

Australian Council of Superannuation Investors

CEO Pay in ASX200 Companies



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

September 2019

This survey was commissioned by the
Australian Council of Superannuation Investors
and conducted by Ownership Matters.

acsi

ABOUT ACSI

Established in 2001, ACSI provides a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

Our members include 38 Australian and international asset owners and institutional investors. Collectively, they manage over \$2.2 trillion in assets and own on average 10 per cent of every ASX200 company. Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in. We undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.



ABOUT OWNERSHIP MATTERS

Ownership Matters is an Australian governance advisory firm. Its principals have collective experience of 50 years in advising institutional investors on governance issues at ASX listed companies.

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FOREWORD

AN OPPORTUNITY TO RE-EXAMINE BONUS CULTURE

Investors have been concerned for years about the emerging ‘culture of entitlement’ surrounding annual bonuses and short-term incentives in many of Australia’s largest companies. This year’s CEO pay survey confirms these concerns and lends weight to recent observations by the Australian Prudential Regulatory Authority (APRA) “that there has been an absence of significant downwards adjustment to remuneration at executive level.”¹

We found that more than half of ASX100 CEOs received at least 70 per cent of their maximum bonus entitlements in FY18, suggesting that what is supposed to be ‘at-risk’ pay may not be very risky at all. This is especially troubling at a time when public trust in institutions has been demonstrably undermined by revelations in the Financial Services Royal Commission, and in the wake of a soaring number of ‘first strike’ votes against remuneration reports – including a record 88 per cent vote against NAB. Intuitively, we would have expected that bonus outcomes would have been lower amid such intense scrutiny from regulators, politicians, the public and investors.

There are, however, some positive signs that some boards are getting the message. We have seen a trend among leading companies to lower base pay for incoming CEOs, reducing their cash pay by deferring a portion of awards into equity that is delivered over time, and implementing malus or clawback provisions to deal with situations where poor performance and behaviours emerge after rewards have been delivered.

The findings from our survey will provide a critical backdrop to the 2019 AGM season as we assess remuneration outcomes and make voting recommendations on executive pay across the ASX300. Our research will also form part of our regular engagement with the boards of ASX listed companies, as well as regulators.



Louise Davidson
Chief Executive Officer

¹ APRA, *Discussion Paper - Strengthening prudential requirements for remuneration*, 23 July 2019, p38.

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EXECUTIVE SUMMARY

This report is ACSI's 18th annual survey of CEO pay in Australia's largest listed companies and the eighth conducted by Ownership Matters. It is the only one of its kind in the Australian market that calculates and investigates 'realised pay'; that is, the value of cash and equity received by ASX200 CEOs. Our survey reveals that it is very rare for ASX100 CEOs to miss out on annual bonuses (or short-term incentives) with over half of ASX100 CEOs receiving at least 70 per cent of their maximum entitlement.

This report includes pay data for 81 ASX100 CEOs and 77 ASX101-200 CEOs (this is the eighth year we have included ASX101-200 CEOs in the report). Key findings are as follows:

BONUSES – ENTITLEMENT OR REWARD?

- **Only one eligible ASX100 CEO did not receive an FY18 bonus** – a record low. In FY17, there were six ASX100 CEOs in this category.
- **The median ASX100 CEO received 70 per cent of their maximum annual bonus** – a figure almost unchanged in four years. Only seven per cent of ASX100 CEOs received less than 30 per cent of maximum.
- **The median bonus awarded to an ASX100 CEO in FY18 was \$1.61m, the second highest in the history of this report** and down nine per cent on the record median in FY17.
- **Continued trend towards equity over cash** – the median cash bonus fell 16.5 per cent for ASX100 CEOs to \$927,159, showing the increasing trend to bonus deferral in large ASX listed entities.

REALISED REMUNERATION – TEN OVER \$10 MILLION

- **Median ASX100 CEO realised pay rose to \$4.5m** – realised pay includes the actual value of equity that vested during the year. The ASX100 hit its second successive record for median realised pay moving from \$4.36m in FY17 to \$4.5m in FY18.
- **Ten CEOs realised more than \$10m at ASX200 companies in FY18.**
- Average realised pay dropped to \$5.66m from \$6.23m. The drop was the result of the departure of several highly paid CEOs and the fact that only two CEOs realised more than \$20m in FY18 – Qantas's Alan Joyce and Macquarie's Nicholas Moore (three were above \$20m in FY17, with Domino's Don Meij above \$35m).
- **Outcomes for ASX101-200 CEOs were almost reversed by comparison** – median realised pay was down marginally on FY17's record, falling 1.1 per cent to \$1.73m, while the average rose 12.5 per cent to \$2.54m, the highest ever recorded for the ASX101-200 cohort.
- **There were three ASX101-200 CEOs who realised more than \$10m in FY18** – compared to just one in FY17, with the ASX101-200 cohort topped by St Barbara's Bob Vassie.

Table 1: Ten highest-paid ASX100 CEOs on a realised pay basis in FY18

Rank	CEO	Company	Realised pay
1	Alan Joyce	Qantas Airways	\$23,876,351
2	Nicholas Moore	Macquarie Group	\$23,855,580
3	Michael Clarke	Treasury Wine Estates	\$19,024,334
4	Bob Vassie	St Barbara	\$13,246,088
5	Craig Scroggie	NextDC	\$12,515,914
6	Sandeep Biswas	Newcrest Mining	\$12,083,392
7	Brian Benari	Challenger Group	\$11,696,001
8	Raleigh Finlayson	Saracen Mineral Holdings	\$11,284,256
9	Andrew Bassat	Seek	\$10,744,472
10	Colin Goldschmidt	Sonic Healthcare	\$10,017,376

FIXED PAY INCREASES MINIMAL

- **Minimal fixed pay increases for ASX100 CEOs continued the trend of recent years.** Median fixed pay for an ASX100 CEO was up one per cent to \$1.79m in FY18, having increased by an average of just 0.2 per cent per annum over the prior decade.
- **Average fixed pay for an ASX100 CEO fell 1.3 per cent from \$1.91m to \$1.88m**, largely due to Westfield Corporation's co-CEOs no longer being included in the sample following the group's acquisition in 2018. Average ASX100 CEO fixed pay has fallen 0.3 per cent per annum on average since FY08.
- **Among the ASX101-200 CEO cohort, the average and the median fixed pay both fell** – the median declined almost two per cent to \$937,740 and the average fell 1.5 per cent to \$1.03m. The FY18 median was still the second highest recorded in the eight years the survey has included the ASX101-200.

TERMINATION COSTS CONTINUE

- **Exiting CEOs in the ASX200 cost shareholders \$25.15m in FY18**, down from \$33.63m in FY17. This was largely due to a decline in the number of termination payments from 20 to 15. Only eight termination payments topped \$1m in FY18, down from 13 in FY17.
- **The highest termination payment in the FY18 sample went to former Adelaide Brighton CEO Martin Brydon at \$4.43m**, in addition to a \$1.47m bonus for FY18 that was effectively part of his departure arrangements. There were five payments above \$2m with no CEO other than Brydon receiving more than \$3m.

METHODOLOGY

This survey includes CEO pay for all companies in the ASX200 for the 2018 financial year (FY18). The relevant date range covers 31 January 2018 (Sigma Healthcare) to 31 December 2018.

This is the 18th year of our longitudinal survey of ASX100 CEO pay which started in 2001. It is the eighth year the report has also covered CEOs of ASX101-200 entities.

This report includes 81 ASX100 CEOs (FY17: 84) and, for the third consecutive year, 77 ASX101-200 CEOs. As in prior years the study includes data for incumbent CEOs – those included in their respective cohort (either ASX100 or ASX101-200) in both FY17 and FY18. In FY18 there were 65 incumbent ASX100 CEOs, down from 68 in FY17, and 51 incumbent ASX101-200 CEOs (FY17: 57).

Consistent with the methodology used in prior years not all ASX200 CEOs are included in the sample:

- Those CEOs appointed mid-way through the financial year are excluded to avoid distorting total numbers meaning CEOs such as CBA's Matt Comyn, who took over the top job in April 2018, are not included.
- Externally managed entities such as Viva Energy REIT and Bunnings Warehouse Property Trust are excluded even though they may have a disclosed 'CEO'. This is because executives of these entities are paid by the external manager and so their pay is not disclosed.
- Companies domiciled outside of Australia and subject to different remuneration disclosure requirements such as Janus Henderson and News Corporation are also excluded as their disclosed pay is not comparable with that of Australian companies, especially disclosures relating to share-based payments expenses. The CEOs of non-Australian companies where there is a high degree of confidence that their pay disclosures are consistent with those of Australian companies, such as PNG-domiciled Oil Search, are included, as are CEOs of entities technically not subject to the Corporations Act remuneration report disclosure requirements such as APA Group, Spark Infrastructure and Dexu Property Group as they are internally managed Australian trusts.²

Pay data is disclosed in Australian dollars (AUD) and has been sourced from annual reports. If the listed entity disclosed pay in another currency (in all cases the alternative currency was United States dollars; USD), 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.

This survey refers to 'CEO pay', although for some companies the executive whose pay is included did not hold the formal title of CEO. This could occur because the company has an executive chair and a separate CEO, and the executive chair is the effective leader of the company's management. For example, Harvey Norman's executive chair, Gerry Harvey, is treated as CEO for the purposes of this survey, despite his wife, Katie Page, holding the CEO title and being paid substantially more. Conversely, at Afterpay Touch, a new entrant to the study for FY18, the executive whose duties appear to most closely correlate with those of a CEO, executive director and 'group head' David Hancock, is included in the study rather than his fellow executive directors Anthony Eisen and Nick Molnar.

Our survey continues to be the only public source of realised-pay data for all ASX200 CEOs. Realised pay is calculated on a 'cash pay' basis. That is, reported pay excluding share-based payments expense but including the value of any 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 (ZEPOs) is assessed on vesting.

² James Hardie Industries plc has not been included in the FY18 sample despite being included in prior years due to a lack of confidence its statutory pay disclosures are consistent with Australian requirements. Prior periods have not been restated.

To illustrate how realised pay is calculated, Table 3 below shows the calculation for former Challenger CEO Brian Benari, part of the ASX100 sample, while Table 4 provides the calculation for ASX101-200 sample member Craig Scroggie, CEO of NextDC.

Table 3: FY18 reported to realised pay reconciliation for Challenger CEO Brian Benari

	FY18 pay	Reference
A - Reported pay	\$5,586,864	2018 Annual Report, p.35
B - Less share-based payments expense	(\$3,116,202)	As above
D - Plus value of ZEPOs vesting during FY18	\$9,225,339	Change of director's interest notice, 11 September 2017
Total realised pay	\$11,696,001	A - B + C

Table 4: FY18 reported to realised pay reconciliation for NextDC CEO Craig Scroggie

	FY18 pay	Reference
A - Reported pay	\$2,551,637	2018 annual report, p.323
B - Less share-based payments expense	(\$497,266)	As above
C - Plus value of loan-funded shares exercised during FY18	\$8,095,252	Change of director's interest notice, 12 March 2018
D - Plus value of ZEPOs vesting during FY18	\$2,366,292	Change of director's interest notice, 15 September 2017
Total realised pay	\$12,515,914	A - B + C + D

Realised pay does not necessarily, however, reflect cash proceeds to an executive depending on whether they retain or sell shares received on vesting of incentives. In the case of Challenger's Benari and Next's Scroggie, both men sold a substantial proportion of the shares received on vesting, well above the level required to fund taxation obligations. Benari sold all 746,991 shares received on vesting within ten days of vesting on 4 September 2017, in keeping with his practice in prior years.⁴ Scroggie sold all 1.77m loan-funded shares he had previously received for net proceeds of \$8.1m (not including estimated tax liabilities on 505,618 shares that vested in September 2017 of \$1.1m; Scroggie did not sell these shares).⁵

³ Half of Scroggie's \$623,700 cash bonus for 2018 was deferred for 12 months but this is not reflected in the statutory pay disclosure in NXT's remuneration report and so the full amount of the 2018 annual bonus has been included in Scroggie's realised pay. The deferred amount was deferred into cash.

⁴ In the three years to the end of FY18 Benari received 2.36m shares on vesting of long-term incentives and sold them all - see Challenger Limited, 2016 Annual Report, p.33 and 2018 Annual Report, p.3.

⁵ Assuming Scroggie paid the capital gains tax rate on repaying the loan funded shares - the primary rationale for such schemes is to deliver an equivalent benefit to an option but with a lower tax rate than if standard options were granted - his net proceeds from the loan funded share sale after funding tax liabilities on the ZEPOs and loan shares was approximately \$7.4m.

