

# CEO SALARY SURVEY SPECIAL REPORT



# WA companies use mix

Our comprehensive annual survey of chief executive remuneration shows wide variation across companies.



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6-PAGE FEATURE

**E**IGHTY Perth-based executives earned total remuneration in excess of \$1 million in the last financial year.

That's broadly in line with the results of CEO remuneration surveys compiled by *Business News* over the past decade, where the number has averaged 89.

The chief executive with the highest statutory income was Ian Testrow at heavy equipment supplier Emeco Holdings, who earned \$11.4 million.

He was followed by chief executives at some of the state's largest companies, led by Woodside Petroleum's Peter Coleman, whose total income was \$8.8 million.

Others near the top of the survey included Rob Scott at Wesfarmers, Elizabeth Gaines at Fortescue Metals Group and Graham Kerr at South32 (see table, page 24).



**\$11.4m - IAN TESTROW**

Emeco Holdings

Total income was greatly boosted by \$9.4m in long-term equity incentives



**\$8.8m - PETER COLEMAN**

Woodside Petroleum

Total income fell 14%. Base salary (\$2.6m) still the highest in WA but cash bonus fell to \$824,000



**\$5.0m - ELIZABETH GAINES**

Fortescue Metals Group

Base salary of \$1.65m is third highest in WA



**\$3.7m - DAVID SINGLETON**

Austal

Total income jumped 55% on back of higher long-term incentives

The total figures disguise very wide variations in the remuneration packages paid to senior business executives.

There were 13 Perth-based executives with a base salary in excess of \$1 million.

Once again, this group mostly worked at the state's largest companies, such as Woodside, Wesfarmers, South32 and Fortescue.

Casting the net wider, the survey also showed there were 57 executives with a base salary in excess of \$500,000.

This included the likes of Jim Beyer at Regis Resources, Ken Brinsden at Pilbara Minerals

and David Bailey at Australian Finance Group.

There has been a trend away from short-term bonuses, particularly those paid just in cash.

Nonetheless, there were still a dozen executives who were paid bonuses in excess of \$500,000 last financial year.

The big upside for chief executives comes in the form of equity-based incentives.

The survey revealed 34 executives earned equity incentives valued at more than \$1 million last year.

The biggest of the lot went to Emeco Holdings' Ian Testrow.

His total remuneration last financial year included \$9.5 million in long-term equity incentives.

This mostly related to incentives granted three to four years ago when Emeco was seeking to complete a major restructuring and several acquisitions.

In terms of the company's current incentive plan, Mr Testrow qualified for just 85 per cent of his maximum possible reward in FY19.

Mr Testrow also received a 15 per cent increase last year in his fixed remuneration, which came in at just above \$1 million.

Executives with large base salaries, such as Peter Coleman, Graham Kerr and Rob Scott, also received large equity incentives.

That's because incentive schemes are usually based on a multiple of their base salary.

At the other end of the market, junior miners and explorers with limited cash at their disposal often use equity incentives to reward their chief executives.

Prime examples last year included Tungsten Mining, African Gold, Tietto Minerals and Canyon Resources.



# of pay strategies



## **\$6.9m** - GRAHAM KERR

South32

Bonus and incentive payments of \$5.1m were 3-times base salary



## **\$6.7m** - ROB SCOTT

Wesfarmers

Has a high base salary (\$2.3m) and share-based payments (\$3.9m) but small annual bonus



## **\$3.0m** - CHRIS ELLISON

Mineral Resources

Base salary stayed at \$1.5m but total income fell sharply, as value of equity incentives reduced



## **\$2.8m** - TOM O'LEARY

Iluka Resources

\$1.4m base salary was unchanged but value of share-based payments declined.

### Protest votes

The opportunity for shareholders to vote on the adoption of annual remuneration reports at annual meetings continues to be contentious.

One of the biggest protest votes this year was against NRW Holdings' remuneration report, with 44 per cent of votes cast being against the report.

At last year's annual meeting, there was an even larger protest vote, with 49 per cent against.

As a result of these 'two strikes', the company was required to put a spill resolution.

As usually occurs with spill resolutions, it was resoundingly defeated – only 6.6 per cent of shareholders voted to spill the current board.

Nonetheless, the mood of shareholders – and the views of proxy advisers, who advise institutions on how to vote – was revealed in a third vote.

When shareholders were asked to approve a new incentive scheme for chief executive Jules Pemberton, 47 per cent of votes were cast against the resolution.

Another company to attract a big protest vote, for the second

year in succession, was Sydney-based Harvey Norman Holdings, with 47 per cent against the remuneration report.

