\$448,062	\$365,053
Median	11.78%	\$1,283,925	\$1,148,587	\$1,237,000	\$1,157,500
Average	24.72%	\$1,680,660	\$1,347,493	\$1,273,000	\$1,245,622

The impact of the three IPO CEOs on the sample as a whole across cash, reported and Realised pay is shown below in graph 9; David Gyngell recorded the highest cash pay in the history of ACSI’s study of 101-200 CEO pay and his cash pay would have ranked him second in the 2014 ASX100 sample behind the Lowy brothers. The lowest cash pay for a 101-200 CEO was ARB Corp’s Andrew Brown.

Graph 9: NEC, VED & OFX CEOs v rest of 2014 ASX101-200 CEO sample



⁶¹ 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.

Reported Pay

Reported CEO pay for ASX100 CEOs – pay disclosed in accordance with Corporations Act requirements including the accounting expense of equity incentives – was flat to slightly higher in 2014. Average Reported pay rose above \$5 million for the first time since FY08 while median Reported pay was at its highest level in the history of the ACSI longitudinal, surpassing the \$4.17 million recorded in FY07.

Table 15: Reported pay, ASX100⁶²

	2014	FY13	FY09	FY04	One year increase	Five year p.a increase	10 year p.a increase
Highest	\$22,088,011	\$19,110,336	\$14,931,956	\$14,692,011			
Lowest	\$657,073	\$616,972	-\$961,853	\$410,437			
Median	\$4,195,278	\$4,155,693	\$4,039,748	\$3,074,837	0.95%	0.76%	3.16%
Average	\$5,008,869	\$4,843,607	\$4,924,256	\$3,564,486	3.41%	0.34%	3.46%

Increases in Reported pay in recent years are probably related to higher deferral of annual bonuses into equity across the ASX100 which effectively shifts bonus expenses over several years and out of cash pay, with the impact of the deferral accruing gradually in Reported pay over time. Incumbency for a typical CEO also increases Reported pay as for a CEO receiving equity incentives vesting over three years it takes three years for the full impact of the accounting expense to appear in Reported pay (as equity incentives are expensed over the vesting period). The median Reported pay for an incumbent ASX100 CEO was \$4.85 million, up 14% from FY13 while the average Reported pay for an incumbent was \$5.55 million, up 12.9%.

The impact of incumbency on the ASX101-200 sample was less apparent due to the distorting impact of the IPO CEOs, especially Nine's David Gyngell and Veda's Nerida Caesar (see graph 9 above). Average Reported pay for an incumbent ASX101-200 CEO was \$1.87 million, substantially lower than the whole of sample average, and up a much less dramatic 1.7% (the incumbent median rose 5% to \$1.73 million and was marginally above the whole sample).

Table 16: Reported pay, ASX101-200

	2014 increase	2014	FY13	FY12	FY11
Highest		\$19,588,095	\$5,984,652	\$4,072,000	\$4,924,362
Lowest		-\$386,999	\$369,159	\$448,062	\$365,053
Median	8.16%	\$1,711,379	\$1,582,325	\$1,595,404	\$1,518,654
Average	33.85%	\$2,341,142	\$1,749,036	\$1,654,603	\$1,700,321

⁶² Full Reported pay data over the history of the longitudinal study is disclosed in Appendix 4. The 2004 figures exclude News Corporation; data inclusive of News is available in Appendix 4.

Termination Payments

Termination Payments for sample CEOs in 2014 were dominated by two large payments – one for a ASX100 company and the other to the CEO of an ASX101-200 company. Of the \$35.24 million in Termination Payments to CEOs who departed in 2014, \$21.72 million went just two executives – former Leighton CEO Hamish Tyrwhitt who received \$13.59 million on his departure from the contractor (his deputy, CFO Peter Gregg, received \$10.28 million) and PanAust’s founding CEO, Gary Stafford, who received \$8.13 million in Termination Payments in his acrimonious departure.⁶³

Table 17: Termination Payments for ASX100 CEOs in 2014⁶⁴

	FY08	FY09	FY10	FY11	FY12	FY13	2014
Total	\$83,028,043	\$34,563,870	\$5,701,176	\$35,018,308	\$19,064,880 ⁶⁵	\$11,811,085 ⁶⁶	\$23,433,173
Number	13	13	5	12	13	9	8
Minimum	\$793,333	\$168,000	\$513,079	\$566,667	\$150,000	\$141,459	\$281,644
Maximum	\$18,309,786 ⁶⁷	\$6,386,465	\$1,681,897	\$10,900,000	\$4,574,729	\$2,810,170	\$13,585,179

If these two mammoth payments are excluded – Tyrwhitt’s was the largest received by a ASX100 CEO since FY11 and the payment to Stafford was by some distance the largest received by a CEO of an ASX101-200 company since ACSI started collecting this data – then CEO Termination Payments were lower than FY13 for both samples. This again reflects the cost savings to investors since the Termination Payments legislation became law in 2009, requiring shareholder approval for payments in excess of 12 months’ salary to departing senior executives.