REALISED AND REPORTED PAY: ASX100

After jumping substantially in FY17 to a record of \$6.23m, average realised pay for ASX100 CEOs fell in FY18 to \$5.66m, in line with the averages for FY14-FY16. This reflected fewer very high levels of realised pay largely caused by retirements. In FY17 there were four CEOs with realised pay above \$20m and this fell to two in FY18 with the exit of Westfield Corp. from the sample (the Lowy brothers regularly received realised pay above \$20m) and the retirement of Ramsay CEO Chris Rex.⁶ The record outlier in FY17, Domino's CEO Don Meij, whose FY17 realised pay was \$36.8m including a \$35.7m gain on exercise of options, did not recur in FY18 with Meij's realised pay falling to \$7.06m in FY18, largely due to the DMP share price declining.⁷ Median realised pay however rose to a record of \$4.5m, up 3.2 per cent from the prior record in FY17.

Table 5: Realised pay for ASX100 CEOs

	FY18	FY17	FY16	FY15	FY14
Median realised	\$4,502,000	\$4,361,201	\$3,878,990	\$3,880,672	\$3,958,000
Average realised	\$5,660,301	\$6,226,213	\$5,695,184	\$5,542,509	\$5,610,057
Highest	\$23,876,351	\$36,837,702	\$26,255,778	\$24,753,949	\$30,796,223
Lowest	\$750,000	\$646,396	\$637,100	\$518,238	\$657,073
Median incumbent	\$4,918,557	\$4,484,002			
Average incumbent	\$6,139,696	\$6,000,848			

The decline in average realised pay did not however see average realised pay fall below average reported or statutory pay (the number determined under accounting standards and reported in remuneration reports). Average realised pay was 10.5 per cent above average reported pay of \$5.12m which also fell relative to the FY17 record of \$5.54m, again due to the impact of the retirement of highly-paid executives such as the Lowy brothers and Ramsay's Rex.

Higher average realised pay is unsurprising given the way in which accounting standards calculate the value of equity incentives removes the impact of increases in the share price which are captured in realised pay. Median realised and reported pay however in FY18 remained relatively close as in prior years with median reported pay of \$4.58m only slightly above median realised pay of \$4.5m. Median reported pay has been higher than median realised pay every year that our study has collected realised pay data. Median reported pay in FY18 fell 3.3 per cent relative to FY17 but was the second highest ever recorded since we began collecting this data in 2001.

Consistent with past studies, incumbent ASX100 CEOs had higher reported and realised pay than the sample as a whole. Median realised pay for the 65 incumbent CEOs was \$4.92m, 9.3 per cent higher than the sample as a whole. Median statutory pay for incumbent CEOs was also \$4.92m, 7.4 per cent higher than that for the sample as a whole. This finding is unsurprising given CEOs rarely have substantial equity incentives eligible to vest in the early years of their tenure and so realised pay, which captures the value of equity incentives on vesting, and reported pay, which allocates the value of equity incentives over the years they vest, will both be lower earlier in an executive's tenure.

⁶ In August 2017 on vesting of LTI he retained after his retirement, Rex received shares with a value of \$14.9m – see Ramsay Health Care 2017 Annual Report, p.65.

⁷ The gain on exercise in FY17 is detailed on p.29 of Domino's Pizza Enterprises 2017 Annual Report; in FY18 Meij realised a gain of \$5.9m on exercising 300,000 options – see Change of director's interest notice, 7 September 2017.

Table 6: Reported pay for ASX100 CEOs⁸

	FY18	FY17	FY13	FY08	One-year change	Five-year p.a. change	10-year p.a. change
Median	\$4,574,954	\$4,728,890	\$4,155,693	\$4,049,293	-3.2 per cent	1.9 per cent	1.2 per cent
Average	\$5,122,431	\$5,544,284 ⁹	\$4,843,607	\$5,162,441	-7.6 per cent	1.1 per cent	-0.1 per cent
Highest	\$19,650,083	\$23,566,967	\$19,110,336	\$24,755,444			
Lowest	\$777,213	\$646,396	\$616,972	\$198,648			
Median incumbent	\$4,915,319	\$5,030,500					
Average incumbent	\$5,473,937	\$5,252,224					

As in prior years a number of CEOs reappeared in both the reported and realised pay Top 10. In FY18, Macquarie's Nicholas Moore, Seek's Andrew Bassat, Sonic's Colin Goldschmidt and Qantas' Alan Joyce were also members of the FY17 Top 10, with Joyce topping the FY18 list with realised pay of \$23.88m, just above Moore at \$23.86m as Joyce reaped the rewards of a large long-term incentive allocation granted in 2014 when the share price was \$1.26 which vested in full during FY18 when the Qantas share price was \$5.66.

Table 7: Ten highest-paid ASX100 CEOs on a realised pay basis in FY18

Rank	CEO	Company	Realised pay (FY17 rank)	Reported pay (FY18 rank)
1	Alan Joyce	Qantas Airways	\$23,876,351 ¹⁰ (8)	\$7,699,000 (12)
2	Nicholas Moore	Macquarie Group	\$23,855,580 ¹¹ (3)	\$19,650,083 (1)
3	Michael Clarke	Treasury Wine Estates	\$19,024,334 ¹² (37)	\$11,126,591 (3)
4	Sandeep Biswas	Newcrest Mining	\$12,083,392 ¹³ (25)	\$8,291,107 (7)
5	Brian Benari	Challenger Group	\$11,696,001 (19)	\$5,586,864 (25)
6	Andrew Bassat	Seek	\$10,744,472 ¹⁴ (6)	\$5,100,550 (32)
7	Colin Goldschmidt	Sonic Healthcare	\$10,017,376 ¹⁵ (9)	\$6,750,341 (16)
8	Paul Perreault	CSL	\$9,532,156 ¹⁶ (12)	\$14,563,657 (2)
9	Scott Charlton	Transurban	\$9,302,892 ¹⁷ (11)	\$7,055,137 (14)
10	Greg Goodman	Goodman Group	\$9,226,854 ¹⁸ (17)	\$10,721,202 (4)

The new entrant to the Top 10 who rose the furthest relative to their FY17 ranking was Treasury's Michael Clarke. Clarke rose so far because his pay increased substantially between FY17 and FY18 – his fixed pay and bonus potential rose from \$5.5m in FY17 to \$6.25m (not including non-monetary benefits of \$768,000 mostly relating to his temporary relocation in the US) – while in August and September 2017 his first LTI allocation and the deferred equity component of prior year bonuses also vested in full, generating a gain of \$13.12m.

⁸ Full data on reported outcomes over the period 2001 to 2017 is available in Appendix D.

⁹ The FY17 statutory average includes the acceleration of expensing of equity incentives retained by Ramsay's Chris Rex on his retirement at the end of FY17. If this \$8.55m is excluded the statutory average falls to \$5,442,429, below the 2007 record.

¹⁰ Qantas Airways Limited, 2018 Annual Report, p.33; Change of director's interest notice, 15 September 2017.

¹¹ Macquarie Group Limited, 2010 Annual Report, p.109; 2011 Annual Report, p.113; 2013 Annual Report, p.71; 2014 Annual Report, p.75; 2018 Annual Report, pp.73 and 79; Change of director's interest notice, 19 June 2017.

¹² Treasury Wine Estates Limited, 2018 Annual Report, pp.56-57; Change of director's interest notices, 25 August 2017 and 14 September 2017.

¹³ Newcrest Mining Limited, 2018 Annual Report, p. D-22; Change of director's interest notices, 14 November 2017 and 22 November 2017.

¹⁴ Seek Limited, 2018 Annual Report, pp.47,52; Change of director's interest notice, 28 August 2017.

¹⁵ Sonic Healthcare Limited, 2018 Financial Report, p.25.

¹⁶ CSL Limited, 2018 Annual Report, p.68; 2015 Annual Report, p.65; Change of director's interest notice, 20 October 2017.

¹⁷ Transurban Group, 2018 Annual Report, p.37; Change of director's interest notices, 10 July 2017 and 22 August 2017.

¹⁸ Goodman Group, 2018 Financial Report, pp.38-39.

Other new entrants to the Top 10 included Challenger's former CEO Brian Benari, again a beneficiary of substantial share price increases to September 2017 increasing the value of equity incentives, CSL's Paul Perreault who in addition to substantial cash pay also had equity allocations worth \$3.3m vest, Newcrest's Sandeep Biswas and Transurban's Scott Charlton who both received large levels of cash pay plus substantial vesting of equity incentives and Goodman Group's Greg Goodman whose realised pay is driven almost entirely by the vesting of large LTI allocations from prior years (his cash pay was \$1.46m). High levels of cash pay are closely correlated with inclusion in both the statutory and realised Top 10 – of the realised pay Top 10, half had cash pay above \$4m, and another had cash pay of \$3.98m and another \$3.76m. The only CEOs to have cash pay below \$2.5m were Goodman and Benari (\$2.27m).

Table 8: Ten highest paid ASX100 CEOs on reported pay basis in FY18

Rank	CEO	Company	Reported pay (FY17 rank)	Realised pay (FY18 rank)
1	Nicholas Moore	Macquarie Group	\$19,650,083 (3)	\$23,855,580 (2)
2	Paul Perreault	CSL	\$14,563,657 (5)	\$9,532,156 (8)
3	Michael Clarke	Treasury Wine Estates	\$11,126,591 (10)	\$19,024,334 (3)
4	Greg Goodman	Goodman Group	\$13,299,136 (9)	\$9,226,854 (10)
5	Andrew Mackenzie	BHP	\$10,478,283 (8)	\$6,365,193 ¹⁹ (25)
6	Peter Coleman	Woodside Petroleum	\$8,820,628 (7)	\$8,443,253 (14)
7	Sandeep Biswas	Newcrest Mining	\$8,291,107 (11)	\$12,083,392 (4)
8	JS Jacques	Rio Tinto	\$8,238,057 (29)	\$7,428,470 ²⁰ (17)
9	Peter Botten	Oil Search	\$8,040,554 (15)	\$6,948,293 ²¹ (22)
10	Brad Banducci	Woolworths	\$7,756,094 (27)	\$3,945,861 ²² (46)

In common with prior years, inclusion in the realised pay Top 10 is a strong indicator of inclusion in the statutory pay Top 10, with half of the reported pay Top 10 also featuring in the realised pay Top 10: Moore, Perreault, Clarke, Goodman and Biswas. Of the other five the only one to not be included in the Top 25 CEOs on a realised pay basis was Woolworths' Brad Banducci which largely reflects the fact that he became CEO in February 2016 and so his first LTI allocation as CEO will not be eligible to vest until August 2019.

Pay levels rather than performance also have a substantial impact on where CEOs rank not only in realised but reported pay with six of the FY18 Top 10 also appearing in the FY17 Top 10 (another, Sandeep Biswas, was ranked 11th in the FY17 sample on reported pay). The only CEO in the FY18 reported pay Top 10 to receive realised pay of less than \$6.37m was Banducci who received \$3.95m and every CEO in the reported Top 10 other than Goodman and Moore had fixed pay of \$2.3m or higher. For both the FY18 Top 10 CEOs outside the FY17 Top 25 on reported pay in FY17, Banducci and Rio's JS Jacques, FY17 was their first full year as CEO and so their reported pay naturally increases as additional allocations of equity incentives begin to be expensed.

¹⁹ BHP Group, 2018 Annual Report, p.145.

²⁰ Rio Tinto, 2018 Annual Report, pp.134-135.

²¹ Oil Search Limited, 2018 Annual Report, p.106.

