

**Oaths Act 1867**

**Statutory Declaration**

**QUEENSLAND  
TO WIT**

I, Raphaelé Nicaud, of [REDACTED], in the State of Queensland do solemnly and sincerely declare as follows.

1. I am employed by Mercer (Australia) Pty Ltd (**Mercer**) as a Principal in the Talent arm of Mercer's business.
2. Mercer was formerly known as Mercer Human Resource Consulting Pty Ltd (**MHRC**).
3. I provide this declaration in response to the Requirement to Produce Documents and Provide Written Statement dated 18 July 2013 (**Request**), served on Mercer by the Queensland Racing Commission of Inquiry.
4. I make this declaration from my own knowledge and after having reviewed the documents annexed to this declaration (**Relevant Documents**).
5. I summarise my knowledge of the matters listed in the Schedule of the Request as follows.
6. Mercer or one of its subsidiaries, Mercer Consulting (Australia) Pty Ltd (**MCAPL**), has provided consulting services to a number of the "Relevant Entities" as defined in the Request.

**Queensland Thoroughbred Racing Limited**

7. In or around July 2005, Hunt & Hunt Lawyers engaged MHRC to review the appropriate remuneration levels for directors of Queensland Thoroughbred Racing.
8. On or around 12 July 2005 MHRC sent Hunt & Hunt Lawyers a proposal regarding the review. A copy of this proposal is annexed to this declaration and marked "A".
9. On or around 4 August 2005, MHRC sent a report of the findings of the review for the Queensland Thoroughbred Racing Board to Hunt & Hunt. A copy of this report is annexed to this declaration and marked "B".

**Queensland Harness Racing Limited**

10. In or around July 2007, Queensland Harness Racing engaged MHRC to review the appropriate remuneration levels for the directors of Queensland Harness Racing.

11. On or around 17 July 2007, MHRC provided a proposal to carry out the review. A copy of this proposal is annexed to this declaration and marked "C".
12. On or around 24 July 2007, MHRC provided a draft report of the findings of the review. A copy of this report is annexed to this declaration and marked "D".
13. To the best of my knowledge, no report was issued in final form to Queensland Harness Racing.

#### **Queensland Racing Limited**

##### *2008 Non-executive director remuneration*

14. In or around September 2008, Queensland Racing Limited (**QLD Racing**) engaged Mercer to review the appropriate remuneration levels for non-executive directors of Queensland Racing.
15. On or around 28 August 2008, Mercer sent a proposal to QLD Racing to carry out the review. A copy of this proposal is annexed to this declaration and marked "E"
16. On or around 25 September 2008, Mercer provided a report of the findings of the review to QLD Racing. A copy of this report is annexed to this declaration and marked "F".

##### *Motor vehicle costing advice*

17. In or around October 2008, QLD Racing engaged Mercer to provide advice in relation to the value of motor vehicles for salary packaging purposes.
18. The searches conducted of Mercer's records for the purposes of responding to the Request have not revealed a copy an initial proposal or cost estimate in relation to this engagement.
19. On or about 27 October 2008 Mercer provided a draft report of its advice in relation to the motor vehicle costing. A copy of this report is annexed to this declaration and marked "G"
20. To the best of my knowledge, no report was issued in final form to QLD Racing for this engagement.

##### *2009 Board remuneration*

21. In or around August 2009, QLD Racing engaged Mercer to provide updated remuneration advice to QLD Racing following from the review carried out in September 2008 (referred to in paragraphs 14 to 16 above).
22. On or around 23 July 2009, my colleague Michael Smith, emailed QLD Racing and provided a fee estimate for the updated advice. Shara Murray of QLD Racing accepted this estimate by email dated 24 July 2010. A copy of the email chain setting out the exchange between Mr Smith and Ms Murray is annexed to this declaration and marked "H".

23. On or around 7 August 2009, Mercer provided a report of the findings of the updated review to QLD Racing. A copy of this report is annexed to this declaration and marked "I".

**Racing Queensland Limited**

24. In or around April 2013, Racing Queensland engaged MCAPL to provide remuneration advice for the position of Chief Executive Officer of Racing Queensland.