Mineral Resources copped a 63 per cent protest vote at its 2018 annual meeting but this year the against votes were a much lower 16 per cent.

Wesfarmers received a 21 per cent protest vote against its remuneration report this year – a highly unusual experience for the Perth-based conglomerate.

Chairman Michael Chaney spoke for many company directors when he talked about executive remuneration.

"I have to say that it is an extremely frustrating issue and one which takes up a large amount of director time – not in designing pay systems but in endeavouring to satisfy the often divergent demands of external stakeholders," Mr Chaney said.

He acknowledged there was increasing unease about executive remuneration.

Mr Chaney explained the Wesfarmers' board sought to balance community and investor expectations with the need to reward its executives appropriately.

"This is, in our view, more challenging than ever, with the emergence of private equity, with its potentially high rewards out of the public gaze, as an alternative to listed company employment," he said.

Mr Chaney said four out of five proxy advisers recommended a vote in favour of the remuneration report, and that Australian institutional shareholders overwhelmingly voted in favour.

"Foreign shareholders appear to have simply followed the recommendation of the one proxy adviser outlier," he said.

"This highlights how frustrating the issue of satisfying all stakeholders on remuneration matters can be."

Mr Chaney said Wesfarmers' incentive plans had been designed to focus executives' minds on achieving superior shareholder returns over the long term.

"As an example, for our managing director and chief financial officer their variable remuneration from this year will comprise only shares which vest or become unrestricted over four to six years," he said.

"They will not receive any short-term cash payment."

The main performance measures in Wesfarmers' scorecards are profit and return on investment, but also include some strategic measures in the interests of avoiding a short-term profit focus.

"These measures, which are often but not exclusively non-financial, are opposed by a number of investment managers as being insufficiently specific and reward executives for just doing their job," Mr Chaney said.

"We feel strongly, on the other hand, that we set ambitious targets and that the achievement of those strategic goals is essential to long-term shareholder wealth creation."