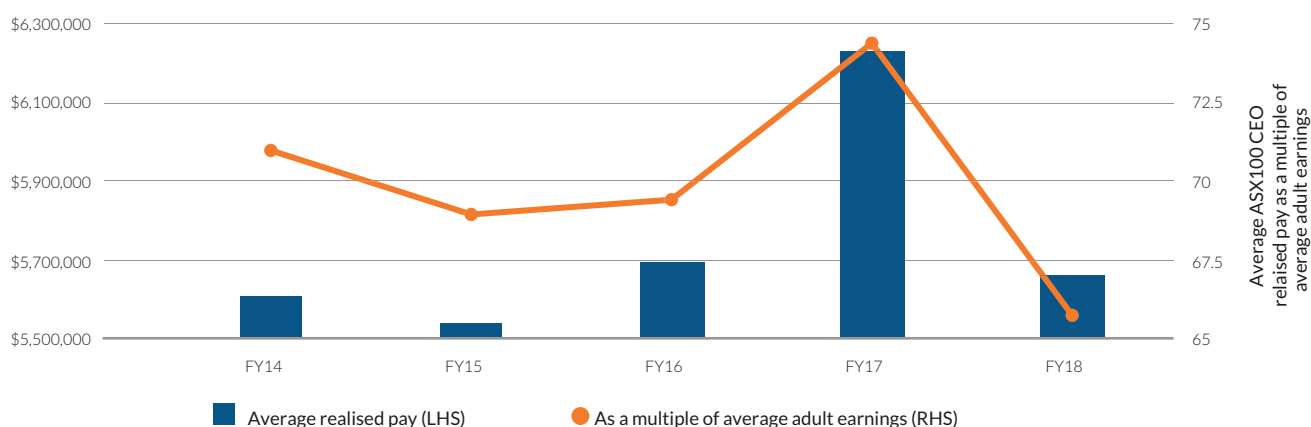
²² Woolworths Limited, 2018 Annual Report, pp.43 and 56.

As in FY17 no 'Big Four' bank CEO made the reported or realised pay Top 10 in FY18. FY17 was the first time this had happened in the history of our CEO pay study. Only three Big Four CEOs were eligible for inclusion this year; Westpac's Brian Hartzer, NAB's Andrew Thorburn and ANZ's Shayne Elliott with Matt Comyn, CEO of CBA for only three months of FY18. The highest ranked of these three on a realised pay basis was Thorburn at 26th (the highest ranked last year was Hartzer at 33rd), with Thorburn's realised pay \$6.2m due to the vesting of long-term incentives granted in 2012 during FY18.²³ The lowest realised pay for any of the three was \$3.9m for Elliott.²⁴ On a reported pay basis the highest paid bank CEO was Hartzer at \$6.57m, ranking him 18th among ASX100 CEOs reflecting the fact he has the highest pay package of any major bank CEO given his fixed pay of \$2.69m.²⁵

The CEOs included in the FY17 realised and reported Top 10 who were still in the FY18 sample but not included in the FY18 Top 10s were, in addition to the already mentioned Don Meij:

- Amcor's Ron Delia who fell from 7th on a realised pay basis in FY17 to 12th in FY18 largely due to his FY18 bonus falling from US\$1.85m to US\$403,000²⁶
- Boral's Mike Kane whose realised pay ranked him 10th in FY17 fell to 24th in FY18 as his realised pay fell from \$9.83m to \$6.61m due to lower levels of equity incentives vesting in FY18.²⁷

Graph 1: Average ASX100 CEO realised pay relative to average adult earnings FY14 – FY18²⁸



In FY18 average ASX100 CEO realised pay represented 65.8 years of average adult earnings, down from 74.4 in FY17. The disparity between ASX100 CEO realised pay and average earnings was the lowest in the five years that we have been collecting realised pay data, below the previous low of 69 years in FY15.

²³ National Australia Bank Limited, 2018 Annual Report, p.53.

²⁴ Australia & New Zealand Banking Group Limited, 2018 Annual Report, p.61.

²⁵ Westpac Banking Corporation, 2018 Annual Report, pp.54 and 70. Fixed pay in FY18 for ANZ's Elliott was \$2.1m and for Thorburn at NAB it was \$2.3m. On commencing as CEO at CBA, Comyn's fixed pay was set at \$2.2m.

²⁶ Amcor Limited, 2018 Annual Report, p.43; 2017 Annual Report, p.37. His bonus as a proportion of maximum fell from 68 per cent to 14 per cent.

²⁷ Boral Limited, 2018 Annual Report, p.74 and 2017 Annual Report, p.68.

²⁸ Average adult ordinary earnings are taken from ABS catalogue number 63020010h as at May of each year.

REALISED AND REPORTED PAY: ASX101-200

Median realised pay for ASX101-200 CEOs was little changed from FY17, falling 1.1 per cent to \$1.74m even as the average rose 13.1 per cent to \$2.56m. This is the highest level for ASX101-200 CEO realised pay in the five years that we have been collecting this data. It was driven by higher realised pay for incumbent CEOs – the 51 CEOs in the sample for both FY17 and FY18. Average and median realised pay for this group was substantially higher in both FY17 and FY18 than for the sample as a whole, with average incumbent CEO realised pay \$2.74m in FY18.

Table 9: Realised pay for ASX101-200 CEOs

	FY18	FY17	FY16	FY15	FY14
Median realised	\$1,735,892	\$1,754,582	\$1,437,375	\$1,413,322	\$1,738,822
Average realised	\$2,544,732	\$2,262,776	\$2,023,930	\$1,885,457	\$2,297,001
Highest	\$13,246,088	\$10,295,490	\$11,090,136	\$12,804,929	\$18,028,506
Lowest	\$390,707	\$382,489	\$378,581	\$379,455	\$357,009
Median incumbent	\$1,954,004	\$1,886,363			
Average incumbent	\$2,740,122	\$2,522,595			

The increase in average realised pay levels for the ASX101-200 sample was because in FY17 only one ASX101-200 CEO received realised pay above \$10m, Sigma's Mark Hooper, while in FY18 there were three above \$11m.

In FY18, as has been the case for the prior three years, median reported pay for ASX101-200 CEOs was above median realised pay (this has not occurred in the ASX100 sample to date). As in prior years and consistent with the ASX100 sample however, average reported pay for ASX101-200 CEOs was lower than average realised pay at \$2.32m, although it too rose substantially, increasing seven per cent from FY17 to below the FY14 record (FY14 included the highest individual reported CEO pay ever recorded in the ASX101-200 sample). Median reported pay, at \$2.03m, was the highest recorded in the eight years of the ASX101-200 study, up 8.4 per cent on FY17, the previous highest median.

Table 10: Average, median and outliers for ASX101-200 reported CEO pay

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$2,033,295	\$1,875,690	\$1,538,000	\$1,471,321	\$1,711,379	\$1,582,325	\$1,595,404	\$1,518,654
Average	\$2,322,846	\$2,169,956	\$1,777,343	\$1,782,417	\$2,341,142	\$1,749,036	\$1,654,603	\$1,700,321
Median incumbent	\$2,045,940	\$1,955,563	\$1,700,292					
Average incumbent	\$2,219,561	\$2,204,937	\$1,774,349					
Highest	\$12,672,444	\$10,090,741	\$6,487,392	\$6,831,204	\$19,588,095	\$5,984,652	\$4,072,000	\$4,924,362
Lowest	\$390,707	\$382,489	\$378,581	\$379,455	-\$386,999	\$369,159	\$448,062	\$365,053
One-year change (median): 8.4 per cent	Five-year change p.a. (median): 5.1 per cent							
One-year change (average): 7 per cent	Five-year change p.a. (average): 5.8 per cent							

In FY18 there were three ASX101-200 CEOs whose realised pay would have ranked them inside the ASX100 Top 10. Two of these were new entrants to the ASX101-200 Top 10: St Barbara's Bob Vassie and NextDC's Craig Scroggie. As is typically the case for members of the realised pay Top 10, both men owed their inclusion largely to large increases in the share price of their companies making prior year equity incentive allocations very valuable. In the case of Scroggie the share price of NextDC more than tripled between the December 2012 allocation of options (technically loan-funded shares) and their exercise in March 2018. In Vassie's case, 4.06m ZEPOs allocated in December 2014 when the share price was \$0.12 vested in full in August 2017 at a share price of \$2.83. The benefits of a successful turnaround also partly contributed to the inclusion of Elders CEO Mark Allison in the FY18 Top 10; Elders was not included in the S&P/ASX 200 in FY17. During FY18 Allison exercised 600,000 options with exercise prices of \$1.57 when the Elders share price was \$5.80.

The other ASX101-200 CEO with realised pay above \$10m for FY18, Saracen's Raleigh Finlayson, was ranked second in the ASX101-200 Top 10 last year. Finlayson's pay again reflected the vesting of large equity allocations coupled with strong share price performance. This was also the case for another repeat entrant, Webjet's John Guscic, while Premier's Mark McInnes, a member of the realised and reported ASX101-200 Top 10s every year since we began collecting realised-pay data in FY14, owed his inclusion to high fixed pay, a high bonus and vesting of equity incentives.²⁹ Over this five year period McInnes' realised pay has been \$45.69m while the share price has risen 126 per cent.

Table 11: Ten highest-paid ASX101-200 CEOs on a realised pay basis in FY18

Rank	CEO	Company	Realised pay (FY17 rank)	Reported pay (FY18 rank)
1	Bob Vassie	St Barbara	\$13,246,088 ³⁰ (15)	\$2,339,324 (41)
2	Craig Scroggie	NextDC	\$12,515,914 (35)	\$2,551,637 (22)
3	Raleigh Finlayson	Saracen Mineral Holdings	\$11,284,256 ³¹ (2)	\$1,860,321 (43)
4	John Guscic	Webjet	\$8,848,438 ³² (5)	\$2,226,727 (34)
5	Mark McInnes	Premier Investments	\$8,429,410 ³³ (4)	\$6,826,481 (2)
6	Harry Debney	Costa Group Holdings	\$6,632,993 ³⁴ (18)	\$1,806,536 (47)
7	Andrew Wood	WorleyParsons	\$4,391,000 ³⁵ (37)	\$3,307,000 (9)
8	Thomas Beregi	Credit Corp	\$4,314,835 ³⁶ (30)	\$2,385,503 (30)
9	Mark Allison	Elders	\$4,277,260 ³⁷ (N/A)	\$2,745,793 (20)
10	Darryl Abotomey	Bapcor	\$3,929,847 ³⁸ (22)	\$3,055,588 (14)

Costa's Harry Debney was a new inclusion in the Top 10 after receiving the benefit of lucrative equity allocations from the 2015 Initial Public Offering (IPO). Worley CEO Andrew Wood benefited from strong share price performance which saw him receive just under \$2.5m from the vesting of a unique-option like instrument the company granted him and other Worley executives in 2015. The other two new entrants to the Top 10 were Credit Corp's Thomas Beregi, whose realised pay was driven by vesting of equity worth \$2.9m as the share price doubled over the three years to November 2017, and Bapcor CEO Darryl Abotomey whose inclusion reflected high cash pay - \$2.41m, up 15 per cent on FY17, and substantial value from equity incentives vesting.

The greater volatility of the ASX101-200 cohort was again apparent in FY18 when compared with the ASX100. Of the FY18 Top 10, only three were members of the FY17 Top 10 and four were outside the FY17 Top 20, while only two of the ASX100 Top 10 were outside of the FY17 Top 20.

²⁹ Even if equity incentives were excluded McInnes' cash pay of \$4.49m would have ranked him sixth in the FY18 realised pay Top 10.

³⁰ St Barbara Limited, 2018 Financial Report, pp.30 and 35; Change of director's interest notice, 31 August 2017.

³¹ Saracen Mineral Holdings Limited, 2018 Annual Report, pp.66 and 70-71; Change of director's interest notices, 3 August 2017 and 23 March 2018.

³² Webjet Limited, 2018 Annual Report, p.42.

³³ Premier Investments Limited, 2018 Annual Report, p.33.

³⁴ Costa Group Holdings Limited, 2018 Annual Report, p.39; Change of director's interest notice, 7 September 2017.

³⁵ WorleyParsons Limited, 2018 Annual Report, p.51.

³⁶ Credit Corp Group Limited, 2017 Financial Report, p.22. The vesting date is not specified but is listed as being in November; assumed to be 1 November or first trading day thereafter (the CEO is not a director).

³⁷ Elders Limited, 2018 Annual Report, pp.69 and 72; Change of director's interest notice, 20 November 2017.

³⁸ Bapcor Limited, 2018 Annual Report, p.28; Change of director's interest notice, 13 October 2017.