25. On or around 26 April 2013, MCAPL sent a statement of work to Racing Queensland summarising the scope of services to be carried out by MCAPL in relation to the advice. A copy of this statement of work is annexed to this declaration and marked "J".

26. Also on or around 26 April 2013, MCAPL sent an engagement letter to Racing Queensland, which set out the terms governing the provision of services by MCAPL in relation to the remuneration advice. A copy of this letter is annexed to this declaration and marked "K".

27. On or around 9 May 2013, Mercer provided a report, which set out its advice to Racing Queensland. A copy of this report is annexed to this declaration and marked "L".

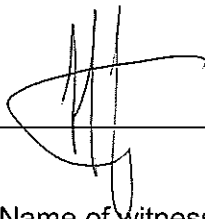
28. To the best of my knowledge, the engagements set out above are all those in which Mercer, MHRC or MCAPL provided services to the Relevant Entities.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Oaths Act 1867.



Raphael Nicaud  
Declarer

Taken and declared before me at Brisbane this 8<sup>th</sup> day of August 2013, before me,



Name of witness: Michael Patrick Hennessy

Qualification: Registered Psychologist

Address: [Redacted]

"A"

**Curran, Miranda**

---

**From:** Curran, Miranda  
**Sent:** Tuesday, 12 July 2005 1:38 PM  
**To:** 'david.grace@hunt-hunt.com.au'  
**Subject:** Confidential to Mr Grace

**Importance:** High  
**Sensitivity:** Confidential

**Private & Confidential**

Dear Mr Grace,

Please find attached proposal from Chris Leck regarding a review of Director Fees.

Please do not hesitate to contact us on the number listed below, should you encounter any difficulties accessing this attachment.

Regards,  
Miranda Curran



de\_hunt&hunt\_revi  
ew\_director\_...

Miranda Curran  
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Australia

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<mailto:miranda.curran@mercer.com>  
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By email. 12/9/05

# MERCER

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## Private & Confidential

12 July 2005

Mr D Grace  
Partner  
Hunt and Hunt  
by email: david.grace@hunt-hunt.com.au

Subject:

### **Proposal to Review Director Fees - Queensland Racing**

Dear David

As requested, Mercer Human Resource Consulting (Mercer) is pleased to provide this proposal to outline how we can assist by providing professional independent advice on the appropriate remuneration levels for the five Directors, including the Chairman and Vice Chairman, of the Queensland Thoroughbred Racing Board.

#### Your Requirements and Background

We understand you are seeking advice in the following Board roles:

- Chairman
- Deputy Chairman
- Director

inclusive of the work associated with the full operations of the Board and its key committees – the Human Resource Remuneration Committee (HRRC) and the Audit Committee.

The report we provide would include details of fees and allowances paid to these roles in the wider external market, as well as commentary on appropriate market practice with regard to Board fee structures, terms and conditions of appointment and corporate governance.

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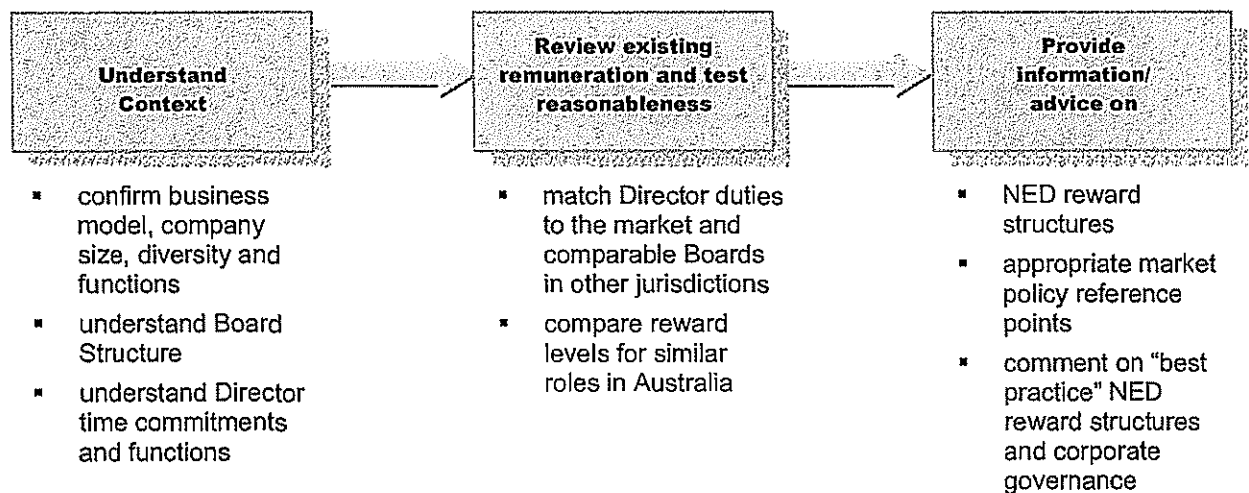
Mr D Grace