Rank	Director	Total income (\$)	Base salary (\$)	Bonuses (\$)	Equity-based payments (\$)	Superannuation (\$)	Special payments (\$)	Company
1	Ian Testrow	11,439,633	1,077,862	809,600	9,480,523	26,321	45,327	Emeco Holdings
2	Peter Coleman	8,807,377	2,646,114	824,460	5,058,620	20,404	257,779	Woodside Petroleum
3	Graham Kerr	6,979,000	1,577,000	924,000	4,264,000	21,000	193,000	South32
4	Rob Scott	6,748,532	2,349,890	264,093	3,915,183	20,531	198,835	Wesfarmers
5	Priyank Thapliyal	6,392,739	751,919	1,487,113	4,153,707	-	-	Jupiter Mines
6	Elizabeth Gaines	5,003,888	1,650,000	896,963	2,427,653	25,000	4,272	Fortescue Metals Group
7	David Singleton	3,708,694	814,049	744,312	334,767	20,831	1,794,735	Austral
8	Meg O'Neill	3,497,641	1,161,004	191,887	1,929,762	15,810	199,178	Woodside Petroleum
9	Bill Beament	3,175,970	725,000	177,350	2,230,704	-	42,916	Northern Star Resources
10	Chris Ellison	3,021,243	1,500,000	585,000	847,276	20,531	68,436	Mineral Resources
11	Paul Harvey	3,014,000	656,000	446,000	1,683,000	123,000	106,000	South32
12	Tom O'Leary	2,802,403	1,400,000	323,569	1,065,428	-	13,406	Iluka Resources
13	Brendan Gore	2,727,892	916,769	740,467	1,040,125	20,531	10,000	Peet
14	Tan Sri Dato Tien Seng Law	2,723,620	100,000	-	2,623,620	-	-	Tungsten Mining
15	Robert Edwardes	2,688,150	1,064,723	229,430	1,281,024	20,394	92,580	Woodside Petroleum
16	Enzo Gullotti	2,536,604	642,039	-	1,781,727	27,083	85,755	SRG Global
17	John Welborn	2,489,465	648,615	368,257	1,408,339	25,000	39,254	Resolute Mining
18	Brendan Harris	2,422,000	613,000	408,000	1,300,000	18,000	83,000	South32
19	Mike Utsler	2,352,842	1,140,422	62,816	1,083,435	-	66,168	Woodside Petroleum
20	Ian Wells	2,326,285	891,968	-	1,409,513	20,532	4,272	Fortescue Metals Group
21	Jules Pemberton	2,279,730	929,951	356,250	900,291	20,531	72,707	NRW Holdings
22	Daniel Lougher	2,060,966	756,432	461,498	749,226	25,000	68,810	Western Areas
23	Phillip Gallagher	1,989,842	305,196	70,000	1,594,115	20,531	-	Canyon Resources
24	Andrew Saker	1,949,643	1,200,000	-	693,946	20,531	35,166	IMF Bentham
25	Raleigh Finlayson	1,904,987	611,697	237,598	1,034,094	25,000	-	Saracen Mineral Holdings
26	Gary Lyons	1,882,323	109,589	-	1,762,323	10,411	-	Tungsten Mining
27	Peter Bradford	1,784,602	786,877	241,000	707,930	25,000	23,795	Independence Group
28	Hugh McLernon	1,750,161	1,129,469	-	654,148	20,531	-	IMF Bentham
29	Iggy Tan	1,735,844	395,000	158,000	1,130,309	52,535	-	Altech Chemicals
30	Grant Davey	1,722,300	90,000	-	1,632,300	-	-	Matador Mining
31	Anthony Tse	1,702,397	506,109	382,848	813,439	-	-	Galaxy Resources
32	Dan Birks	1,634,937	328,583	730,145	-	25,000	551,209	Schaffer Corporation
33	Shaun Gregory	1,623,340	717,725	166,300	529,955	20,415	188,945	Woodside Petroleum
34	Karl Simich	1,623,076	1,100,000	280,447	242,628	-	-	Sandfire Resources
35	Stuart Tonkin	1,612,817	590,000	286,674	639,533	-	96,610	Northern Star Resources
36	Bernie Ridgeway	1,588,488	930,730	1,000	694,992	25,000	-	Imdex
37	Paul Atherley	1,583,981	75,000	156,660	1,352,321	-	-	Pensana Metals
38	Simon Jessop	1,541,224	467,750	173,448	873,276	25,000	1,750	Saracen Mineral Holdings
39	Stephen Parsons	1,503,304	-	-	1,503,304	-	-	African Gold
40	Tolga Kumova	1,503,304	-	-	1,503,304	-	-	African Gold
41	Evan Cranston	1,503,304	-	-	1,503,304	-	-	African Gold
42	Sherry Duhe	1,501,811	848,954	195,697	377,505	10,183	69,472	Woodside Petroleum
43	Mark Wilson	1,469,894	916,346	500,913	-	20,531	32,104	Mineral Resources
44	Caigen Wang	1,439,622	277,500	-	1,162,122	-	-	Tietto Minerals
45	Luke Tonkin	1,411,495	683,123	300,000	330,464	25,000	72,908	Silver Lake Resources
46	John Schaffer	1,393,895	872,070	458,532	-	25,000	38,293	Schaffer Corporation
47	Tony Swiericzuk	1,373,033	231,090	-	1,125,276	16,667	-	Salt Lake Potash
48	Keith John	1,372,317	671,119	-	576,358	25,000	99,840	Pioneer Credit
49	Ken Brinsden	1,368,006	579,469	186,300	475,108	20,531	106,598	Pilbara Minerals
50	Mark Caruso	1,330,885	579,710	662,500	-	-	88,675	Mineral Commodities

