

Executive Pay Excess

Does it really exist?

by John Egan

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.

Egan Associates' recent research based on published data for companies with financial years ending in the 2008 calendar year revealed that while the ASX top 100 companies retain a significant proportion of their CEOs with fixed annual remuneration in excess of \$1,000,000, outside the S&P/ASX 100 the number diminishes dramatically.

Egan Associates' research also revealed that it was principally among the top 50 companies that direct reports to the CEO received annual cash compensation in excess of \$1,000,000, with very few in the next 350 companies.

The tables below set out the percentages of companies with CEOs receiving fixed annual remuneration in excess of \$1,000,000 ranked according to the S&P/ASX top 400, as well as their top 5 reported executives, together with the number of companies reporting total annual cash compensation, that is the contribution of fixed annual remuneration and an annual cash bonus, exceeding \$1,000,000.

While in the top 50 companies the proportion of CEOs receiving \$1,000,000 plus in nominal annual salary approaches 90%, in the next 50 it is 60%, in the next 100 less than 20% and in the next 200 companies less than 5%.

In relation to the top 5 reported executives, other than the Chief Executive Officer, in the top 100 companies there were less than 75 executives on fixed annual remuneration in excess of \$1,000,000 and in the next 300 companies less than 10.

In respect of total annual cash compensation, in the top 100 companies more than 85% received annual cash compensation in excess of \$1,000,000, in the next 100 companies around 35% and in the next 200 companies 10%.

Among the top 5 executives, in the top 100 companies there were more than 200 executives other than CEOs receiving total annual cash compensation in excess of \$1,000,000, though in the next 300 ranked companies there were less than 5% in the same category.

Our research reveals that while the media focus on the very substantial companies that have significant market prominence, pay levels in terms of fixed annual remuneration and the value of annual incentives diminished dramatically outside the top 100 companies, to become almost indistinguishable as a proportion of the senior executive cohort.

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Million \$ CEOs

S&P/ASX Rank	Fixed Annual Remuneration	Total Annual Cash Remuneration
1 – 50	88%	96%
51 – 100	60%	80%
101 – 200	17%	35%
201 – 400	6%	10%

Million \$ Executives

S&P/ASX Rank	Fixed Annual Remuneration	Total Annual Cash Remuneration
1 – 50	26%	68%
51 – 100	4%	20%
101 – 200	<1%	<5%
201 – 400	<1%	<5%