



**CEO Remuneration Report  
FY2018**

**ASX-Listed Health Care &  
Biotechnology**



---

# Contents

1	Introduction .....	1
2	About the Author.....	2
3	Market Summary .....	3
4	Market Capitalisation >A\$1bn .....	5
5	Market Capitalisation A\$100m-A\$999m.....	6
6	Market Capitalisation <A\$100m .....	7
7	Distribution of Remuneration for Top 100 Companies up to A\$999m .....	8

# 1 Introduction

This report reviews the remuneration of the top 100 public companies listed on the Australian Securities Exchange for the Health Care & Biotechnology Sector. The data has been drawn from the annual reports of these companies.

For Australian market purposes we have only included Chief Executives Officers (including Managing Directors) based in Australia who are paid in Australian dollars. This results in a review of 78 companies, that are distributed as follows:

- >A\$1bn market capitalisation 7
- A\$100m-\$999m market capitalisation 34
- Under A\$100m market capitalisation 37

Our review provides insight into remuneration in the sector and is split into categories to enable meaningful comparison, due to the diversity and size of organisations in the sector.

Remuneration is analysed on the following basis:

- Fixed/Base Remuneration – salary, non-cash benefits and superannuation contribution.
- Short Term Incentives ('STI') – remuneration linked to operational performance and achievement of performance hurdles over a 12-month period.
- Long Term Incentives ('LTI') – remuneration aligned to the creation of shareholder value and paid or vests at various stages, usually over a 1 to 5-year period.
- Total Remuneration – total of all financial and benefit payments.

The report is designed to provide a wide-ranging picture of trends on the Australian Health Care & Biotechnology sector in Chief Executive Remuneration. While the report provides a useful guide, it is important to note its historical nature, together with the personal circumstances that are attached to each role and benchmark.

---

## 2 About the Author

### **Lee Rochester**

Lee specialises in the appointment of senior leadership roles in the Health Care, Life Sciences and Biotechnology sectors in the Asia Pacific region. He has an extensive background in executive search with a 20-year track record of successfully assisting boards and executive teams with their key leadership requirements.

He has developed a reputation with his clients as someone that values relationships, clearly understands his client's strategic objectives, is able to engage and attract high performing leaders, and has a great depth of knowledge of his markets and the drivers of high performing leaders.

Enquiries can be directed to Lee Rochester on 0434 049 182.



### 3 Market Summary

The sector experienced a sizeable decline in total average remuneration of 19.6% to \$935,000 per annum for 2018 financial year. The contraction over this period is due to downward movements in both short-term (-15.6%) and long-term incentives (-48.8%) particularly across the larger organisations in the sector (i.e. market capitalisation in excess of A\$1bn). Fixed average remuneration on the other hand experienced a 3.8% increase over 2018 financial year.

Average short term and long-term incentives awarded for Chief Executives represented 17% and 24% of total remuneration respectively across the entire sector.

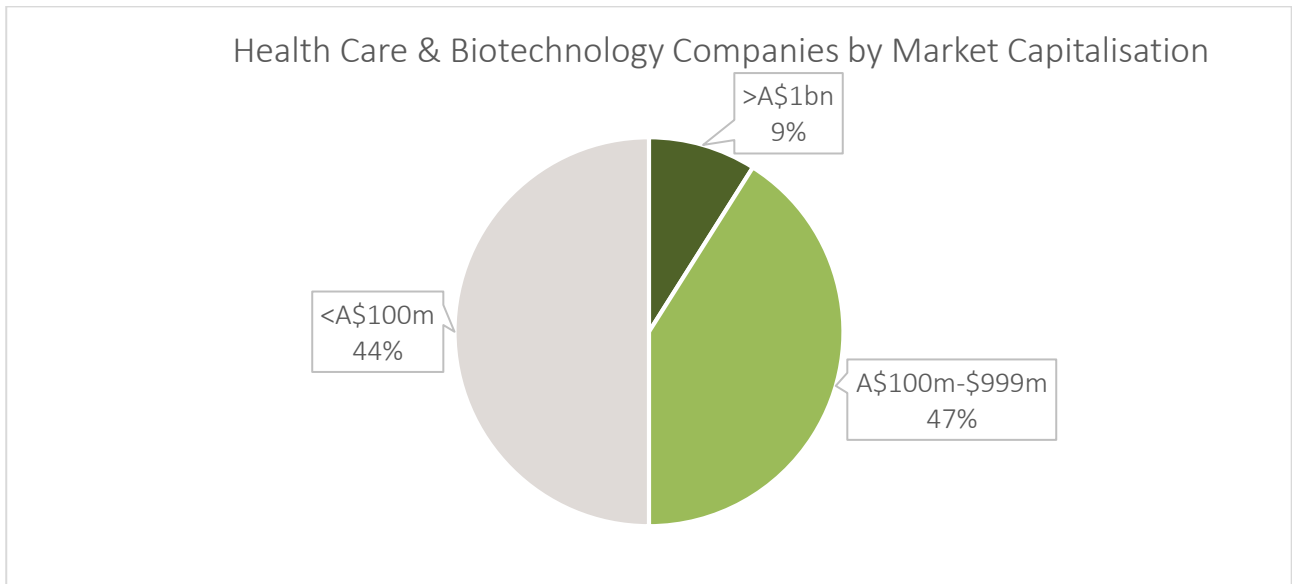
The table below summarises the average remuneration of Chief Executives in Australia by market capitalisation for each segment reviewed.

