

## CHIEF FINANCIAL OFFICER [080]

Twenty-seven matches were found for the position of Chief Financial Officer. Base Salaries ranged from \$111,200 to \$794,100, with an average of \$252,040 per annum. Total Fixed Remuneration ranged from \$120,000 to \$802,900, with an average of \$289,740 per annum. Total Variable Remuneration ranged from \$120,000 to \$955,900, with an average of \$325,270 per annum.

Thirteen of the twenty-seven incumbents (48 percent) received a short term cash incentive payment in the last accounting period. To incumbents who received an incentive payment this represented, on average, an amount equivalent to 17.4 percent of Total Variable Remuneration.

Bar Charts and tables illustrating the distribution of remuneration are presented at the end of this section.

The Chief Financial Officer reports to the Chief Executive Officer and represents the highest level of financial and accounting expertise in the organisation. Duties include setting policy and standards; preparation of consolidated capital and operating expenditure reports; preparation of group accounts and tax returns; and, the provision of guidance to site accounting functions. Frequently the position will be responsible for other administrative and support functions such as supply or information processing services.

Statistical tests were undertaken to determine whether the variation in remuneration could be explained by organisation size. A Pearson correlation coefficient was calculated in respect of each of the sizing factors (Gross Revenue, Net Income, Shareholder Equity and Employee Numbers) and the results appear below:

### POSITION: CHIEF FINANCIAL OFFICER

#### PEARSON : CORPORATE SIZING FACTORS

	Gross Revenue	Employee Numbers	Shareholder Equity	Net Income
Base Salary	r = 0.85 (p << 0.01)	r = 0.64 (p << 0.01)	r = 0.88 (p << 0.01)	r = 0.77 (p << 0.01)
Total Fixed Remuneration	r = 0.84 (p << 0.01)	r = 0.68 (p << 0.01)	r = 0.84 (p << 0.01)	r = 0.71 (p << 0.01)
Total Variable Remuneration	r = 0.77 (p << 0.01)	r = 0.62 (p << 0.01)	r = 0.80 (p << 0.01)	r = 0.66 (p << 0.01)

The tests indicate moderate to very strong correlations between increases in the sizing factors and proportional increases in the remuneration of the Chief Financial Officer. This was particularly noticeable in respect of both Gross Revenue and Shareholder Equity. In the relationship between Shareholder Equity and Base Salary over three quarters of the variance ( $r = 0.88 \rightarrow r^2 = 0.77$ ) can be explained. In all cases the correlations are statistically robust.

A statistical test was undertaken to determine whether the variation in remuneration could be explained by Market Capitalisation (as another measure of organisation size). A Pearson correlation coefficient was calculated in respect of this factor and the results appear below:

**POSITION: CHIEF FINANCIAL OFFICER**

**PEARSON : MARKET CAPITALISATION**

Base Salary	Total Fixed Remuneration	Total Variable Remuneration
$r = 0.88$ ( $p \ll 0.01$ )	$r = 0.84$ ( $p \ll 0.01$ )	$r = 0.85$ ( $p \ll 0.01$ )

The relationships are similar to those reported in respect of the traditional organisation size measures we have used. Over 77 per cent of the variance in the Base Salary ( $r = 0.88 \rightarrow r^2 = 0.77$ ), 70 percent of the variance in Total Fixed Remuneration and 72 percent of the variance in Total Variable Remuneration of the CFO can be explained by differences in Market Capitalisation.

A second test (multiple regression analysis) was carried out to determine whether the corporate sizing factors, *in combination*, could predict remuneration levels. The results are presented below:

**POSITION: CHIEF FINANCIAL OFFICER**

**MULTIPLE REGRESSION ANALYSIS**

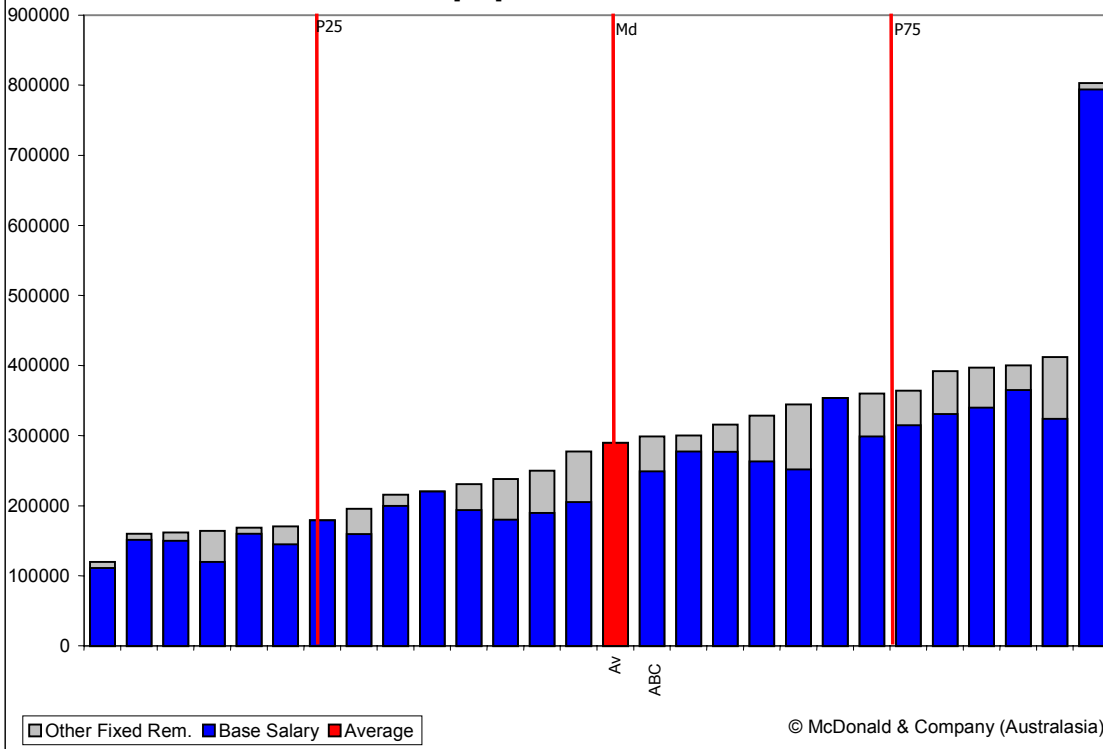
Base Salary	Total Fixed Remuneration	Total Variable Remuneration
$r^2 = 0.85$ ( $p \ll 0.01$ )	$r^2 = 0.78$ ( $p \ll 0.01$ )	$r^2 = 0.69$ ( $p \ll 0.01$ )

This shows that 69 per cent of the variance evident in the Chief Financial Officer's Total Variable Remuneration, 78 percent of the variance in Total Fixed Remuneration and 85 per cent of the variance in Base Salary could be explained directly in terms of the *combined* effects of organisation size. These results are similar to those found in our past three Reports.