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# REMUNERATION

All foreign currencies  
have been converted to  
Australian Dollar values

Rank	Director	Total income (\$)	Base salary (\$)	Bonuses (\$)	Equity-based payments (\$)	Superannuation (\$)	Special payments (\$)	Company
51	Reinhardt Matisons	1,327,826	632,331	146,539	481,514	17,496	49,946	Woodside Petroleum
52	Adrian Cook	1,298,958	621,438	296,705	346,912	33,903	-	Carnarvon Petroleum
53	Morgan Ball	1,285,413	453,172	183,699	626,357	18,928	3,257	Saracen Mineral Holdings
54	Tim Carstens	1,257,515	555,000	274,703	379,919	25,000	22,893	Base Resources
55	Colin Bwyne	1,254,784	555,000	274,703	379,919	25,000	20,162	Base Resources
56	Greg Jason	1,248,999	493,029	254,475	50,950	20,531	430,014	Austal
57	Ralph Leib	1,243,085	278,618	381,909	49,178	20,531	512,849	Schaffer Corporation
58	Jeffrey Quartermaine	1,229,034	715,563	138,855	308,897	25,000	40,719	Perseus Mining
59	Rohan Williams	1,226,261	584,734	230,000	371,433	25,000	15,094	Dacian Gold
60	Martin Rowley	1,200,111	382,848	-	813,439	-	3,823	Galaxy Resources
61	Rob Velletri	1,195,375	973,000	-	265,788	20,531	64,045	Monadelphous Group
62	Graeme Dunn	1,188,274	625,000	288,971	249,303	25,000	-	Southern Cross Electrical Engineering
63	Peter Kerr	1,150,877	541,793	390,090	114,760	25,000	79,234	Mount Gibson Iron
64	Michael Abbott	1,126,641	532,516	124,729	399,079	18,042	52,275	Woodside Petroleum
65	David Netherway	1,122,785	86,667	35,000	1,001,118	-	-	Canyon Resources
66	Stephen Wetherall	1,113,774	551,718	274,072	264,151	23,832	-	Lucapa Diamond Corporation
67	Emmanuel Correia	1,110,085	73,967	35,000	1,001,118	-	-	Canyon Resources
68	Andrew Arnold	1,104,600	499,034	102,935	502,631	-	-	Lynas Corporation
69	Peter Cook	1,100,220	609,585	158,395	282,571	25,515	24,154	WestGold Resources
70	Lai Ah Hong	1,079,734	634,348	255,005	-	102,276	88,105	CI Resources
71	Jim Beyer	1,077,273	501,667	389,428	89,384	47,658	49,136	Regis Resources
72	Paul Thomas	1,054,078	583,537	168,258	179,989	25,000	97,294	Regis Resources
73	David Flanagan	1,054,008	444,951	-	589,008	20,049	-	Battery Minerals
74	Nicholas Earner	1,049,024	466,943	-	542,845	-	39,236	Alkane Resources
75	Simon Lyons	1,044,112	429,745	100,000	433,749	19,615	61,003	BNK Banking Corporation
76	David Bailey	1,031,335	540,460	172,668	277,333	20,531	20,343	Australian Finance Group
77	Xavier Kris	1,011,136	436,000	-	366,392	3,420	205,324	Swift Media
78	Nathan Blackburne	997,009	652,327	256,500	15,540	23,699	48,943	Cedar Woods Properties
79	Samuel Hosack	990,222	309,582	100,000	534,985	29,304	16,351	Prospect Resources
80	Darren John	980,308	669,549	175,153	-	20,531	115,075	Finbar Group
81	Kong Leng Lee	980,283	73,059	12,500	887,783	6,941	-	Tungsten Mining
82	Joseph Belladonna	976,596	399,032	210,467	284,313	25,000	57,784	Western Areas
83	Teck Siong Wong	967,783	80,000	-	887,783	-	-	Tungsten Mining
84	Chew Wai Chuen	967,783	80,000	-	887,783	-	-	Tungsten Mining
85	Eden Attias	964,137	141,170	-	614,328	-	-	Parazero
86	Mark Williams	962,114	522,500	258,169	131,215	25,000	25,230	Red 5
87	Patrick Gregg	960,446	478,758	219,724	-	35,827	226,136	Austal
88	Anton Mayer	951,536	670,221	281,315	-	-	-	Schaffer Corporation
89	Mauro Balzarini	943,210	847,983	-	-	47,440	47,787	Wellard
90	Brendan White	938,973	227,372	649,823	53,931	7,847	-	Cash Converters International
91	Alexander Molyneux	937,817	282,741	-	655,076	-	-	Galena Mining
92	Zoran Bebic	934,721	643,400	52,685	155,876	20,531	62,229	Monadelphous Group
93	Mary Ploughman	932,859	435,727	110,000	22,441	27,138	337,553	Resimac Group
94	Kent Swick	932,731	586,800	219,534	87,731	25,000	13,666	Swick Mining Services
95	Scott McWilliam	899,806	479,754	335,168	22,441	25,000	37,443	Resimac Group
96	John Borshoff	898,610	410,000	102,500	386,110	-	-	Deep Yellow
97	Trevor Matthews	894,505	270,000	-	591,582	30,000	2,923	Volt Resources
98	Chris Tuckwell	889,978	652,423	44,384	168,171	25,000	-	Maca
99	Paul Lloyd	887,744	170,925	-	701,400	15,419	-	Hawkstone Mining
100	Warren Hallam	884,906	213,508	-	199,389	48,613	423,396	Metals X

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# Equity deals deliver big rewards



**\$3.1m - BILL BEAMENT**

Northern Star Resources

Base salary will double this year to \$1.4m



**\$1.8m - RALEIGH FINLAYSON**

Saracen Mineral Holdings

Statutory pay was much lower than his realised pay of \$11.3m

Mining executives Bill Beament and Raleigh Finlayson have highlighted the way in which equity incentives can deliver big returns.

## Mark Beyer

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UNDER the leadership of executive chairman Bill Beament, Northern Star Resources has become one of Western Australia's most successful companies.