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## Approach

We appreciate from your instructions that the status of the organisation as a statutory body under the *Racing Act 2002* may become that of a company united by guarantee under the *Corporations Act 2001*, and that the new body will have both commercial and regulatory functions. It is imperative that the professional advice of Mercer is seen to be completely independent and 'arms-length', therefore our report will be addressed to you, at Hunt and Hunt.

Notwithstanding the complex background explained in your brief, Mercer applies a simple three step process to advising Boards on matters of Director reward structures. These steps are defined in the following graphic:



We would need to be able to discuss the roles and time commitments for the positions, and expect this could be efficiently handled through meetings with the Chairman, the Deputy Chairman, and perhaps other Directors. Prior to such meetings, we will study carefully the background papers provided already. If we need anything further prior to the foreshadowed meetings, we will liaise through you.

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The outcomes resulting from this project would be:

- an independent assessment of the Director fees paid by comparable benchmark organisations in the Australian market
- an understanding of current Australian practice in structuring Board remuneration
- recommended fee ranges for the remuneration of Directors of the Queensland Thoroughbred Racing Board.

## Timing and Fees

Our consulting services are charged on a time-cost basis. Based on experience with similar projects, we anticipate that our professional fees for this assignment will be between \$8,000 and \$9,000. We will treat this as a maximum (subject to revision in the event of the scope of the project changing) and will pass any efficiencies in completing the project on to the client.

An administration fee of 5% of our professional fees will be invoiced to cover telephone costs, courier, local travel costs and secretarial services. The above fees exclude GST, which will be invoiced at the statutory rate.

We would expect to be able to complete this assignment within two to three weeks of receiving approval to proceed, subject to the availability of the Chairman, the Deputy and perhaps other Directors. Mercer is available to commence work from Thursday 14<sup>th</sup> July onwards.

## Resources

We plan to allocate the following staff to this assignment, as required:

- **Chris Leck**, Principal Consultant - Project Manager and lead Consultant. In this capacity, Chris will lead the assignment and play a major role in the initial discussions and also in the reporting phase.
- **Rebecca Grace**, Research Consultant – Project team member. Rebecca will assist in the data gathering and reporting phases, and will undertake all necessary background research under guidance from Chris.

Consultant resumes are included in Attachment 1.

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## Experience of Mercer

Mercer is a leading human resources consulting company, providing specialised services and information for a wide range of organisations in Australia and New Zealand. We are part of Mercer Human Resource Consulting, the largest employee benefits, human resources and remuneration consultancy in the world.

The depth and breadth of our resources and experience enable us to apply specialised expertise in the areas of strategic human resources management.

This includes consulting services in:

- governance and executive reward
- classification and reward systems
- human resource strategy and development
- learning programs in classification, remuneration and performance management
- information services covering human resources, remuneration and governance.

Our clients include large companies, major government departments, government owned enterprises, and not-for-profit organisations. Mercer has been advising Australian organisations on human resource management and remuneration practice for nearly 30 years.

In the last financial year we have completed more than forty (40) assignments of a similar nature to the proposed consultancy in all States of Australia, across all industry groups and embracing listed companies, private companies, not-for-profit Boards, and various Government Owned Corporations (GOCs) and Statutory bodies in the Commonwealth and all State/Territory jurisdictions.

Locally, we provide access to the largest remuneration and HR practice database in Australasia, with current information on around 150,000 individuals in over 200 positions from several thousand organisations. Globally, we provide access to the world's strongest database through our network of Mercer offices in more than 125 cities in 34 countries and territories.

