



PRESS RELEASE

NOT FOR PUBLICATION PRIOR TO 27 NOVEMBER 2008

Wednesday, 26 November 2008

Shareholders pay the high cost of failure: Average CEO gets \$3.4 million to walk

The average CEO of a top 100 Australian company received just over \$3.4 million as a termination payment or 201 percent of their annual salary on termination according to research released by governance research advisor RiskMetrics.

Of the 33 CEOs included in the sample, only five received no termination payments, despite 12 of the CEOs retiring (although one CEO in the sample retired for medical reasons). More than two-thirds of the CEOs (23) received payments of greater than \$1 million.

Only two of the companies in the sample - OZ Minerals (then Oxiana) and Tattersall's - sought approval for termination payments to their executives immediately prior to their departure, despite the Corporations Act technically requiring approval for termination payments above a threshold of seven times total remuneration. OZ Minerals, despite shareholders rejecting a payment of \$10.67 million at a general meeting in July 2008, made a payment of \$8.35 million to departing CEO Owen Hegarty.

Director of RiskMetrics Australia, Dean Paatsch, said the research demonstrated the Corporations Act needed to be reformed to give shareholders the power to restrain excessive termination payments, given shareholders seldom derived any benefit from such payments.

"At the moment shareholders are effectively powerless to restrain these massive payments to departing CEOs because the existing provisions of the Corporations Act are riddled with loopholes that any decent lawyer can get through," he said.

Paatsch said that the Corporations Act should be amended to require shareholder approval of any termination payment, including vesting of unvested equity incentives, above \$1 million.

“This kind of provision would strike a balance between protecting shareholder interests and flexibility for listed companies. It is hard to see how CEOs will be disadvantaged by requiring any payment to them on termination or retirement of more than \$1 million to be approved by shareholders,” he said.

The text of a proposed new section of the Corporations Act dealing with termination payments is included as an appendix to this release.

The largest termination payment included in the sample was the \$16.8 million paid to former Santos CEO John Ellice-Flint. The bulk of this was due to the Santos board allowing 2.313 million unvested options to vest on Ellice-Flint’s departure (and the calculation of the payments assumes the options were exercised on the date his termination benefits were announced).

Table 1: Five highest termination payments

Company	CEO	Termination payment
Santos	John Ellice-Flint	\$16,812,187*
Consolidated Media (PBL)	John Alexander	\$15,000,000
OZ Minerals (Oxiana)	Owen Hegarty	\$8,350,000
ASX	Tony D’Aloisio	\$7,779,159
Challenger Financial Services Group	Mike Tilley	\$6,000,000*

*Note: Estimate - see accompanying appendix for details on how calculated.

The aggregate termination payments to the CEOs in the sample were \$112.3 million. If only those CEOs who received a termination payment are included, the average termination payment was \$4.01 million; the average payment including all CEOs in the sample is \$3.40 million.

Table 2: Five highest termination payments as a proportion of fixed pay

Company	CEO	Multiple of annual pay
ASX	Tony D’Aloisio	671 percent
OZ Minerals (Oxiana)	Owen Hegarty	642 percent
Santos	John Ellice-Flint	625 percent*
Consolidated Media (PBL)	John Alexander	468 percent
Challenger Financial Services Group	Mike Tilley	400 percent*

*Note: Estimate - see accompanying appendix for details on how calculated.

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Note regarding study: The study was based on entities in the S&P/ASX 100 over the past three years and includes any CEO who ceased employment between 30 June 2005 and the date the study was conducted. A company is only included if it remains listed as at November 2008.

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