Table 12: Ten highest-paid ASX101-200 CEOs on a reported pay basis in FY18

Rank	CEO	Company	Reported pay (FY17 rank)	Realised pay (FY18 rank)
1	David Hancock	Afterpay Touch	\$12,672,444 (N/A)	\$685,933 ³⁹ (73)
2	Mark McInnes	Premier Investments	\$6,826,481 (1)	\$8,429,410 (5)
3	Ryan Stokes	Seven Group	\$5,288,569 (N/A)	\$3,833,274 ⁴⁰ (13)
4	Ian Testrow	Emeco Holdings	\$4,891,504 (-)	\$1,737,230 ⁴¹ (38)
5	Chris Ellison	Mineral Resources	\$4,672,313 (3)	\$2,681,128 ⁴² (23)
6	Hugh Marks	Nine Entertainment	\$4,450,605 (26)	\$2,719,767 ⁴³ (21)
7	Mick McMahon	Inghams Group	\$3,728,000 (N/A)	\$3,023,000 ⁴⁴ (18)
8	Amanda Lacaze	Lynas Corporation	\$3,727,276 (N/A)	\$2,536,799 ⁴⁵ (26)
9	Andrew Wood	WorleyParsons	\$3,307,000 (15)	\$4,391,000 (7)
10	Lindsay Partridge	Brickworks	\$3,260,906 (14)	\$3,171,504 ⁴⁶ (15)

The FY18 reported pay Top 10 list for the ASX101-200 cohort was easily topped by head of operations at Afterpay, David Hancock. This was due to a one-off option grant to Hancock with an unusual history. On taking up his executive role in July 2017, APT promised to grant Hancock two million options with terms to be determined but then did not seek approval for this grant of options until the 2018 AGM.⁴⁷ Due to the rapid increase in APT's share price over the course of 2017 and 2018 and the personal tax difficulties this would create for Hancock on issue of options on the original terms, APT eventually received shareholder approval to grant Hancock 2.7m options at the 2018 AGM with an exercise price of \$2.70.⁴⁸ The value of the options included in APT's 2018 annual report, without which Hancock's pay would have been \$686,000, was in fact based on a proposal which APT subsequently abandoned to allocate Hancock 'loan-funded shares', effectively a tax-advantaged option.

Of the other nine inclusions in the reported pay Top 10, two were also included in the realised Top 10; McInnes and Wood. The other seven included six new entrants to the reported pay Top 10, top of which was Seven Group CEO Ryan Stokes, whose inclusion was in part driven by cash pay of \$2.4m (his fixed pay of \$1.72m was the third highest in the ASX101-200 cohort). The value of large equity allocations granted as part of 'turnarounds' drove the inclusion of Emeco's Ian Testrow and Lynas' Amanda Lacaze while high cash pay levels were major contributors to Nine's Hugh Marks, Ingham's Mick McMahon and Brickworks' Lindsay Partridge all entering the Top 10. The only CEO other than Mark McInnes to be included in both the FY17 and FY18 Top 10s, Mineral Resources' Chris Ellison, was again included due Mineral's practice of including the full value (\$2.7m) of the CEO's annual equity allocations in its pay table despite these allocations vesting in future years.

³⁹ Afterpay Touch Group Limited, 2018 Annual Report, pp.29,30 and 32.

⁴⁰ Seven Group Holdings Limited, 2018 Annual Report, p.41s.

⁴¹ Emeco Holdings Limited, 2018 Annual Report, pp.31-32.

⁴² Mineral Resources Limited, 2018 Annual Report, pp.52 and 61; Change of director's interest notice, 29 August 2017.

⁴³ Nine Entertainment Co. Group Limited, 2018 Annual Report, p.44; Change of director's interest notice, 20 December 2016.

⁴⁴ Inghams Group Limited, 2018 Annual Report, p.46.

⁴⁵ Lynas Corporation Limited, 2018 Annual Report, p.27; Change of director's interest notice, 11 December 2017.

⁴⁶ Brickworks Limited, 2018 Annual Report, p.41; Change of director's interest notice, 28 September 2017.

⁴⁷ Afterpay Touch Group Limited, 2018 Annual Report, p.30.

⁴⁸ Afterpay Touch Group Limited, 2018 Notice of Annual General Meeting, p.5. At the close of trading on 28 November 2018, the date of the AGM, these options were worth \$27.2m.

The strong alignment between high levels of reported and realised pay is again apparent from all but two members of the reported pay Top 10 having realised pay above \$2.5m and five of the reported pay Top 10 being included in the realised pay Top 10 for FY18.

There was a high degree of turnover in the reported pay Top 10 with eight of the FY17 departing. There were a variety of reasons for these departures:

- In two cases, those of Sims' Galdino Claro and Metcash's Ian Morrice, the CEO departed with both CEOs receiving substantial termination payments in FY18.
- In another four cases the CEO was part of the ASX100 sample in FY18: Reliance Worldwide's Heath Sharp, Charter Hall's David Harrison, Cleanaway's Vik Bansal and Whitehaven's Paul Flynn.
- In the case of Spotless, CEO Martin Sheppard was not included due to Downer's acquisition of Spotless.

The only member of the Top 10 in FY17 not in the FY18 Top 10 but still included in the ASX101-200 sample was Cromwell's Paul Weightman whose reported pay in FY18 was \$2.94m, ranking him 16th in the sample. The board of Cromwell responded to a 'strike' against the 2017 remuneration report by reducing the CEO's fixed pay by \$100,000 and his bonus potential from \$1.6m to \$900,000.⁴⁹

Reported and realised pay were as in prior years closely correlated for most CEOs. In FY18, 89 of the 158 CEOs across the ASX200 sample had realised pay that was between 75 per cent and 125 per cent of their reported pay while 89 per cent of the sample had realised pay between 50 per cent and 200 per cent of reported pay. In FY17 and FY18, 47 per cent of the sample had realised pay between 80 per cent and 120 per cent of reported pay.

Table 13: ASX200 CEOs with the most understated pay in FY18

Rank	CEO (Company/Index)	Realised pay (as per cent of reported pay)
1	Don Meij (Domino's/100)	909 per cent
2	Raleigh Finlayson (Saracen/200)	607 per cent
3	Bob Vassie (St Barbara/200)	566 per cent
4	Craig Scroggie (NextDC/200)	491 per cent
5	John Guscic (Webjet/200)	397 per cent

For the third consecutive year Domino's Don Meij had the most understated pay on a statutory basis. This was again due to the combination of exercising options after periods of substantial share price increases and low cash pay but in FY18 a new factor contributed to Meij's reported pay being understated. In 2H18, Dominos reversed previously accrued expenses associated with options granted to Meij and certain other executives after reviewing the attached earnings growth hurdles. In the case of Meij this meant his statutory pay of \$77,000 included a negative value for equity due to prior expensed amounts being reversed and without this reversal his cash pay was \$1.15m (even excluding the negative equity value Meij's realised pay would still have been 612 per cent of reported pay).

Every one of the five executives with the most understated pay had high realised pay due to equity incentives vesting or being exercised after periods of strong share price performance. Under accounting standards, it is the value of equity at grant date that is expensed over the life of the options, and included in statutory pay disclosures. For example, the options Guscic exercised in FY18 for a gain of \$7.41m had an accounting value at grant of \$190,000.⁵⁰

⁴⁹ Cromwell Property Group, 2018 Annual Report, pp.36-37 and 53.

⁵⁰ Webjet Limited, 2018 Annual Report, p.42.

Table 14: ASX200 CEOs with the most overstated pay in FY18

Rank	CEO (Company)	Realised pay as per cent of reported pay
1	David Hancock (Afterpay/200)	18 per cent
2	Scott Richards (Mayne Pharma/100)	47 per cent
3	Ian Testrow (Emeco/200)	36 per cent
4	John Welborn (Resolute/200)	43 per cent
5	Ken Brinsden (Pilbara Minerals/200)	46 per cent

The CEOs with the most overstated pay in FY18 illustrate the timing differences that can arise under the way in which companies report the value of share based payments under the Corporations Act. The options held by Afterpay's David Hancock, for example, were extraordinarily valuable at the time they were granted and even more valuable by June 2019 but the expense associated with them will be spread across several reporting periods prior to exercise. A similar story arises with Emeco's Ian Testrow who after the end of FY18 vested and sold 13.02m shares for a gain of \$4.69m.⁵¹

Large irregular equity allocations which are more prevalent among smaller companies also mean that CEOs can oscillate between the most understated and overstated pay from year-to-year with Mayne's Scott Richards ranked among the most understated CEOs in FY17 when his realised pay was \$9.49m before having the second most overstated pay on a reported pay basis in FY18. After reaping gains of \$8.52m on equity incentives in FY17 Richards, who is not eligible for annual bonuses, had no equity capable of exercise in FY18 as Mayne's share price fell substantially.⁵² Large equity incentive grants that are being expensed but are yet to vest also explain the gaps between realised and reported pay at Resolute and Pilbara. Resolute CEO John Welborn, for example, was granted 2.56m ZEPOs in FY17 with a fair value of \$3.26m that do not vest until early in FY20.⁵³

⁵¹ Emeco Holdings Limited, Change of director's interest notice, 28 August 2018. In addition to the shares that vested Testrow also sold 849,590 shares reducing his shareholding outside of equity incentives to zero.

⁵² Mayne Pharma Group Limited, 2018 Annual Report, pp.37,40 and 43. During FY18, Mayne actually cancelled previously granted equity incentives that were no longer 'in the money' due to the decline in Mayne's share price.

⁵³ Resolute Mining Limited, 2017 Annual Report, p.61. For details on when Pilbara Minerals' Ken Brinsden's equity incentives vest and are capable of exercise see 2018 Annual Report, p.50 and for details on his statutory and realised pay see pp.46 and 51.

CEO FIXED PAY

In FY18 fixed pay for ASX100 and ASX101-200 CEOs was largely flat. Median CEO fixed pay for the Top 100 rose one per cent, to \$1.79m while the average declined slightly while the median and average of the ASX101-200 cohort both fell slightly.

Table 15: Fixed pay for ASX100 CEOs⁵⁴

	FY18	FY17	FY13	FY08	One-year increase	Five-year p.a. increase	10-year p.a. increase
Median	\$1,788,000	\$1,770,480	\$1,830,614	\$1,745,856	1 per cent	-0.5 per cent	0.2 per cent
Average	\$1,883,744	\$1,909,500	\$1,948,949	\$1,947,350	-1.3 per cent	-0.7 per cent	-0.3 per cent
Highest	\$4,746,633	\$6,555,254	\$6,359,705	\$9,204,760			
Lowest	\$750,000	\$371,396	\$247,275	\$198,648			
Median incumbent	\$1,844,000	\$1,764,843					
Average incumbent	\$1,908,353	\$1,840,967					

The lack of major increases in CEO fixed pay in the ASX100 is a trend dating to the time of the global financial crisis. In 2009 average fixed pay for ASX100 CEOs was \$2.02m, the highest recorded in the history of our study, having increased steadily from \$1.53m in FY05. Median fixed pay topped out at \$1.95m in FY12 and has since then gradually declined. Over the decade to FY18 median fixed pay has risen just 0.2 per cent per annum while the average has declined by 0.3 per cent per annum. Inflation over the same period has averaged 2.1 per cent per annum.⁵⁵ This decline has been driven by changes in CEO with new appointments on substantially lower fixed pay and then minimal increases for CEOs after appointment (although in FY18 the median incumbent CEO received a 4.5 per cent increase to \$1.84m and the average incumbent a 3.7 per cent increase).

⁵⁴ Full fixed pay data over the history of our longitudinal survey is set out in Appendix A.

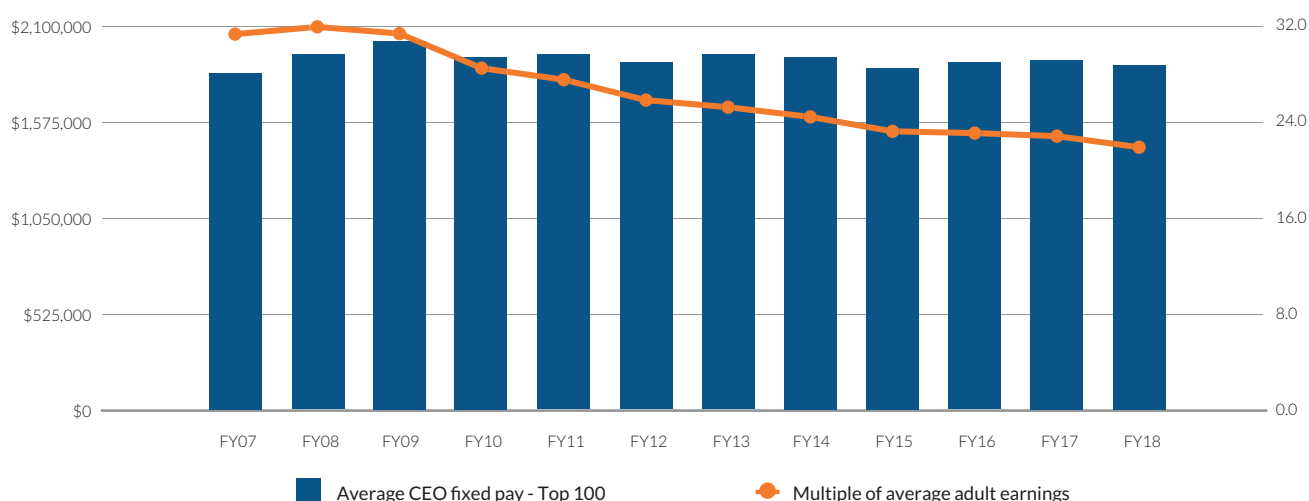
⁵⁵ Assessed using the all groups Australia consumer price index as at June 2018 and June 2008 from the Australian Bureau of Statistics.