We have also developed a proprietary specialist database (Board and Executive Remuneration Database) which we will utilise for the current study, as well as supplementing this with any relevant disclosure data not already contained in our BERD database.



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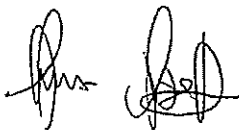
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Mercer is also committed to maintaining the highest standards of professional quality as indicated by our certification (since 1997) under ISO 9001, (QAS certificate 10055).

We trust this proposal meets your needs. Please do not hesitate to contact me should you have any questions or require anything further. If you wish to proceed, please advise me in writing of your acceptance of this proposal (email to [chris.leck@mercerc.com](mailto:chris.leck@mercerc.com)).

Yours sincerely,



Chris Leck  
Principal

Attachment 1. Consultant Resumés

© Mercer Human Resource Consulting Pty Ltd ACN 005 315 917 (Mercer)

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Attachment 1

## **Chris Leck**

### **Principal Consultant**

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#### Qualifications

- BA (Hons)
- MA (Applied Psych.)

#### Career Background

Prior to joining Mercer Human Resource Consulting in 1984, Chris was a clinical psychologist, staff development officer and personnel policy analyst.

#### Overview

Chris is a Principal Consultant, and has been with the firm for 20 years. He was the foundation Manager for Mercer's Queensland Practice in 1989. Chris has considerable experience in both the public and private sectors, as well as many charitable and not-for-profit organisations. His consulting work has focussed on a broad range of remuneration and human resource management activities including:

- the development of remuneration strategies and policies for organisations
- advising on Director and Executive reward
- design and implementation of incentive plans
- the conduct of strategic and organisational reviews
- conception and implementation of transitional and change management strategies
- the development of performance management programs taking account of individual, team and organisational measures.

Many assignments in the above areas have required the establishment of effective working relations with senior executive teams, staff associations, and unions, in a genuine partnership model of organisation development.

Chris was the main architect of Mercer's quality certification system, and as a Principal Consultant with the firm has played a leading role in the development and mentoring of junior professional staff.

Chris is one of the firm's foremost experts in the field of classification and reward advice, and has provided expert witness testimony to the Industrial Relations Commission and the Supreme Court in Queensland, as well as the Industrial Court in New Zealand. Chris is the account manager for a number of private sector and GOC organisations in Queensland and other States in the gaming/wagering sector, the finance sector, as well as the energy/infrastructure sectors.

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Attachment 1

## **Rebecca Grace**

### **Research Analyst**

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#### Qualifications

- Bachelor of Business – Human Resource Management (with Distinction)

#### Career Background

- Human Resource Management
- Employee Relations

#### Overview

Rebecca joined Mercer's Brisbane office in October 2004, having previously worked as a HR Analyst and HR Generalist. Her experience encompasses recruitment and selection, job analysis and industrial relations and includes the development of HR systems and processes, policy development and financial modelling. Rebecca has extensive experience in data analysis and interpretation.

As a Research Consultant, Rebecca works closely with our team of consultants across a diverse range of client projects, providing support in the following:

- preparation, conduct and analysis of surveys across a range of HR practices and issues
- research and documentation of HR Policies
- job analysis research and documentation
- remuneration research, benchmarking and analysis
- modelling classification and pay structures.

Since joining Mercer, Rebecca has been involved in research across a variety of sectors and HR issues. Rebecca has worked with clients from the private and public sectors, including projects in the Education Sector, for both state education and independent schools. Recent projects have involved job analysis and evaluation, classification review, remuneration research and benchmarking, and reward strategy.

"B"

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Human Resource Consulting

Final - revised 5/18/05  
Peer reviewed by Peter  
Mercer  
Mercer Human Resource Consulting Pty Ltd  
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4 August 2005

Mr D Grace  
Partner  
Hunt and Hunt  
by email: david.grace@hunt-hunt.com.au

## Private & Confidential

Subject:  
**Board Remuneration Report - Queensland Racing**

Dear David

Thank you for seeking the assistance of Mercer Human Resource Consulting (Mercer) to provide advice on appropriate remuneration levels for the five Non-Executive Directors, including Chairman and Deputy Chairman, of the Queensland Thoroughbred Racing Board (the Board).

