

Newsletter January 2019

Welcome to the First in Egan Associates' 2019 Newsletter Series

In many respects, 2018 was a challenging year for numerous Boards given the critical comment in the press in relation to senior executive reward, particularly the level of incentive payments and diminishing alignment with shareholder returns.

The Hayne Royal Commission, which is due to report next month, highlighted both a lack of depth of Board Remuneration Committee engagement in remuneration policy and payment settings and, to a certain extent, revealed Board frustration across all sectors towards votes against their Remuneration Report. Negative votes often do not arise from the quality of remuneration oversight, but rather from many other issues which trouble a select number of shareholders. It is rare for more than 60% of shareholders to vote; therefore 15% of shareholders, which can be 2 or 3 major shareholders, can lead to a strike and occasionally a Board spill.

In February we will comment on the broad findings of the Productivity Commission in relation to the management of superannuation. We acknowledge, in this context, that the Hayne Royal Commission has devoted a degree of attention to wealth management including the stewardship of superannuants' funds held by major financial institutions.

A Year in Review

We have taken the opportunity of a new calendar year to highlight those articles which were most enjoyed by both recipients of our newsletters and visitors to our website in the 2018 calendar year.

We have set out below a selection of headings featured in the media over the final quarter of 2018 and early 2019. These headings reflect broader observations arising from the Hayne Royal Commission, Directors' responses to negative votes against their Remuneration Reports, and other matters of similar import.

- *Banking Royal Commission: ASIC feels heat over trickle-down regulation*
- *Banking Royal Commission: Prudential watchdog lacked "mongrel" instincts*
- *Australian Council of Superannuation Investors slammed bank pay after scandals*
- *Banking Royal Commission: APRA unsure what good bank pay looks like*
- *The Battle Royale over Bank Bonuses*
- *"Out of whack": Investors fight back over CEO pay cheques*
- *Only Small Chinks in the Glass Ceiling*
- *Super guarantee exacerbates low wages*

- *The robot revolution is here*
- *Is your university degree barely worth the paper it's written on?*
- *Full-time employment rate for university graduates plummets*
- *Banking Royal Commission: Board Directors need to look at the big picture*
- *Why don't people ask more questions?*
- *Labor to introduce pay equity requirements for Fair Work Commission*
- *MYEFO 2018: Slow wages growth pushes out RBA hike*
- *Productivity Commission Superannuation Report: Skills more important than 'polarising' independents stoush*

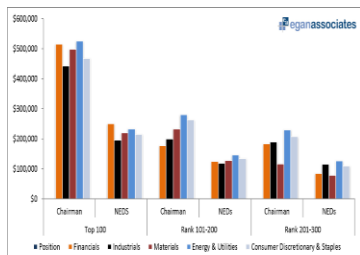
Our Most Popular Features from 2018

A selection of articles which were most well received during 2018 are below. They are in chronological order with the most recent first.



[Shareholder Disquiet Over Executive Reward](#)

In considering executive reward, stakeholders, be they shareholders, the Board, management, regulators or proxy advisers/consultants, often review information through a lens different to that of the Executive.



[The KMP Report: Non-Executive Directors' Remuneration ASX Top 300 & NZ Top 50](#)

[Our review of Non-Executive Directors' \(NED\) remuneration](#) covering the ASX 300 and the NZX 50 through to the end of the 2017 calendar year reveals generally modest fee increases. Increases appear to be more prominent at the level of Chairman than that of Director, with Directors' incremental fees being significantly influenced by an elevation in fees payable in certain committees.



[Criticality of Board Capability](#)

Having reviewed the statement prepared by the ASX 200 Boards in relation to Director capability, incorporating skills and experience, we have noted indicatively two approaches.



Incentives Front and Centre

What role should incentives play in rewarding senior management? What should be the relative impact of financial results, the quality of leadership, innovation, customer retention, the quality of services and products?



Short Term Incentive Risk Aversion in Boards

Boards, shareholders and proxy advisers are increasingly engaged in oversighting any company activity which fails to account for its exposure to risk, including short term incentive plans



KMP Report – Improved Wage Outcomes Through Profit-Share, Innovation and Tax Reform

In our January 2018 Newsletter we highlighted the workforce setting in Australia with a number of international comparisons regarding recent wage increases. The latest Average Weekly Earnings (AWE), and Wage Price Index (WPI) figures at that time held some good news for the economy.

If you're not already a subscriber to our newsletter, we would encourage you to get on our email mailing list so we can ensure you're the first to receive our newsletters and reports. Call us on 02-9225 3225 or email mail@eganrem.com

We'd also welcome your feedback on any of our articles or reports, including any suggestions you might have for opinion pieces or any subject relevant to our expertise in reward, governance and job evaluation which you might like us to address.

About Egan Associates

For 30 years, Egan Associates has advised leading organisations and emerging enterprises in Australia and New Zealand on the remuneration of Board Directors, executives and key staff members, as well as performance management, corporate governance and Board effectiveness.

Our Services include:

- **Remuneration reviews and benchmarking:** for CEOs, executives, senior management and professional positions, including specialist roles
- **Annual incentive plan structures:** advice on performance criteria, target and maximum payment levels as well as deferral and clawback provisions
- **Long term incentive plan structures:** advice on participation, performance hurdles, equity instruments, valuation and allocation, as well as provision of performance monitoring services
- **Corporate transactions / IPOs:** assistance transitioning pre-IPO reward arrangements into the listed company environment (or any other corporate transformation) considering issues including escrow provisions
- **Government pay reviews:** assistance at federal, state and local level in administrative, policy and corporatised environments on reward for senior executives, professional and administrative staff, and governing Boards
- **Board fee reviews:** benchmarking Board fee levels, including Chairman and Director retainer fees, Committee Chairman and member fees and fees for adhoc engagements.
- **Board effectiveness:** assistance with Board reviews, Board skills matrices, scenario planning and Board documentation.
- **Workforce & Governance:** *Define and evaluate positions and analyse pay the easy way!* Our new cloud-based software captures more than 30 years' knowledge, learning and experience in organisation analysis and remuneration in a suite of products which operate either as powerful, stand-alone modules or as an integrated combination. Access more than 1,000 role templates and over 13,000 accountability statements or easily create your own PDs from scratch. Organisation charts are generated automatically. Powerful analytics give you pay and workforce insights in one click. And our intuitive, user-friendly job evaluation module is designed to bring your JE process into the 21st century. And because *Workforce* is designed and hosted in Australia by Egan Associates, you know you're in great hands!



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