Table 16: Big Four bank CEO fixed pay

Bank	CEO -2	CEO -1	Current or incoming CEO
ANZ	J McFarlane (\$2.5m; FY07) ⁵⁶	M Smith (\$3.6m; FY15) ⁵⁷	S Elliott (\$2.1m) ⁵⁸
CBA	R Norris (\$3.12m; FY11) ⁵⁹	I Narev (\$2.65m; FY17) ⁶⁰	M Comyn (\$2.2m) ⁶¹
NAB	J Stewart (\$2.8m; FY08) ⁶²	C Clyne (\$2.7m; FY13) ⁶³	R McEwan ⁶⁴ (\$2.5m; FY19)
Westpac	D Morgan (\$3.1m; FY07) ⁶⁵	G Kelly (\$3.1m; FY14) ⁶⁶	B Hartzer (\$2.69m) ⁶⁷

Table 16 illustrates the trend in lower fixed pay as CEOs change by showing the fixed-pay levels of recent major bank CEOs. The current CEO in every case, aside from NAB's most recent appointment, has fixed pay that is at least 15 per cent lower in absolute – not inflation adjusted terms – than their immediate predecessor and at least 13 per cent lower than the CEO in office prior to their predecessor. This decline in pay when a new CEO is appointed, repeated across the ASX100, has seen CEO fixed pay decline relative to average adult earnings substantially over the past decade. In FY08, it would have taken the average adult just under 32 years of earnings to attain the average ASX100 CEO's fixed pay but by FY18 this multiple had dropped to just under 22 years.

Graph 2: ASX100 average CEO fixed pay FY05 – FY18 as a multiple of average adult earnings



⁵⁶ Australia & New Zealand Banking Group Limited, 2007 Annual Report, pp.22 and 23.

⁵⁷ Australia & New Zealand Banking Group Limited, 2015 Annual Report, p.48.

⁵⁸ Australia & New Zealand Banking Group Limited, 2018 Annual Report, p.54.

⁵⁹ Commonwealth Bank of Australia Limited, 2011 Annual Report, p.75.

⁶⁰ Commonwealth Bank of Australia Limited, 2017 Annual Report, p.68.

⁶¹ Commonwealth Bank of Australia Limited, 2017 Annual Report, p.98.

⁶² National Australia Bank Limited, 2008 Annual Report, pp.19 and 20.

⁶³ National Australia Bank Limited, 2013 Annual Report, p.38.

⁶⁴ National Australia Bank Limited, ASX Announcement - Ross McEwan appointed CEO of National Australia Bank, 19 July 2019, p.3

⁶⁵ Westpac Banking Corporation, 2007 Annual Report, p.45; includes accounting value from statutory pay table of the value of his defined benefit entitlement.

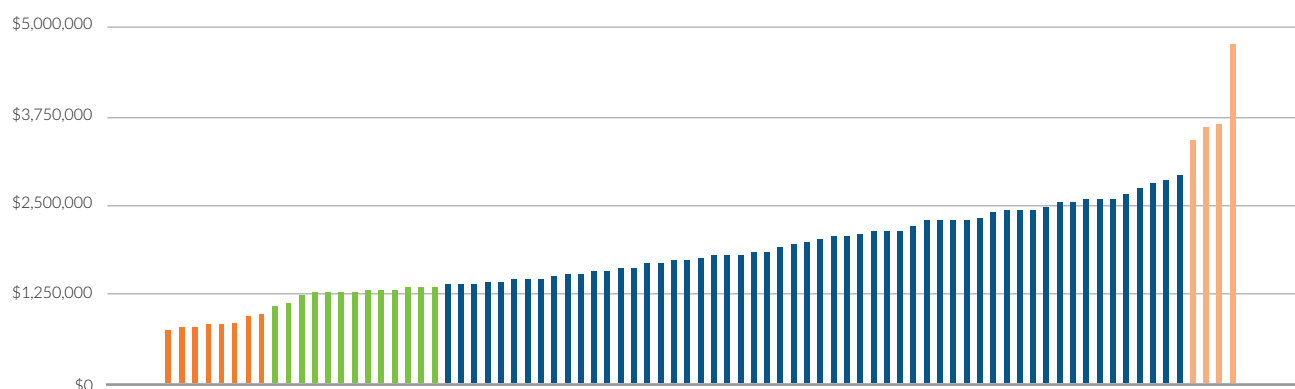
⁶⁶ Westpac Banking Corporation, 2014 Annual Report, p.71.

⁶⁷ Westpac Banking Corporation, 2018 Annual Report, p.64.

The decline in the FY18 average owes much to the departure from the sample of the handsomely rewarded Lowy brothers as co-CEOs of Westfield. Had they still been included in the FY18 study based on their AUD fixed pay from FY17 (\$6.56m between the two co-CEOs) then average ASX100 CEO fixed pay would have been \$1.94m, up 1.6 per cent on FY17. Replacing the Lowys as the highest paid ASX100 CEO in FY18 on a fixed pay basis was Amcor's Ron Delia, whose fixed pay of USD\$1.6m as in prior years is augmented by a variety of tax equalisation and expatriate arrangements.⁶⁸ In FY18, as shown in Graph 3 below, there were only three CEOs besides Delia whose fixed pay was above \$3m:

- Magellan's Hamish Douglass, whose fixed pay of \$3.65m was set under a now abandoned contract where his fixed pay was set as a percentage of earnings. It has since been reset to \$2.5m per annum from FY19.⁶⁹
- Crown's executive chair John Alexander whose fixed pay was set at \$3.5m on commencement not including non-monetary benefits or superannuation and in FY18 was \$3.6m.⁷⁰
- Treasury Wine's Clarke whose stated fixed pay of \$2.6m was, as noted above, swelled to \$3.4m by various allowances and non-monetary benefits mostly relating to his temporary relocation to the United States.

Graph 3: Distribution of FY18 ASX 100 CEO fixed pay



In FY18 the number of CEOs with fixed pay above \$2.5m fell slightly, from 15 in FY17 to 14 in FY18. Most ASX100 CEOs in FY18, consistent with prior years, received well over \$1m in fixed pay with only eight of the 81 CEOs in the sample having fixed pay below \$1m (as in FY17). The CEOs with fixed pay below \$1m included:

- Harvey Norman's Gerry Harvey who had the lowest fixed pay in the sample at \$750,000⁷¹
- Northern Star CEO Bill Beament whose pay is weighted heavily towards equity incentives⁷²
- Macquarie's Nicholas Moore at \$819,000, whose relatively low fixed pay is dwarfed by his potential and actual earnings under Macquarie's annual profit share system (his FY18 profit share is discussed in more detail in the bonus section).

The eight CEOs with fixed pay below \$1m in FY18 were the same eight as in FY17. This will change from FY19, with Link CEO John McMurtrie receiving a 22 per cent fixed pay increase to \$1.1m for FY19, and Moore retiring.⁷³

⁶⁸ Amcor Limited, 2018 Annual Report, pp.43 and 48.

⁶⁹ Magellan Financial Group Limited, 2018 Annual Report, pp.20-21 and 25.

⁷⁰ Crown Resorts Limited, 2018 Annual Report, pp.64 and 69.

⁷¹ His wife, who is described by HVN as their CEO, received fixed pay in FY18 of \$2.1m. Harvey Norman Holdings Limited, 2018 Annual Report, p.48.

⁷² Northern Star Resources Limited, 2018 Annual Report, pp.44 and 45.

⁷³ Link Administration Holdings Limited, 2018 Annual Report, p.81.

Table 17: Fixed pay for ASX101-200 CEOs in FY11 – FY18

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$937,740	\$955,688	\$864,128	\$883,233	\$930,632	\$900,000	\$875,000	\$823,493
Average	\$1,026,024	\$1,041,587	\$1,035,243	\$1,075,111	\$1,200,266 ⁷⁴	\$1,066,452 ⁷⁵	\$973,576	\$930,358
Median (incumbent)	\$1,028,955	\$955,688						
Average (incumbent)	\$1,071,610	\$1,040,809						
Highest	\$2,654,410	\$2,740,835	\$5,898,856	\$5,559,838	\$5,718,958	\$3,935,131 ⁷⁶	\$3,003,925	\$3,007,279
Lowest	\$385,933	\$382,489	\$378,581	\$379,455	\$357,009	\$305,799	\$41,221	\$280,351
One-year change (median):	-1.9 per cent		Five-year change p.a. (median): 0.8 per cent					
One-year change (average):	-1.5 per cent		Five-year change p.a. (average): -0.8 per cent					

Median and average ASX101-200 CEO fixed pay declined slightly in FY18, with the average falling 1.5 per cent from FY17 and the median 1.9 per cent. This still left median ASX101-200 fixed pay, at \$937,740, the second highest in the history of our ASX101-200 study. This high level of median fixed pay was driven by incumbent CEOs. The 51 CEOs in the sample for FY17 and FY18 had median fixed pay of \$1.03m, up 7.7 per cent on the FY17 median, while the average for incumbents also rose, from \$1.04m to \$1.07m.

There were only two CEOs in the ASX101-200 sample for FY17 and FY18 with fixed pay above \$2m: Premier's Mark McInnes and Seven West's Tim Worner, with McInnes again topping the ASX101-200 sample.⁷⁷ In contrast there were 33 ASX100 CEOs with fixed pay above \$2m in FY18 (FY17: 35). Indeed, only seven of the ASX101-200 sample had fixed pay above \$1.5m, while 41 of the 77 had fixed pay below \$1m (43 out of 77 in FY17 and 49 of 77 in FY16). The number of ASX101-200 CEOs with fixed pay below \$500,000 rose relative to FY17, from three to four. The lowest paid was again ARB Corporation's Andrew Brown. Other CEOs who received fixed pay below \$500,000 were Platinum's Kerr Neilson (who also received below \$500,000 in FY17), Afterpay's Hancock and Pilbara's Brinsden.⁷⁸

⁷⁴ Average fixed pay includes a termination impact for Lynas Corp's Eric Noyrez of \$1.24m and Pacific Brands' John Pollaers \$1.4m. If these are removed the average fixed pay for FY14 was \$1,165,077.

⁷⁵ Average fixed pay includes a 'termination effect' for Seven Group and for GUD CEO Ian Campbell who departed shortly after FY13 year-end. If Campbell's termination payment of \$1.21m and the payment to Peter Gammell are excluded, average fixed pay was \$1,029,523.

⁷⁶ 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 ASX101-200 sample.

⁷⁷ Seven West Median Limited, 2018 Annual Report, p.83.

⁷⁸ See ARB Corporation Limited, 2018 Annual Report, p.10; Platinum Asset Management Limited, 2018 Annual Report, p.38.

CEO BONUSES

FY18 was a record year for the ASX200 sample in terms of bonus outcomes. Across the 158 CEOs in the sample, 147 were eligible for an annual bonus and of this group 140 received a bonus. In the ASX100, only one CEO in the sample eligible for a bonus received zero – Domino's Don Meij – while in the ASX101-200 sample there were six. In both the ASX100 and the ASX101-200 sample the numbers of CEOs eligible to receive a bonus who received zero for performance reasons were at record lows. The previous low in the ASX100 sample were FY08 and FY15 when seven per cent of the sample received zero. In FY17 six of the 84 CEOs in the ASX100 sample received no bonus for performance reasons while nine of the 77 in the ASX101-200 sample in FY17 received no bonus for performance reasons.⁷⁹

The persistence of bonus outcomes remains a feature of CEO pay. The median bonus outcome as a proportion of maximum in FY18 was 70 per cent, effectively in line with FY17, FY16 and FY15 as shown in Table 18. Bonus outcomes relative to maximum have been slightly more variable in the ASX101-200 with a step change in bonus outcomes visible between FY15 and FY16.