The outlier payments both reflected unique circumstances: In Leighton’s case, the payments to Tyrwhitt and Gregg were part of agreed departures as controlling shareholder ACS/Hochtief sought to increase its shareholding and ACS/Hochtief agreed to vote in favour of the Termination Payments at the group’s 2014 AGM. At PanAust Stafford’s payments stemmed from ambiguity over the impact of the 2009 changes to the Corporations Act on pre-existing contracts; Stafford’s employment contract dated from 1996 and entitled him to 12 months’ total pay on departure (with his leave entitlements calculated using total pay). The Act grandfathered pre-2009 contracts so long as their terms did not materially change; to resolve this ambiguity Stafford negotiated a lump sum payment of \$4.682 million to buy-out his former contract and then received various special incentives and Termination Payments on his departure.

Table 18: Termination Payments for ASX101-200 CEOs in 2014

	FY11	FY12	FY13	2014
Total	\$14,945,926	\$5,761,582	\$5,531,944	\$11,809,607
Number	11	6	5	7
Minimum	\$270,710	\$72,698	\$301,926	\$125,000
Maximum	\$3,630,000	\$2,510,000	\$1,532,000	\$8,132,985

⁶³ Leighton Holdings Limited, 2014 annual report, pp.33-34; PanAust Limited, 2014 annual report, p.40.

⁶⁴ Termination Payments include bonuses for part year worked, the value of long term incentives that vest solely as a result of termination, payments in lieu of notice or for severance and the value of accrued leave entitlements for executives where leave entitlements have not previously been accrued in the remuneration table.

⁶⁵ Figures disclosed in currencies other than AUD were converted into AUD using the exchange rate on the disclosed date of departure.

⁶⁶ Figures disclosed in currencies other than AUD were converted using the average exchange rate for FY13 as the payments related to pro rata bonuses.

⁶⁷ 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.

Outside of Tyrwhitt and Stafford, there were seven payments in excess of \$1 million of which the largest was the \$2.91 million received by former Coca-Cola Amatil CEO Terry Davis. Former NAB CEO Cameron Clyne and former Metcash CEO Andrew Reitzer were the only other CEOs to receive termination payments over \$2 million. SAI Global had the dubious distinction of making two separate payments during FY14: A pro-rata bonus to retiring CEO Tony Scotton, and then a termination payment to its CEO from January to May 2014, Stephen Porges.

There were another five CEOs in the sample who departed, but did not receive any termination payment in 2014: In the ASX100, former Echo CEO John Redmond was disclosed as receiving no payments on departure, while among the ASX101-200, Cabcharge's former executive chair Reg Kermodie, The Reject Shop's Chris Boyce and Independence Group's Chris Bonwick were all disclosed as receiving nothing beyond previously accrued entitlements. The one oddity was former GUD CEO Ian Campbell, whose termination benefits of \$1.213 million were accrued in FY13 and included in his FY13 fixed pay.

In the 2014 sample termination benefits of in aggregate \$2.94 million in the ASX100 (for Newcrest's Greg Robinson and JB Hi-Fi's Terry Smart) and in the ASX101-200 \$2.64 million for Pac Brands' John Pollaers and Lynas' Eric Noyrez) were accrued as part of fixed pay as all men remained employed as CEOs until their companies' year-ends. As these payments were included in the fixed pay totals they are not included in the above totals.

Appendix 1: Fixed Pay Data for ASX100 2001 - 2014

Year	Average	Median	Minimum	Maximum
2014	\$1,929,122	\$1,810,000	\$343,573	\$5,385,916
2013	\$1,948,949	\$1,830,614	\$247,275	\$6,359,705
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 \$1,554,410	\$1,353,000 \$1,376,798	\$410,437	\$4,084,000 \$11,731,875
2003	\$1,361,769 \$1,424,285	\$1,136,537 \$1,137,769	\$345,056	\$6,716,040 \$13,486,153
2002	\$984,045 \$1,027,288	\$903,838 \$914,330	\$50,575	\$7,938,000 \$7,938,000
2001	\$888,407 \$1,008,012	\$780,975 \$781,788	\$52,055	\$2,650,565 \$8,543,137

(Italicised data 2001 to 2004 includes News Corp.)

Appendix 2: ASX100 Bonus Data 2001 - 2014

Year	Average	Median	Minimum	Maximum
2014	\$1,345,662	\$1,065,009	\$152,000	\$7,766,336
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

(Italicised data 2001 to 2004 includes News Corp.)

Appendix 3: ASX100 Cash Pay Data 2001 - 2014

Year	Average	Median	Minimum	Maximum
2014	\$3,146,136	\$2,892,000	\$657,073	\$13,152,252
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

(Italicised data 2001 to 2004 includes News Corp.)

Appendix 4: ASX100 Reported Pay Data 2001 - 2014

Year	Average	Median	Minimum	Maximum
2014	\$5,008,869	\$4,195,278	\$657,073	\$22,088,011
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

(Italicised data 2001 to 2004 includes News Corp.)

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