Chief and Senior Executive Employment Arrangements
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1.0 Introduction

This document outlines the Queensland Government’s high-level expectations regarding the remuneration and employment conditions for the chief executive officer and senior executives of Government owned corporations (GOC) and the two commercial Statutory Authorities (Queensland Rail and Seqwater) (for the purposes of this document, all entities are referred to as “GOCs”).

The policy’s principles are consistent with the principles of corporatisation given in the Government Owned Corporations Act 1993 (GOC Act) and represent a maximum position reflecting shareholding Ministers’ expectations that GOCs will not be market leaders in executive remuneration.

While employment terms and conditions for chief executive officers and senior executives are at the discretion of GOC boards, they are constrained by the requirements of this policy and any legislative requirements. Prior written shareholding Ministers’ approval is required if a GOC board proposes terms and conditions outside of this policy.

Like all Government policies, if there is any inconsistency between the requirements of this policy and legislation, the legislative requirements prevail.

2.0 Key Principles

1. Appointments

Shareholding Ministers expect GOCs to go to market when filling all vacant chief and senior executive roles on a permanent basis and must seek shareholding Ministers’ approval for any appointment for which the GOC does not go to the market to permanently recruit.

While the permanent appointment of a Chief Executive Officer (CEO) requires the GOC to obtain the prior written approval of shareholding Ministers (section 92 of the GOC Act), the permanent appointment of a senior executive can be made by the GOC’s board without shareholding Ministers’ approval (section 146 of the GOC Act).

GOCs can make a short term (less than six months) temporary appointment to the position of CEO without consulting shareholding Ministers but must seek shareholding Ministers’ approval for any extension of a temporary appointment beyond the six month period.

While GOCs do not require SHM approval for permanent senior executive appointments, shareholding Minister’s approval is required if a temporary appointment to a senior executive position continues beyond a six month period if the appointment has not gone to market or does not comply with the remuneration or other matters outlined in this policy.

Within one month of a permanent appointment to the position of CEO or a senior executive, GOCs must submit (to Queensland Treasury), a copy of the executed employment contract and a copy of the relevant report from the independent remuneration consultant regarding remuneration levels.

The following probity checks are required for all chief and senior executive appointments (including temporary appointments):

- Conflict of interest disclosure statement;
- Independent probity review of that statement;
- Bankruptcy check;
- Australian Securities and Investments Commission banned and disqualified persons register search and personal name search; and
- Criminal History Check or Maritime Security Check.

2. Senior executive restructures

On occasion, a GOC may seek to reorganise their executive leadership team structure. Organisational restructures at the senior executive level do not require shareholding Ministers’ approval, except for restructures which propose the chief executive officer has more than six direct reports.

If there are significant changes to job roles or work value assessments which may result in a significant change in the total fixed remuneration (TFR) of a senior executive’s position, shareholding Ministers expect the GOC to test the market to determine whether the current executive is most suitable for the revised role.
3. **Total Fixed Remuneration**

GOC boards can determine the TFR for a chief executive officer or senior executive, up to market median for the position’s work value as advised by an independent remuneration consultant. GOC boards can remunerate at an amount lower than the market median depending on factors such as current market conditions and requisite skillset, and the capability and experience of the individual.

TFR is the sum of base salary, superannuation, salary sacrifice items and other benefits (e.g. motor vehicle, club memberships). Items in TFR are to be specified as the total annual cost to the GOC providing the benefit. The executive is responsible for meeting, from their TFR, any tax liabilities which arise from salary sacrifice choices.

TFR excludes any performance incentives as well as any tools of trade, equipment or other items provided solely to perform in the position.

Where the board determines that benefits such as health insurance fund membership or home telecommunications are of demonstrable benefit to the GOC, these may be offered in addition to the executive’s TFR.

GOC boards have discretion to approve annual TFR increases; however, any annual increase is capped at 10 per cent per annum, subject to the TFR not exceeding the latest market median for the position’s work value.