Table 1:

	Sector Average	Market Capitalisation		
		>A\$1bn	A\$100-A\$999m	< A\$100m
Avg. Fixed Remuneration	\$548,000	\$1,608,000	\$519,000	\$370,000
Avg. Total Remuneration	\$935,000	\$3,421,000	\$812,000	\$568,000
Fixed Change	+3.8%	0.0%	+0.1%	+10.6%
STI Change (actual paid)	-15.6%	-26.5%	-23.9%	+58.8%
LTI Change (actual paid)	-48.8%	-71.0%	-8.6%	-8.0%
Total Remuneration Change	-19.6%	-43.1%	-6.2%	+9.5%

The listed Health Care & Biotechnology sector comprises a wide range of organisations, including companies focused on pharmaceuticals, biotechnology, services, equipment, and facilities. Many of these organisations have locally based management teams. 23% of the organisations that comprise the top 100 stocks in Australia have Chief Executives based offshore and 9% have a market capitalisation over A\$1bn.

Table 2:



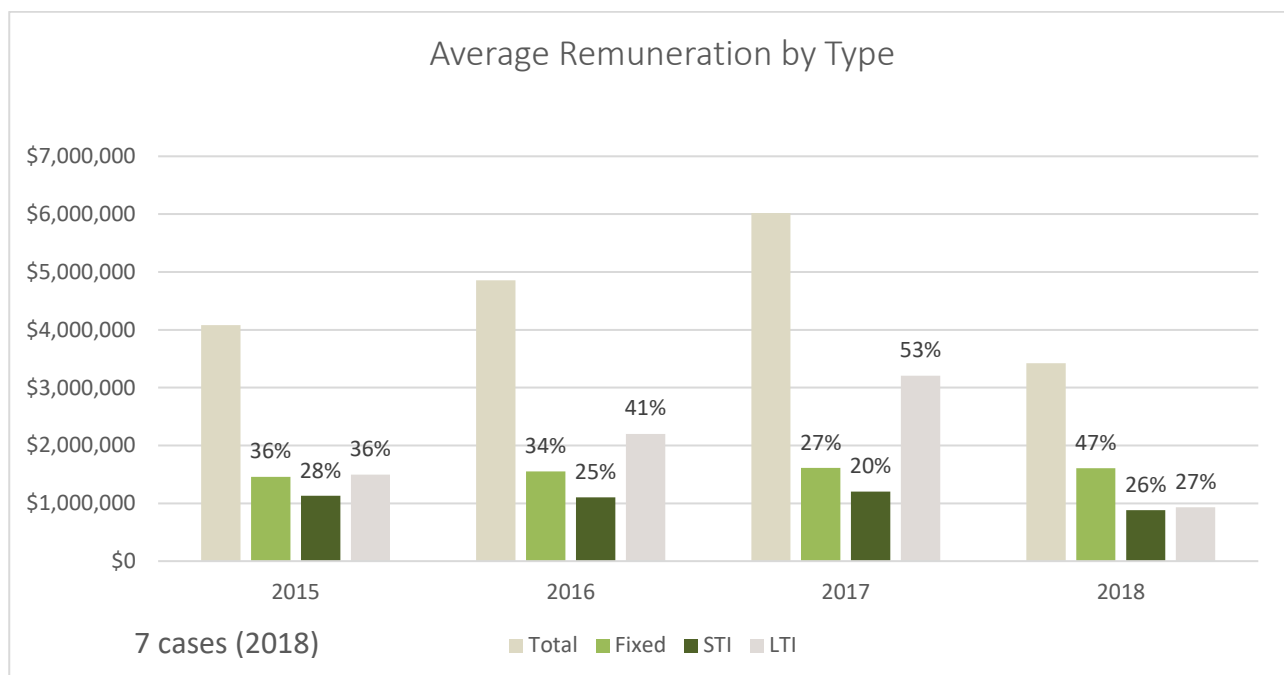
## 4 Market Capitalisation >A\$1bn

There was a significant contraction in total average remuneration of 43.1% for this segment to \$3.4m per annum. This contraction was largely due to a significant