

# eganewsletter

## In This Issue

Rudd Government Enquiry

Board Obligations

Executive Remuneration – New rules

Repricing Human Capital

The Executive Balance Sheet

Equity Valuations - Mind the Gap

Executive Pay Excess

One Minute survey

EA in the news

## Rudd Government Enquiry

Since we prepared our last Newsletter the Rudd Government has appointed the Productivity Commission to undertake a comprehensive review of the framework within which executive and director remuneration is determined in Australia.

The Government have also appointed Professor Allan Fels as an Associate Commissioner to assist in the enquiry. An outline of the enquiry objectives and the context of the enquiry is available on the link below.

[Read more>>](#)

## Board Obligations

The present crisis in financial and capital markets highlights issues which have been raised in the Australian, US, UK and European parliaments regarding the independence of external advisors and their level of engagement in the provision of professional services to corporations.

[Read more>>](#)

## Executive Remuneration New Horizons, New Rules

Over the past decade the average level of market capitalisation of a top 100 company increased from less than \$4 billion to \$12 billion, with profits escalating from around \$350 million to an average in excess of \$1 billion. In today's marketplace (early 2009) the average market capitalisation of a top 100 company had fallen below \$7.5 billion.

Adjusting to these challenges will be a major focus of board Remuneration Committees and has become a key focus of the Rudd Government, resulting in its appointment of the Productivity Commission to review the framework of director and executive remuneration in Australia.

[Read more>>](#)

---

*... Adjusting to these challenges will be a major focus of board Remuneration Committees and has become a key focus of the Rudd Government...*

---

## Repricing Human Capital

Traditionally there has been at the level of CEO and direct reports a strong correlation between base pay, annual revenues and market capitalisation and an even closer relationship to total reward (that is fixed pay plus annual bonus plus the value of long term incentives), between growth in market capitalisation and a company's level of profitability.

[Read more >>](#)

## Executive Balance Sheet

Executives are not isolated from the broad market pressures affecting many constituents and certainly all investors. To profile an executive as an individual isolated from the current economic environment reaping substantial rewards from employment, in our judgement is an inaccurate depiction of the times.

[Read more >>](#)

## Equity Valuations - Mind the Gap

Egan Associates have observed among Australia's leading companies significant variation in the manner in which equity based incentives are valued and allocated to senior executives as part of their total reward package particularly in relation to the reward intent understood by boards.

[Read more >>](#)

## Executive Pay Excess

While there is a significant focus on substantial rewards paid to senior executives in major corporates, the facts reveal that outside the top 100 companies only a small percentage of senior executives, including Chief Executives, receive salaries plus annual incentives to a combined value of \$1,000,000

[Read more >>](#)

## One Minute Surveys [Polls]

As part of our commitment to providing clients with contemporary market data and opinion, we have launched a series of "One Minute Surveys" to help us gauge and report trends quickly.

Check our website to view the results of each Survey

**March survey:** Key Drivers of Executive Pay Decisions.

[View results](#)

**APRIL SURVEY:** [Re-appraising Incentive Plans](#)

[Go to survey](#)

### In the news...

Here's what the media has been saying. Egan Associates has been quoted in the following publications recently.

For complete articles click - [Press Coverage](#)

**ABC TV Lateline Business**

16 March, 2009

*Interview with John Egan*

[Transcript](#)

[Podcast](#)

**Australian Financial Review**

19 March 2009

*A question of cheques and balances*

Tracey Lee and Damon Kitney

**ABC Lateline Business**

17 March 2009

*Communication on executive salaries*

Andrew Robertson

**Australian Financial Review**

16 March 2009

*Big chill: Major companies freeze pay to save jobs*

Sally Patten and Annabel Hepworth

**Australian Financial Review**

6 March 2009

*Directors' fee pool makes waves*

Damon Kitney, Annabel Hepworth and Patrick Durkin