GOC boards should act prudently and take account of the economic climate when considering annual TFR increases.

In extraordinary circumstances, and with the prior written approval of shareholding Ministers, TFR might be set at the market median plus up to 10 per cent to attract or retain an applicant with exceptional skills or experience. This remuneration level can be maintained through annual reviews (i.e. annual TFR increases up to the revised market median plus the relevant additional percentage).

GOCs must provide written notification to shareholding Ministers of any annual TFR increases.

4. **Performance payments**

Any consideration of the award of performance payments to employees should be based on key performance criteria reflecting shareholding Minister expectations for the GOC (e.g. linked to the stretch performance targets outlined in the GOC’s Statement of Corporate Intent which has been agreed with shareholding Ministers). No long - term performance payments or other performance incentives are to be offered.

GOC boards are required to have board approved policies governing the eligibility, assessment, and approval of performance payments for chief and senior executives and should they be awarded, performance payments must not exceed 15 per cent of TFR.

GOCs must provide written notification to shareholding Ministers of the payment of annual performance payments, including an assessment of each chief and senior executive’s individual performance and contribution to corporate performance.

5. **Employment contracts**

GOCs have not been issued with a standard employment contract.

GOC boards have responsibility to ensure chief and senior executive employment contracts comply with this policy (as a maximum position) and provide for the totality of all remuneration arrangements. No additional remuneration or other arrangements are to be entered into outside of the employment contract.

6. **Employment term**

New appointees to chief and senior executive roles are to be employed on an ongoing (tenured) basis with no specific end (termination) date. (An exception is where a term of appointment is specified in legislation, such as the Queensland Rail and Seqwater CEO).

Existing outer limit employment contracts for chief and senior executives can continue until the end of the current contract term. Where an extension is provided for in the terms of an existing contract, the current contract term will end following the expiration of the extension period (if the board exercises the option to extend). Thereafter, reappointments are to be on a tenured basis.

An offer of further employment on an ongoing basis, and without any significant variation in accountabilities, scope of responsibility or remuneration, is not sufficient to trigger an obligation on the part of the GOC to pay a termination payment.
7. Notice periods

Notice periods for termination of employment are three months for a chief executive officer and one month for a senior executive. Notice may be given by either the GOC or the executive.

8. Termination entitlements

Shareholding Ministers expect any employment contract to include specific termination clauses addressing the following matters:

- Employment contracts can allow for payment of the following termination entitlements:
  - any accrued leave;
  - salary for the balance of the notice period when the termination takes effect (if notice was given by the GOC); and
  - a termination payment of six months’ salary for a chief executive officer and three months’ salary for a senior executive.
- The salary to be used to calculate the termination payment should be “superannuable salary” (i.e., TFR less the employer’s superannuation contribution).
- A termination payment will not be paid under the following circumstances:
  - termination at the initiative of the executive (either unilaterally or by mutual agreement with the GOC);
  - termination was in the notice period where an executive had previously given notice of termination; or
  - termination for reasons of an executive’s bankruptcy, fraud, dishonesty, unsatisfactory performance, misconduct, or incapacity.
- Pre-existing termination payment entitlements for non-chief and non-senior executives moving to a chief or senior executive role within a GOC cannot be preserved within the employment contract for the chief or senior executive role.
- Where the GOC’s business changes and results in termination of the executive’s employment (e.g., the employer’s business is transmitted to another entity, sold, restructured, outsourced, merged with another business), the executive is not entitled to a termination payment where they are offered employment with the other entity in a position that has substantially similar accountabilities and responsibilities, at least equivalent remuneration and is located in reasonable proximity to the executive’s current workplace. This applies whether or not the executive accepts the offer of employment.

The principles governing termination entitlements are also intended to apply in cases of redundancy. Chief and senior executives are not entitled to both termination and redundancy payments.