reduction in reportable long-term incentives paid by one organisation within this group as a result of a new Chief Executive being appointed. When we excluded this organisation from our calculation, total average remuneration for this group declined by 17.4% compared to the previous year.

Fixed average remuneration remained flat at an average level of A\$1.6m per annum for the period with fixed remuneration ranging from A\$830,000 to A\$2.4m per annum and total remuneration ranging from A\$1.1m to A\$7.5m per annum.

The majority of Chief Executives in this segment received a short-term incentive over the course of the year, however, this incentive reduced by an average 26.5% to \$A0.9m.

Table 3:



## 5 Market Capitalisation - A\$100m-A\$999m

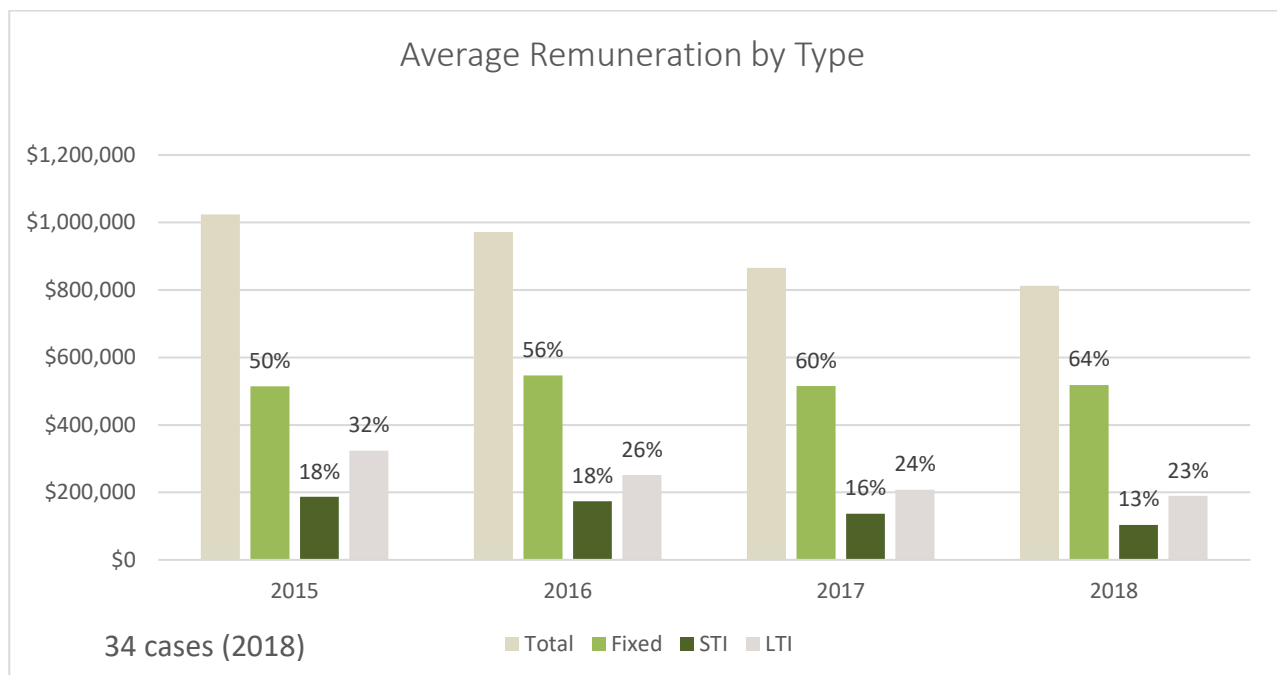
The mid-market continued downward pressure on total average remuneration with a 6.2% reduction to A\$812,000 per annum from A\$866,000 per annum. This reduction was driven by declines in both average short-term and long-term incentives of 23.9% and 8.6% respectively.