With a market capitalisation in excess of \$6 billion, the gold miner is the fifth most valuable company headquartered in the state.

In light of this success, the company's board announced two months ago that Mr Beament had earned a big pay rise.

His base salary will nearly double, from \$725,000 to \$1.4 million per year. Only five other chief executives in WA will have a higher base salary.

Mr Beament also has the potential to earn annual bonuses and long-term equity incentives.

That explains why his total remuneration last financial year was \$3.1 million.

Most of this – \$2.2 million – was the valuation attributed to performance rights granted to Mr Beament.

Under his new remuneration package, Mr Beament has the potential to earn up to \$7.2 million via cash incentives and performance rights.

The real value of equity incentives, whether they are share options or

performance rights, is only known when they vest and are exercised by the holder.

In Mr Beament's case, three million of his performance rights proved to be worth \$28.7 million.

The rights vested in mid-October, following the achievement of defined performance hurdles over a period of three years.

By exercising the performance rights, Mr Beament received three million fully paid ordinary shares at zero cost.

With Northern Star shares trading at around \$9.58 when the rights were exercised, this equated to a benefit of \$28.7 million.

Voting at this year's Northern Star annual meeting suggests there is some sensitivity around this matter.

While only 2 per cent of shareholder votes were cast against the company's remuneration report, there was a 41 per cent vote against the granting of a further 535,000 performance rights to Mr Beament.

A final note on Mr Beament – the conversion of his 2016 performance rights meant he incurred a \$6.4 million tax liability.

To help fund the tax liability, he raised \$4.5 million by selling just over 500,000 Northern Star shares last month.

His timing was not ideal – the taxable value regarding the performance rights was set when the shares were trading at \$9.58.

His subsequent share sale was at \$8.99 per share.

The discrepancy between statutory pay, as published in annual reports in accord with current accounting standards, and realised pay, is the subject of an annual review by consulting group Ownership Matters for the Australian Council of Superannuation Investors

The consulting group calculates realised pay by adjusting reported pay but then adding the value of any equity incentives that vest during the year.

On this basis, it found Qantas chief executive Alan Joyce was Australia's highest-paid chief executive last year.

It estimated Mr Joyce's total pay in FY19 was \$23.8 million, as he reaped the rewards of a long-term incentive plan.

By comparison, Mr Joyce's reported pay in Qantas' annual report was much lower at \$10 million.

Mr Joyce had been granted millions of shares in 2014 when they were worth \$1.26 each and they vested in 2018 at \$5.66, the report said.

A surprise inclusion in its top 10 listing was Saracen Mineral Holdings chief

executive Raleigh Finlayson.

The review said Mr Finlayson's realised pay was \$11.3 million after adding the value of performance shares that vested during the year.

By comparison, Saracen's annual report stated that Mr Finlayson had total remuneration of \$1.9 million.

Business News has reported on many other chief executives and company directors who have benefited from the vesting and conversion of performance rights.

South32's Graham Kerr received \$8.1 million worth of ordinary shares following the vesting of rights in August.

He sold around \$4.8 million worth of shares on the same day to cover his tax liability.

Austal managing director David Singleton received ordinary shares worth \$4.98 million following the vesting of 1.19 million performance shares on September 9.

Westgold Resources managing director Peter Cook received ordinary shares worth \$4.55 million, following the vesting of 2.25 million performance shares on September 4.

NRW chief executive Jules Pemberton converted 625,000 performances rights worth \$1.5 million into ordinary shares on August 30.

# CEO SALARY SURVEY SPECIAL REPORT

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22 Aug 2019 by Adrian Rauso

Chris Ellison will now receive a base salary of \$1.2 million a year. Adrian Rauso Mining

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10 Jan 2019 by Adrian Rauso

salary. Adrian Rauso Technology, Innovation & Science Christopher Shanahan has been appointed as an ...

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14 Nov 2019 by Mark Beyer

annual salary of \$US1.7 million (\$A2.49 million). Mr Henry 's short-term cash and share bonus could ... value of his base salary. BHP said Mr Henry has 30 years' experience in the global mining and ...

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## BHP CEO Mackenzie retires, Henry appointed

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a remuneration package consistent with that of Mr Mackenzie 's, including a base annual salary of \$US1.7 ... salary. BHP said Mr Henry has 30 years' experience in the global mining and petroleum sector, ...

## Beament in line for big pay rise

14 Oct 2019 by Adrian Rauso

Bill Beament will receive a base salary of \$1.4 million. Adrian Rauso Mining Santos has struck ...