Table 18: CEO bonuses as a proportion of maximum FY15 – FY18⁸⁰

	FY15	FY16	FY17	FY18
ASX100 average	68.5 per cent	64.4 per cent	66.4 per cent	68.1 per cent
ASX100 median	70.0 per cent	68.6 per cent	70.5 per cent	70.0 per cent
ASX101-200 average	49.7 per cent	60.9 per cent	59.1 per cent	67.9 per cent
ASX101-200 median	58.2 per cent	75.0 per cent	69.0 per cent	75.7 per cent

The data on bonuses as a proportion of maximum illustrates that there is minimal evidence that annual bonuses in large companies are genuine 'at risk' payments. Graph 4 below shows not only the rightward skew of bonus outcomes – half the ASX100 sample received more than 70 per cent of maximum – but that even CEOs who receive less than median are still unlikely to receive less than half of maximum.

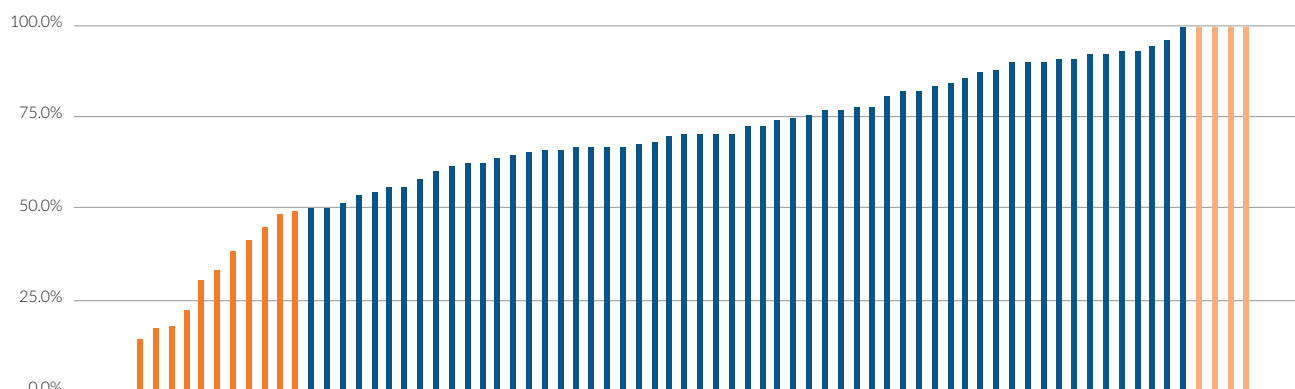
Of the 36 CEOs in the ASX100 sample who received below 70 per cent of maximum, only 12 received less than 50 per cent and only four received less than 20 per cent. Even this overstates the extent to which these CEOs received low bonuses as Tabcorp's David Attenborough, despite receiving 17 per cent of maximum (\$495,000) under Tabcorp's standard annual bonus also received a \$630,000 'merger completion award' for securing the completion of the Tabcorp-Tatts merger.⁸¹

⁷⁹ In the ASX100 sample 76 of the 81 CEOs were eligible for a bonus.

⁸⁰ Data on bonuses awarded as a proportion of maximum was available for 73 ASX100 CEOs in FY18 and 68 ASX101-200 CEOs.

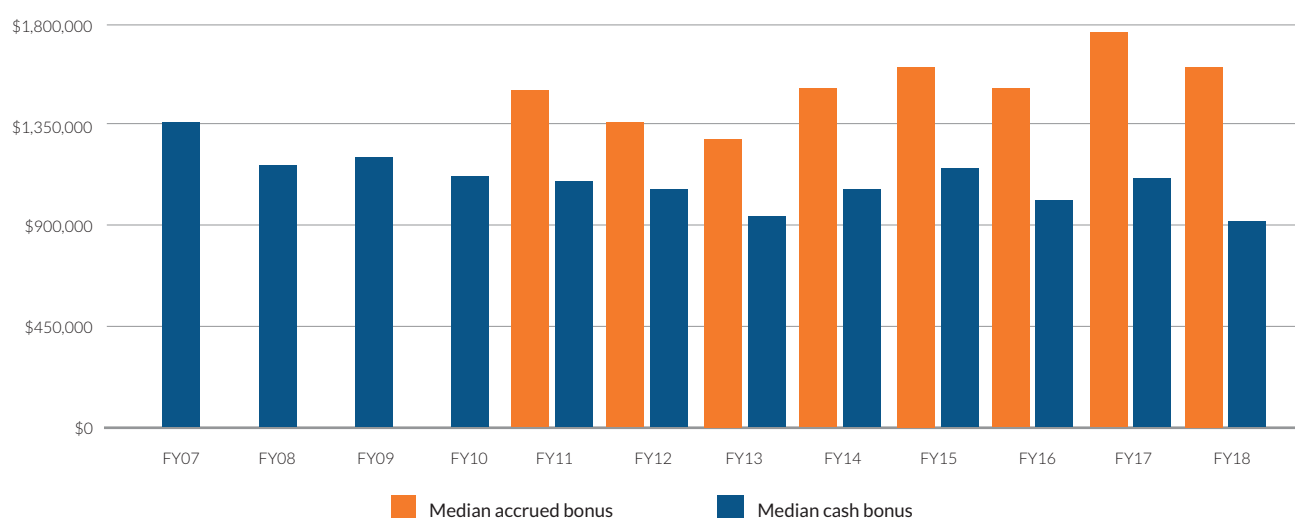
⁸¹ The CEO also benefited from having his bonus potential set using his increased bonus potential following the substantial pay rise he received on completing the Tatts merger despite this pay rise occurring halfway through the year which increased his annual bonus by \$40,000. Tabcorp Holdings Limited, 2018 Annual Report, pp.58,64 and 70.

Graph 4: Distribution of bonus outcomes for ASX100 CEOs as a percentage of maximum



There were five ASX100 CEOs in FY18 who received 100 per cent of their maximum bonus (FY17: 7). These included Treasury's Michael Clarke who in his four full years as CEO of TWE has received maximum bonus every year. The others were Crown's John Alexander, TPG Telecom's David Teoh and Adelaide Brighton's Martin Brydon.⁸² The \$1.47m bonus Brydon received was effectively a termination payment by another name given other executives at Adelaide Brighton received 24 per cent of maximum or less for FY18 due to the company's poor performance. The bonus paid to Brydon was based on revised targets for "a smooth transition" to a new CEO.⁸³

Graph 5: ASX100 CEO bonus outcomes FY07 – FY18



The median and average bonus in FY18 for an ASX100 CEO fell sharply despite the persistence of bonus outcomes relative to maximum.⁸⁴ The median cash bonus fell 16.5 per cent to \$927,000, the lowest since 2004, while the median bonus awarded – which includes deferred components – fell from \$1.76m to \$1.61m (the FY18 outcome was the second highest in the eight years that we have been collecting data on bonuses awarded). The average cash bonus fell almost 15 per cent in FY18 to \$1.09m, the lowest average since 2002, and the average bonus awarded also declined, from the record \$2.30m in FY17 to \$2m, behind only the FY16 and FY17 averages.

⁸² Treasury Wine Estates Limited, 2018 Annual Report, p.52, 2017 Annual Report, p.52; 2016 Annual Report, p.47; 2015 Annual Report, pp.56 and 57; Crown Resorts Limited, 2018 Annual Report, pp.64 and 69; TPG Telecom Limited, 2018 Annual Report, p.23.

⁸³ Adelaide Brighton Limited, 2018 Annual Report, pp.33,39 and 44.

⁸⁴ The average and median cash bonuses and bonuses awarded include data only for those CEOs who received a bonus.

Table 19: Cash bonuses for ASX100 CEOs⁸⁵

	FY18	FY17	FY13	FY08	One-year change	Five-year a. change	10-year p.a. change
Median	\$927,159	\$1,110,087	\$950,000	\$1,167,645	-16.5 per cent	-0.5 per cent	-2.0 per cent
Average	\$1,086,278	\$1,277,179	\$1,220,744	\$2,016,214	-14.9 per cent	-2.3 per cent	-2.3 per cent
Highest	\$3,888,551	\$6,389,286	\$6,101,360	\$27,233,798			
Median incumbent	\$1,007,311	\$1,069,500					
Average incumbent	\$1,128,389	\$1,211,198					

The declines in cash bonuses in FY18 was across the sample although incumbent CEOs saw smaller declines with the median cash bonus across the 65 incumbent ASX100 CEOs falling 5.8 per cent to \$1.01m. This suggests new entrants to the ASX100 CEO sample with lower bonus opportunities drove some of the decline. The highest cash bonus in the FY18 ASX100 CEO sample of \$3.89m was received by CSL's Paul Perreault and the only other CEO to receive a cash bonus above \$3m was Macquarie's Moore.

Table 20: Awarded bonuses for ASX100 CEOs

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$1,606,648	\$1,763,623	\$1,485,000	\$1,604,724	\$1,516,985	\$1,290,150	\$1,366,730	\$1,500,000
Average	\$2,002,305	\$2,303,960	\$2,063,479	\$1,949,392	\$1,964,975	\$1,684,571	\$1,736,497	\$1,657,376
Highest	\$18,104,604	\$17,236,480	\$17,721,760	\$15,913,613	\$11,948,209	\$9,386,708	\$9,177,417	\$9,002,180
Median incumbent	\$1,664,070	\$1,831,300						
Average incumbent	\$2,116,104	\$2,079,753						

FY18 did see the average bonus awarded increase despite a decrease in the median, with the average awarded bonus rising 1.7 per cent to \$2.12m. This was partly due to a handful of large companies moving to a 'combined incentive plan' model where either an enlarged annual incentive replaces the long-term incentive (NAB, QBE) or where an enlarged annual incentive award is then allocated as a mix of cash bonuses, deferred equity and long-term incentives (Woodside, Telstra and Iluka). This meant, for example, that WPL's awarded bonus for FY18 was \$6.94m but this included both annual bonus awards and long-term incentive allocations - and a sharply reduced cash bonus relative to prior years.⁸⁶

The highest bonus awarded in FY18 was again received by Macquarie's Nicholas Moore. This is described by Macquarie as a 'profit share' rather than an annual bonus. There were ten (FY17: 13) bonuses of more than \$3m awarded during FY18, including components deferred. The others outside of Moore, Coleman and Perreault were Treasury's Clarke, QBE's Pat Regan and Oil Search's Peter Botten.⁸⁷

⁸⁵ Full bonus data over the history of our longitudinal survey is disclosed in Appendix B.

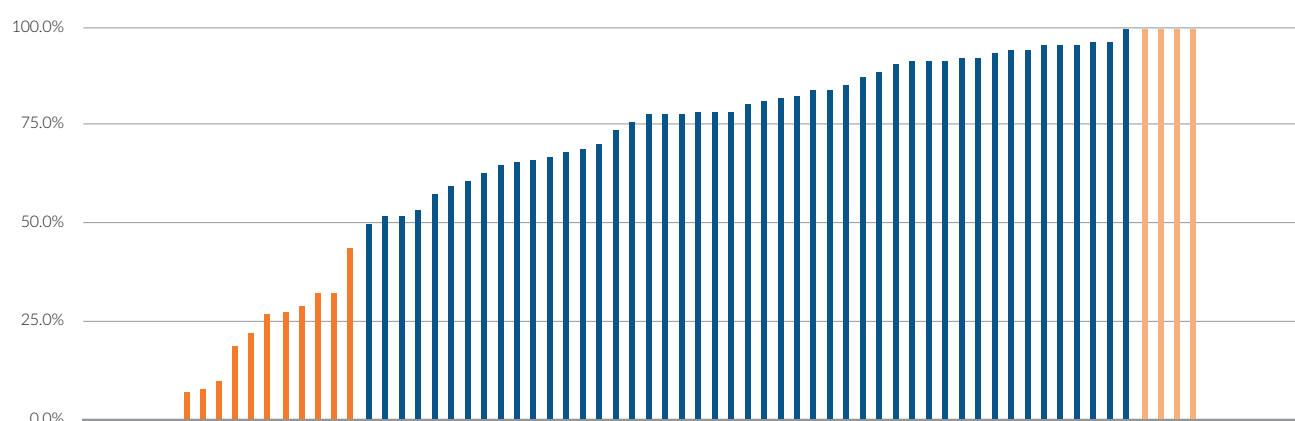
⁸⁶ Woodside Petroleum Limited, 2018 Annual Report, pp.80,83 and 86.

⁸⁷ QBE Insurance Group Limited, 2018 Annual Report, pp.63 and 67.