We note that over the last four years total average remuneration has contracted each year by an average of 6.9% per annum due to continued reductions of both short-term and long-term incentives. Chief Executive Officers total average remuneration for the 2015 financial year was approximately A\$1,024,000 per annum and is now approximately A\$812,000 per annum.

Fixed average remuneration increased slightly by 0.1%, resulting in an average level A\$519,000 with fixed ranging from A\$90,000 to A\$1.3m per annum.

Nearly 65% of companies paid a long-term incentive over this period and 50% paid a short-term incentive.

Table 4:





## 6 Market Capitalisation - <A\$100m

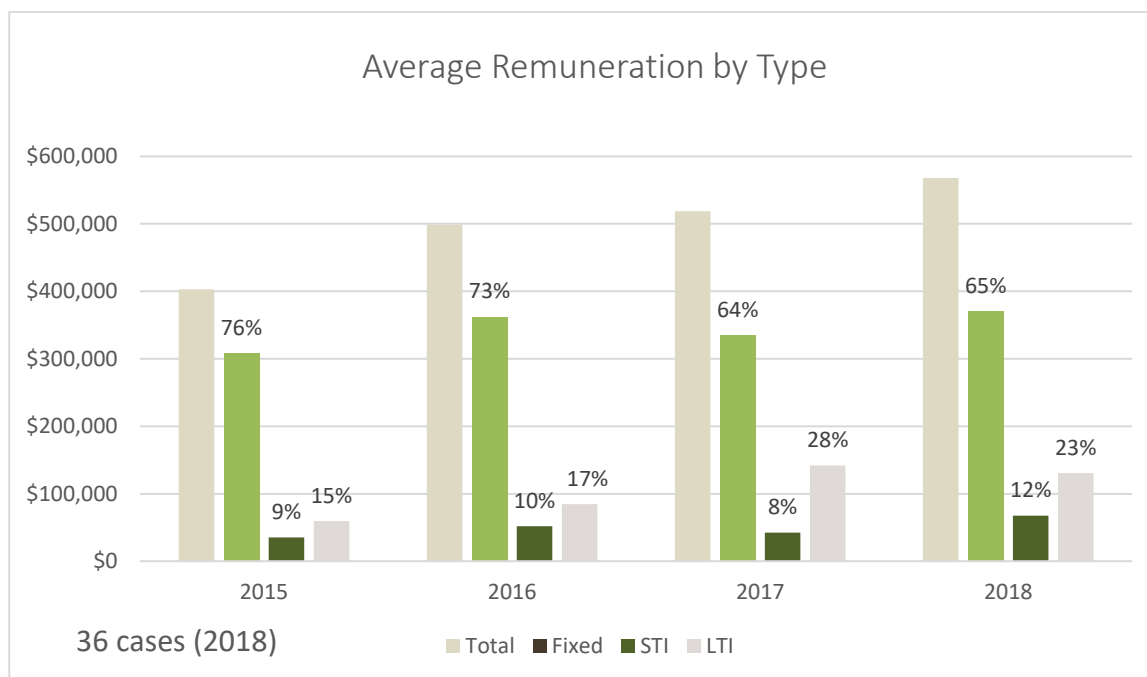
In contrast to the large and mid-sized organisations, the smaller end of the sector saw another increase in total average remuneration.

Total average remuneration for this segment increased by 9.5% to A\$568,000 for the FY2018 period, with the rise resulting from growth in fixed remuneration and short-term incentives of 10.6% to A\$370,000 per annum and 58.8% to A\$68,000 respectively. Long term incentives decreased by 8.0% to A\$130,000 per annum.

Fixed remuneration for this segment ranged from A\$121,000 to \$735,000 per annum. Approximately 75% of companies paid a long-term incentive over this period and one in two paid a short-term incentive.

Since 2015 total average remuneration has grown 40.9% from A\$403,000 per annum to A\$568,000 per annum with improvements attributed across fixed remuneration and all incentives.

Table 5:



## 7 Distribution of Remuneration for Companies up to A\$999m

The distribution of 2018 fixed and total remuneration across the 70 cases with a market capitalisation under \$A1bn has been detailed below.

Table 6:

	A\$100m-A\$999m		< A\$100m	
	Fixed Remuneration	Total Remuneration	Fixed Remuneration	Total Remuneration
Lower Quartile	\$328,000	\$347,000	\$301,000	\$321,000
Median	\$465,000	\$580,000	\$376,000	\$445,000
Upper Quartile	\$605,000	\$1,035,000	\$433,000	\$636,000