**TOTAL FIXED REMUNERATION DISTRIBUTION**

OCTOBER 2001

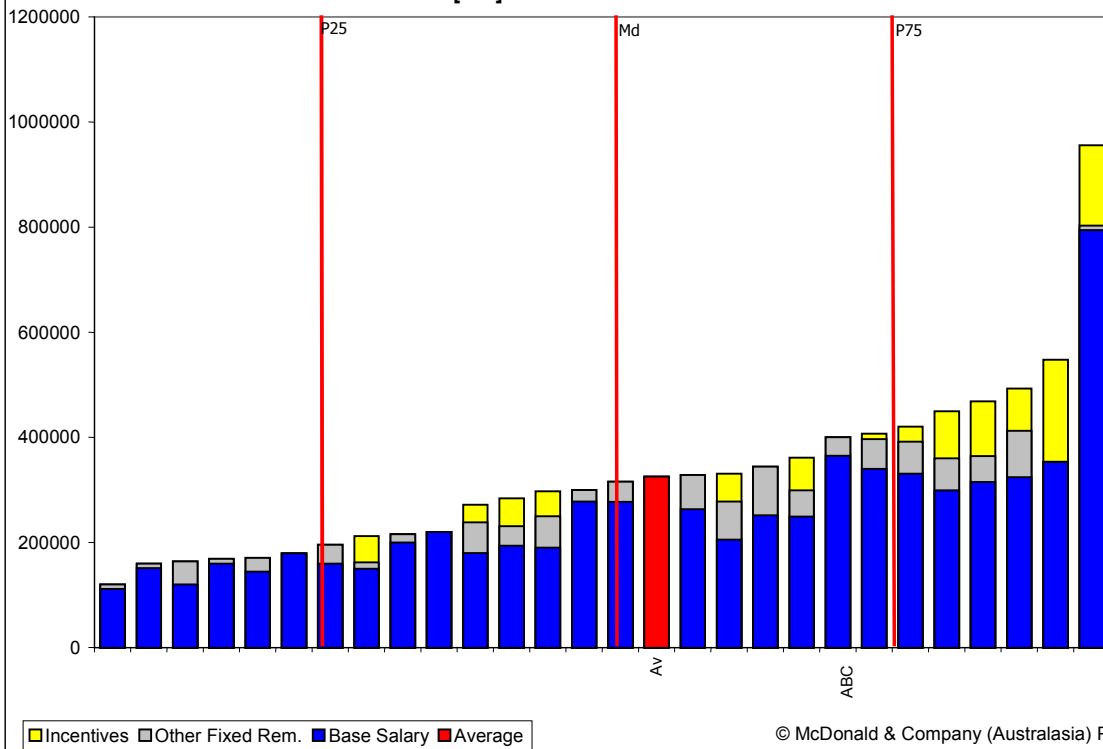
**[080] - CHIEF FINANCIAL OFFICER**



**TOTAL VARIABLE REMUNERATION DISTRIBUTION**

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**BASE, TOTAL FIXED AND TOTAL VARIABLE REMUNERATION  
POSITION: 080 - CHIEF FINANCIAL OFFICER**

Organisation	Base Salary	Organisation	Net Cash	Super	Vehicle	Benefits	Other Cash	Total Fixed	Organisation	Total Fixed	Incentive STIP	Total Variable
	111,200		111,200	8,800	-	-	-	120,000		120,000	-	120,000
	120,000		151,200	8,800	-	-	-	160,000		160,000	-	160,000
	145,000		150,000	12,000	-	-	-	162,000		164,180	-	164,180
	150,000		120,000	17,640	24,700	-	1,850	164,190		168,800	-	168,800
	151,200		160,000	8,800	-	-	-	168,800		170,530	-	170,530
	159,210		145,000	21,750	-	3,780	-	170,530		179,000	-	179,000
	160,000		149,000	12,000	18,000	-	-	179,000		195,640	-	195,640
<b>P25</b>	<b>169,500</b>	<b>P25</b>						<b>187,320</b>	<b>P25</b>			<b>203,820</b>
	179,000		159,210	17,000	17,290	-	2,140	195,650		162,000	50,000	212,000
	180,000		200,000	16,000	-	-	-	216,000		216,000	-	216,000
	190,000		211,200	8,800	-	-	-	220,000		220,000	-	220,000
	193,900		193,900	24,000	-	13,150	-	231,050		238,240	33,370	271,610
	200,000		180,000	34,200	22,400	1,640	-	238,240		231,050	52,800	283,850
	205,310		190,000	30,400	18,000	11,550	-	249,950		249,950	47,500	297,450
<b>Median</b>	<b>220,000</b>	<b>Median</b>						<b>277,690</b>	<b>Median</b>			<b>300,000</b>
	220,000		205,310	46,400	25,990	-	-	277,690		300,000	-	300,000
<b>ABC Company</b>	<b>249,130</b>	<b>Average</b>						<b>289,740</b>	<b>Average</b>			<b>315,890</b>
	252,000	<b>ABC Company</b>	<b>249,130</b>	<b>42,850</b>	-	<b>6,900</b>	-	<b>298,880</b>		315,890	-	315,890
<b>Average</b>	<b>252,030</b>		277,770	22,230	-	-	-	300,000		328,760	-	328,760
	263,160		263,240	52,650	-	-	-	315,890		277,690	53,000	330,690
	277,100		263,160	36,840	26,760	2,000	-	328,760		344,440	-	344,440
	277,770		252,000	55,440	33,130	3,880	-	344,450	<b>ABC Company</b>	<b>298,880</b>	<b>62,280</b>	<b>361,160</b>
	299,180		327,210	26,190	-	-	-	353,400		400,000	-	400,000
<b>P75</b>	<b>307,090</b>	<b>P75</b>						<b>356,690</b>	<b>P75</b>			<b>403,450</b>
	315,000		299,180	45,000	15,820	-	-	360,000		396,910	10,000	406,910
	323,800		315,000	31,500	-	17,930	-	364,430		392,040	28,120	420,170
	330,600		330,600	26,300	14,900	8,250	12,000	392,050		360,000	90,000	450,000
	340,000		340,000	37,400	19,520	-	-	396,920		364,430	104,140	468,570
	353,400		365,000	35,000	-	-	-	400,000		412,320	80,800	493,120
	365,000		323,800	41,200	47,000	320	-	412,320		353,390	194,170	547,570
	794,100		794,100	8,800	-	-	-	802,900		802,900	153,000	955,900