The major gulf between ASX100 and ASX101-200 CEOs is clearly apparent in the cash bonus data across the two samples. The median ASX100 CEO cash bonus in FY18 of \$927,159 was well over double the ASX101-200 median of \$375,000 and a similar gulf was apparent in the averages (where the average for an ASX101-200 CEO was \$478,026, well below half of the ASX100 average of \$1.09m). As with the ASX100 sample, the average bonus for ASX101-200 CEOs fell substantially, declining 15.5 per cent from \$565,494 in FY17 to \$478,026. The median however rose 5.4 per cent to \$375,000.

This outcome was consistent with a decline in the number of large cash bonuses reducing the average while the overall level of bonus paid across the ASX101-200 sample rose. This is reinforced by the increase in the median bonus paid as a proportion of maximum from 69 per cent of maximum to 75.7 per cent shown in Table 18 above. Graph 6 below shows that while bonuses for ASX101-200 CEOs may be much lower than those paid to their ASX100 counterparts they are similarly likely to receive a bonus well above half of maximum. Bonuses for ASX101-200 CEOs were, however, less clustered above 50 per cent of maximum than for their ASX100 peers. Of the 68 CEOs in the ASX101-200 sample, where bonus data as a proportion of maximum was available, 17 were below half of maximum with 14 of these below 30 per cent. In the ASX100, 12 out of 73 were below half of maximum and only five were below 30 per cent.

Graph 6: Distribution of bonus outcomes for ASX101-200 CEOs as a percentage of maximum



The decline in the number and size of large bonuses is apparent in the decline in the maximum, from \$2.89m in FY17 to former Sims CEO Galdino Claro to the FY18 high of \$1.84m paid to Premier's Mark McInnes (whose FY17 bonus was \$2.5m). In FY17 there were eight ASX101-200 CEOs with bonuses above \$1m and three with bonuses above \$2m while in FY18 there were five bonuses above \$1m.

Table 21: Cash bonuses for ASX101-200 CEOs

	FY18	FY17 ⁸⁸	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$375,000	\$355,680	\$386,223	\$329,253	\$334,500	\$350,000	\$336,500	\$376,915
Average	\$478,026	\$565,494	\$485,616	\$505,987	\$609,010	\$418,911	\$402,025	\$421,576
Highest	\$1,840,000	\$2,889,682	\$2,000,000	\$3,100,000	\$5,169,183	\$1,166,229	\$1,156,000	\$1,500,000
Median incumbent	\$375,000	\$378,387						
Average incumbent	\$472,344	\$519,824						
Proportion receiving no bonus	16 per cent ⁸⁹	18 per cent	19 per cent	33 per cent	21 per cent	33 per cent	26 per cent	24 per cent
One-year increase (median):	5.4 per cent	Five-year increase p.a. (median): 1.53 per cent						
One-year increase (average):	-15.5 per cent	Five-year increase p.a. (average): 2 per cent						

The difference in the sample as a whole and the 51 incumbent ASX101-200 CEOs was minimal. The median cash bonus for incumbent CEOs was the same as the sample for a whole while the average incumbent CEO cash bonus was slightly lower than that for the sample as a whole, at \$472,344. Both the median and average cash bonus paid to incumbent CEOs declined relative to FY17.

Table 22: Awarded bonuses for ASX101-200 CEOs

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$423,056	\$515,902	\$486,242	\$375,000	\$380,150	\$397,969	\$336,500	\$400,000
Average	\$582,847	\$644,110	\$577,978	\$623,277	\$671,250	\$493,473	\$422,474	\$474,394
Highest	\$1,904,000	\$2,889,682	\$2,000,000	\$3,100,000	\$5,169,863	\$1,749,344	\$1,359,000	\$2,655,000
Median incumbent	\$414,541	\$556,411						
Average incumbent	\$592,123	\$596,069						

The median and average bonuses awarded for FY18 were also down on FY17, with the median bonus awarded to an ASX101-200 CEO down 18 per cent from the FY17 record of \$515,902 to \$423,056. The average bonus fell 9.5 per cent to \$582,847, largely driven by fewer large bonuses than in FY17 when 12 ASX101-200 CEOs in FY17 were awarded a bonus above \$1m, but only nine in FY18. The largest bonus awarded to an ASX101-200 CEO in FY18 was \$1.9m to Nine Entertainment's Hugh Marks, while the six CEOs who received no bonus for performance reasons in the ASX101-200 sample were Nufarm's Greg Hunt, Super Retail's Peter Birtles, Pact Group's Malcolm Bunday, Speedcast's PJ Beylier, Eclix's 'Doc' Klotz and Australian Pharmaceutical's Richard Vincent.⁹⁰ Receiving no bonus is, as in prior years, a reasonable predictor of CEO departure with Birtles, Bunday and Klotz having since departed (Bunday was the only CEO in the ASX101-200 sample in FY17 and FY18 to receive no bonus in either year).

The median incumbent bonus awarded fell by just over a quarter to \$414,541 as a number of incumbents received sharply lower bonuses in FY18 relative to FY17 while the average fell only slightly for the 51 incumbent CEOs. The median bonus as a proportion of maximum for incumbent CEOs in FY18 was 70 per cent, down from 75 per cent, while the average was 60 per cent, down from 69 per cent.

⁸⁸ Due to a spreadsheet error the FY17 bonus median and average have been restated from those disclosed in the 2017 study. The average cash bonus was originally disclosed as \$556,658 and the median as \$362,500; the median awarded bonus in FY17 was originally disclosed as \$574,697.

⁸⁹ Of the 12 CEOs in the ASX101-200 sample to receive no bonus, six were not eligible and six did not receive a bonus for performance reasons.

⁹⁰ Nufarm Limited, 2018 Annual Report, p.42; Super Retail Group Limited, 2018 Annual Report, p.60; Pact Group Holdings Limited, 2018 Annual Report, p.43; Speedcast International Limited, 2018 Financial Report, p.22; Eclix Group Limited, 2018 Annual Report, p.24; Australian Pharmaceutical Industries Limited, 2018 Annual Report, p.27.

CEO CASH PAY

Median cash pay for ASX100 CEOs was effectively flat in FY18, falling one per cent from \$2.87m to \$2.84m while the average fell 4.1 per cent to \$2.92m. Median cash pay for ASX100 CEOs has been virtually flat for a decade, ranging between \$2.79m (FY10) and \$2.95m (FY11) other than the aberrant year of FY13 when it fell to \$2.53m. The decline the average was as with other ASX100 averages influenced by the departure of the Lowy brothers from the sample; had they been included with their FY17 cash pay of \$12.95m (the highest in the FY17 sample) then the FY18 average would have been \$3.04m, level with FY17.

Table 23: Cash pay for ASX100 CEOs⁹¹

	FY18	FY17	FY13	FY08	One-year increase	Five-year p.a. increase	10-year p.a. increase
Median	\$2,841,711	\$2,871,409	\$2,529,885	\$2,903,752	-1 per cent	2.4 per cent	-0.2 per cent
Average	\$2,919,156	\$3,044,666	\$3,005,935	\$3,814,687	-4.1 per cent	-0.6 per cent	-2.6 per cent
Highest	\$6,236,722	\$12,944,540	\$11,107,787	\$27,894,726			
Lowest	\$750,000	\$646,396	\$616,972	\$198,648			
Median (incumbent)	\$2,939,000	\$2,920,000					
Average (incumbent)	\$2,983,746	\$2,952,839					

The lack of movement in cash pay over the past decade across the ASX100 sample reflects generally minor increases in fixed pay and increased deferral of annual bonuses into equity reducing overall pay received in cash. The lack of movement should not however obscure the fact that a typical ASX100 CEO could expect to receive approximately \$3m in cash every year prior to equity incentives vesting with this number persistent over a prolonged period. This is consistent with the persistence of bonus outcomes noted above, and illustrates the sizeable cash 'cushion' ASX100 CEOs have regardless of performance and returns to shareholders. As Table 24 below shows, this cash cushion is much smaller for ASX101-200 CEOs.

Table 24: Distribution of cash pay in the ASX100 and the ASX101-200

Range	ASX100 CEOs	ASX101-200 CEOs
Less than \$1m	2	19
\$1m - \$2m	16	47
\$2m - \$3m	28	9
\$3m - \$4m	23	1
\$4m - \$5m	7	1
More than \$5m	5	0

The five highest paid CEOs in the ASX100 on a cash pay basis all received more than \$5m and three – CSL's Perreault, Sonic's Goldschmidt and Amcor's Delia – all received more than \$5m in cash pay last year. The other two, Treasury's Clarke and Macquarie's Moore, both received more than \$4.7m in FY17. The two members of the FY17 top five not in the FY18 group were the Lowy brothers and former Wesfarmers CEO Richard Goyder and were replaced by Moore, a member of the top five in FY16 and Clarke whose cash pay rose in FY18.

⁹¹ Full cash pay data over the history of our longitudinal survey is disclosed in Appendix C. Cash pay is defined as disclosed pay under statutory reporting requirements less share based payments expense.

Table 25: ASX100 CEOs receiving more than \$5m in cash pay for FY18

CEO	Company	FY18 cash pay (FY17)	Value of equity holding (as at end of FY18)
Paul Perreault	CSL	\$6,236,722 (\$5,711,969)	\$10.2m
Michael Clarke	Treasury Wine Estates	\$5,900,605 (\$4,741,072)	\$20.2m
Nicholas Moore	Macquarie	\$5,238,286 (\$4,744,365)	\$237.8m
Colin Goldschmidt	Sonic Healthcare	\$5,127,078 (\$5,165,861)	\$18.7m
Ron Delia	Amcors	\$5,093,987 (\$6,329,183)	\$11.9m

The cushion provided by substantial cash pay is also apparent from the value of the cash received by these five CEOs relative to their equity holdings. For two of the CEOs, Perreault and Delia, the value of their equity holdings at the end of FY18 was less than or equivalent to the cash benefits over the prior two years while for Clarke and Goldschmidt their annual cash pay was equivalent to well over a quarter of the value of their total shareholding and both men have also realised substantial cash proceeds from selling shares. The exception was Moore, whose shareholding, accumulated over more than two decades at Macquarie, was worth \$237.8m as at 31 March 2018, the last day of FY18 for Macquarie.

The only ASX100 CEOs to receive cash pay below \$1m in FY18 were Harvey Norman's Gerry Harvey and Northern Star's Bill Beament with both men also receiving less than \$1m in cash pay in FY17.

Table 26: Cash pay for ASX101-200 CEOs

	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Median	\$1,262,389	\$1,221,300	\$1,226,000	\$1,152,253	\$1,283,925	\$1,148,587	\$1,237,000	\$1,157,500
Average	\$1,417,176	\$1,504,492	\$1,427,427	\$1,413,240	\$1,687,739	\$1,347,493	\$1,273,000	\$1,245,622
Median (incumbent)	\$1,293,107	\$1,359,930						
Average (incumbent)	\$1,460,599	\$1,489,285						
Highest	\$4,494,410	\$5,161,200	\$6,333,156	\$6,020,256	\$8,028,508	\$3,935,131 ⁹²	\$3,363,925	\$4,507,279
Lowest	\$390,707	\$382,489	\$378,581	\$379,455	\$357,009	\$369,159	\$448,062	\$365,053
One-year increase (median): 3.4 per cent Five-year increase p.a. (median): 1.9 per cent								
One-year increase (average): -5.8 per cent Five-year increase p.a. (average): 1 per cent								

Median cash pay for ASX101-200 CEOs rose 3.4 per cent in FY18 to \$1.26m, still behind the FY14 median of \$1.28m, while the average fell 5.8 per cent to \$1.42m, reflecting the fall in large cash bonuses in FY18 relative to FY17 noted above. Median cash pay for incumbent ASX101-200 CEOs fell, from \$1.36m to \$1.29m while across the 51 incumbent CEOs average cash pay also fell, from \$1.49m in FY17 to \$1.46m in FY18.

⁹² 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 ASX101-200 sample behind the co-CEOs of Charter Hall at \$3,380,868.

Table 25: ASX101-200 CEOs with cash pay above \$2.5m in FY18

CEO	Company	FY18 cash pay (FY17)	Value of equity holding as at end of FY18
Mark McInnes	Premier Investments	\$4,494,410 (\$5,161,200)	\$8.4m
Mick McMahon	Inghams	\$3,023,000 (N/A) ⁹³	\$12.8m ⁹⁴
Tim Worner	Seven West Media	\$2,709,710 (\$2,740,835)	\$247,000
Hugh Marks	Nine Entertainment	\$2,679,948 (\$2,327,081)	\$1.6m ⁹⁵

There were only four ASX101-200 CEOs in FY18 to receive cash pay above \$2.5m compared to six in FY17 (and three above \$4m). ASX101-200 CEOs with high cash pay relative to their peers were less likely to have meaningful shareholdings than ASX100 CEOs. The CEO with the highest shareholding among the four above, Inghams' now former CEO Mick McMahon, was CEO of the company under its private equity owners prior to its IPO and his shareholding was largely escrowed under IPO arrangements at the end of FY18. The other CEO with a meaningful holding, Premier's McInnes, has in the past two years received cash pay worth more than his shareholding at the end of FY18 (McInnes also had the highest cash pay among ASX101-200 CEOs in FY17).

The lowest-paid ASX101-200 CEO, on a cash pay basis, was again ARB's Andrew Brown who with Platinum's Kerr Nielson, were the only CEOs among the 158 in the FY18 ASX200 sample to receive less than \$500,000 in cash in FY18. Both men also received less than \$500,000 in cash pay in FY17.

⁹³ Inghams was not part of the sample in FY17. The CEO's FY17 cash pay was \$8.931m and included a \$6m cash bonus linked to ING's IPO – see the 2017 Annual Report, p.42.

⁹⁴ Of the balance of 3.36m shares at year-end, 3.04m were held subject to escrow arrangements. See 2018 Annual Report, p.46.

⁹⁵ Of the balance of 664,000 shares, 332,500 shares were unvested deferred STI shares. See Change of director's interest notice, 3 September 2018.

TERMINATION PAYMENTS

Payments to departing CEOs cost ASX200 shareholders \$25.15m with 15 CEOs receiving such payments. The aggregate cost declined relative to FY17 when 20 termination payments cost ASX200 shareholders \$33.63m. There were five ASX100 CEOs who received termination payments above \$1m in FY18 (FY17: 10) and three in the ASX101-200 sample (FY17: 3).

There were also several CEOs who received no termination payment with the retiring Bluescope CEO Paul O'Malley receiving no termination payments among the ASX100 group.⁹⁶ Among the ASX101-200 CEOs three departing CEOs received no termination payment, including two CEOs who resigned, Blackmore's Christine Holgate and Domain's Antony Catalano, in addition to IPH's David Griffith who retired.⁹⁷

Table 26: Termination payments for ASX100 CEOs⁹⁸

Financial year	Total	Number	Minimum	Maximum
FY08	\$83.03m	13	\$793,333	\$18.31m ⁹⁹
FY09	\$34.56m	13	\$168,000	\$6.39m
FY10	\$5.70m	5	\$513,079	\$1.68m
FY11	\$35.02m	12	\$566,667	\$10.90m
FY12	\$19.06m ¹⁰⁰	13	\$150,000	\$4.57m
FY13	\$11.81m ¹⁰¹	9	\$141,459	\$2.81m
FY14	\$25.93m	9	\$281,644	\$13.59m
FY15	\$24.17m	8	\$30,315	\$6.68m
FY16	\$17.88m	9	\$855,000	\$4.38m
FY17	\$26.14m	12	\$832,089	\$6.27m
FY18	\$16.28m	9	\$631,818	\$4.43m

⁹⁶ Bluescope Steel, 2018 Annual Report, p.39. As noted in the 2017 study O'Malley received vested equity worth \$22.3m in September 2017 just prior to his retirement.

⁹⁷ Blackmores Limited, 2018 Annual Report, p.67; Domain Holdings Limited, 2018 Annual Report, p.29; IPH Limited, 2018 Annual Report, pp.30 and 31.

⁹⁸ Termination payments include bonuses for part year worked, the value of long-term incentives that vest solely due to 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.

⁹⁹ This payment, to former Santos CEO John Ellice-Flint, includes \$14.59m 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 were exercised. The cash termination payments were \$3.72m.

¹⁰⁰ Figures disclosed in currencies other than AUD were converted into AUD using the exchange rate on the disclosed date of departure.

¹⁰¹ Figures disclosed in currencies other than AUD were converted using the average exchange rate for FY13 as the payments related to pro rata bonuses.

In the ASX100 cohort the highest termination payment was to former Adelaide Brighton (ABC) CEO Martin Brydon even excluding the \$1.47m bonus he received, noted above, which was effectively part of his departure arrangements. His benefits on departure were as follows:

- Payment in lieu of notice and severance entitlements of \$1.47m, effectively 12 months' fixed pay. The board noted it had decided to pay Brydon's full notice period of six months plus his entitlement to severance of six months despite his intention to retire being announced in May 2018 and Brydon departing in January 2019 (shortly after the end of FY18). He also received the severance payment despite ABC disclosing only executives terminated by ABC were eligible for such payments.
- Despite ceasing to be CEO at the end of January 2019, Brydon remained employed by ABC until 31 March 2019, entitling him to an additional two months' salary, approximately \$245,000.
- The board also allowed Brydon's unvested long term incentive allocations from 2016 and 2017 to vest in full on his long-term departure "in recognition of his outstanding service, leadership of the Company during this period of transition, performance outcomes and his willingness to delay his retirement". This decision allowed Brydon to receive 598,670 shares worth \$2.72m based on the share price on the first day following his cessation of employment (1 April 2019). This benefit was despite ABC having specifically sought shareholder approval under the Corporations Act termination provisions to permit only pro rata vesting on Brydon's departure which would have reduced his benefit by approximately \$820,000.¹⁰²

Table 27: Termination payments for ASX101-200 CEOs

Financial year	Total	Number	Minimum	Maximum
FY11	\$14,945,926	11	\$270,710	\$3,630,000
FY12	\$5,761,582	6	\$72,698	\$2,510,000
FY13	\$5,531,944	5	\$301,926	\$1,532,000
FY14	\$11,809,607	7	\$125,000	\$8,132,985
FY15	\$14,247,979	10	\$202,321	\$2,767,458
FY16	\$6,098,580	8	\$8,314	\$2,888,614
FY17	\$7,484,869	8	\$205,552	\$1,861,000
FY18	\$8,864,960	6	\$664,426	\$2,609,658

The two most notable – and largest – termination payments in the ASX101-200 sample were paid to the late CEO of Abacus Property Group, Frank Wolf, and the former CEO of Metcash, Ian Morrice. The benefit provided to the estate of Frank Wolf after his death from cancer, announced on 18 April 2018, included cash settlement of unvested equity incentives on his death and a pro rata bonus for 2018.¹⁰³ This is the first time a benefit paid to the estate of a dead CEO has been included in the termination payments sample.

As he departed from Metcash, Morrice received \$2.3m comprised of:

- a bonus of \$1.3m for all of FY18 despite stepping down as CEO after seven months of FY18
- salary of approximately \$1m for the five months of FY18 he remained a formal employee of Metcash as well as for the additional 54 days he remained an employee in FY19.¹⁰⁴

¹⁰² Adelaide Brighton Limited, 2018 Annual Report, pp.39 and 41; Notice of Annual General Meeting, 21 April 2016, pp.1 and 4; Notice of Annual General Meeting, 20 April 2017, pp.1 and 3.

¹⁰³ Abacus Property Group, 2018 Annual Report, pp.28 and 31.

¹⁰⁴ Metcash Limited, 2018 Annual Report, pp.45 and 53.

The rationale for Morrice remaining a Metcash employee until June 2018, more than 11 months after Metcash informed the market of his intention to retire, remains unclear especially after the company agreed a five month transition to the incoming CEO. It did however allow Morrice to receive approximately \$1.5m in additional payments from Metcash after ceasing to be CEO which were not disclosed as a 'termination payment' in the statutory remuneration table but in a footnote to the table, excerpted below:

Excerpt 1: Metcash 2018 Annual Report, p.53

KMPs resigned/retired as at 30 April 2018

I Morrice ²	1,063,135	776,438	-	11,933	131,159	751,214	-	2,733,879	55.9%
S Cain ³	1,075,524	-	-	17,461	2,766	(911,602)	-	184,149	-
Total	5,136,546	3,418,906	68,342	89,334	214,060	542,146	593,527	10,062,861	45.9%

¹ Mr Adams commenced employment on 4 September 2017 and was appointed as Executive Director and Group CEO on 5 December 2017, with fixed remuneration set at \$1,800,000 per annum. The amount disclosed above reflects Mr Adams' total remuneration for the period from 5 December 2017 to 30 April 2018 as KMP. In addition, Mr Adams received total fixed remuneration of \$467,925 and actual STI award of \$305,882 as non-KMP for the period from 4 September 2017 to 4 December 2017.

² Mr Morrice was Group CEO from 1 May 2017 to 5 December 2017 and ceased employment on 23 June 2018. The amount disclosed above reflects Mr Morrice's total remuneration for the period from 1 May 2017 to 5 December 2017 as KMP. In addition, Mr Morrice received total fixed remuneration of \$724,932 and actual STI award of \$523,562 as non-KMP for the period from 6 December 2017 to 30 April 2018.

APPENDIX A: FIXED PAY DATA FOR ASX100

(Italicised data 2001-2004 includes News Corp)

Year	Average	Median	Minimum	Maximum
2018	\$1,883,744	\$1,788,000	\$750,000	\$4,746,633
2017	\$1,909,500	\$1,770,480	\$371,396	\$6,555,254
2016	\$1,892,141	\$1,790,000	\$362,100	\$6,781,903
2015	\$1,865,484	\$1,715,087	\$278,238	\$6,979,057
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	\$1,353,000	\$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

APPENDIX B: CASH BONUS DATA FOR ASX100

(Italicised data 2001-2004 includes News Corp)

Year	Average	Median	Minimum	Maximum
2018	\$1,086,278	\$927,159	\$250,000	\$3,888,551
2017	\$1,277,179	\$1,110,087	\$147,485	\$6,389,286
2016	\$1,313,223	\$1,021,000	\$209,932	\$6,645,144
2015	\$1,271,251	\$1,162,488	\$35,000	\$6,617,549
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	\$900,000	\$126,000	\$13,400,000
	\$1,671,608	\$911,803		\$17,980,437
2003	\$1,102,603	\$725,000	\$88,000	\$12,381,000
	\$1,283,330	\$735,129		
2002	\$902,969	\$468,011	\$50,000	\$10,944,000
	\$937,347	\$475,000		
2001	\$769,125	\$377,936	\$73,000	\$6,239,739
	\$871,389	\$386,805		

APPENDIX C: CASH PAY DATA FOR ASX100

(Italicised data 2001-2004 includes News Corp)

Year	Average	Median	Minimum	Maximum
2018	\$2,919,156	\$2,841,711	\$750,000	\$6,236,722
2017	\$3,044,666	\$2,871,409	\$646,396	\$12,944,540
2016	\$3,037,698	\$2,602,823	\$637,100	\$13,427,047
2015	\$3,102,883	\$2,915,332	\$518,238	\$13,596,065
2014	\$3,164,908	\$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	\$2,408,309	\$410,437	\$14,692,011
	\$3,146,703	\$2,408,670		\$29,712,312
2003	\$2,141,128	\$1,740,537	\$387,472	\$13,393,275
	\$2,444,368	\$1,773,180		\$25,793,845
2002	\$2,200,664	\$1,427,877	\$50,575	\$11,922,336
	\$2,381,356	\$1,447,111		\$16,294,620
2001	\$1,814,371	\$1,375,000	\$166,457	\$7,823,072
	\$2,018,190	\$1,422,662		\$14,858,824

APPENDIX D: REPORTED PAY DATA FOR ASX100

(Italicised data 2001-2004 includes News Corp)

Year	Average	Median	Minimum	Maximum
2018	\$5,122,431	\$4,574,954	\$777,213	\$19,650,083
2017	\$5,544,284	\$4,728,890	\$646,396	\$23,566,967
2016	\$5,164,722	\$4,196,435	\$637,100	\$21,572,743
2015	\$4,992,943	\$4,066,225	\$518,238	\$21,706,636
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	\$3,074,837	\$410,437	\$14,692,011
	\$3,913,123	\$3,138,235		\$29,712,312
2003	\$2,858,343	\$2,309,384	\$387,472	\$13,393,275
	\$3,163,769	\$2,325,692		\$26,681,537
2002	\$3,059,008	\$2,081,110	\$50,575	\$11,922,336
	\$3,228,695	\$2,098,601		\$16,294,620
2001	\$2,450,513	\$1,843,987	\$166,457	\$11,682,638
	\$2,644,393	\$2,120,411		\$14,858,824

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