### Methodology

In providing information, the Consultants have:

- reviewed available information on the organisation and the Board, including annual reports, organisation charts and Board agenda papers (QTRB and the ARB)
- conducted discussions with the Chairman of the Board, Mr Bob Bentley, to confirm organisational functions, understand the Board structure and Director time commitments and functions
- accessed Mercer's database of information, and supplemented data with research where required, on Board remuneration in Australian companies, specifically:
  - private companies, with a revenue of between \$50m and \$250m
  - Government Owned Corporations (GOCs), with a revenue of between \$50m and \$500m
  - organisations in the racing industry
- developed recommendations and compiled this report.

### Indicative Market Data

Tables 1 to 3 provide data from the private sector marketplace (public companies), drawn from Mercer's databases as at July 2005. Mercer's database is based on fees declared in company annual reports. Our comparisons have been drawn from a sub-sampling of the database for organisations with revenue in the range \$50m to \$250m.

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**Table 1: Board Chair Remuneration (Revenue \$50-\$250m)**

	<b>Base Fees</b>	<b>Super</b>	<b>Other Fees</b>	<b>Total Fees</b>
Q1	60,000	5,400	2,200	65,400
Median	75,900	7,000	8,100	87,200
Q3	100,000	9,500	30,000	115,500
Average	86,700	8,000	19,200	98,200
<i>n</i>	79	59	15	79

**Table 2: Board Deputy Chair Remuneration (Revenue \$50-\$250m)**

	<b>Base Fees</b>	<b>Super</b>	<b>Other Fees</b>	<b>Total Fees</b>
Q1	44,100	4,500	n/a	54,000
Median	60,000	5,400	13,200	65,900
Q3	68,800	7,100	n/a	76,600
Average	61,500	12,400	8,600	75,100
<i>n</i>	15	13	5	15

**Table 3: Board Non-Executive Director Remuneration (Revenue \$50-\$250m)**

	<b>Base Fees</b>	<b>Super</b>	<b>Other Fees</b>	<b>Total Fees</b>
Q1	33,800	2,600	1,000	37,200
Median	41,300	3,500	2,200	45,600
Q3	50,000	4,900	7,500	55,500
Average	43,100	4,400	4,700	49,700
<i>n</i>	97	84	17	97

It should be noted that the superannuation figures provided in Tables 1 to 3 do not include the value of any cash retirement benefit, but do include Superannuation Guarantee Contributions (which have been 9% for several years). Total fee levels are inclusive of base fees, committee fees (if any) and superannuation. In this analysis we have not attempted to take into account relative time commitments required of Directors, but we note that the commercial market data is based on

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commitments by the Chair in the order of 40 days per annum, and ~30 days per annum for Non-Executive Directors.

Tables 4 to 6 provide data from Government Owned Corporations (GOCs), based on fees declared in company annual reports. GOCs in Queensland and Australia with revenue in the range \$50m to \$500m have been identified and researched by Mercer. These limits have the effect of enabling a large enough sample to be constructed, whilst at the same time excluding major GOC organisations such as Energex or Queensland Rail and comparable GOCs in other States.

**Table 4: Board Chair Remuneration (Revenue \$50-\$500m)**

	<b>Total Fees QLD GOC</b>	<b>Total Fees AUST GOC</b>
Q1	41,000	41,315
Median	50,000	56,375
Q3	60,000	72,500
Average	54,305	62,543
<i>n</i>	9	12

**Table 5: Board Deputy Chair Remuneration (Revenue \$50-\$500m)**

	<b>Total Fees QLD GOC</b>	<b>Total Fees AUST GOC</b>
Q1	n/a	n/a
Median	40,500	50,000
Q3	n/a	n/a
Average	n/a	n/a
<i>n</i>	2	3

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**Table 6: Board Non-Executive Director Remuneration (Revenue \$50-\$500m)**

	<b>Total Fees QLD GOC</b>	<b>Total Fees AUST GOC</b>
Q1	19,620	19,620
Median	23,000	24,647
Q3	25,000	28,885
Average	23,306	27,034
n	45	64

As can be seen, Governments in Australia have typically positioned the Board fees of GOCs noticeably below the fee levels provided in the private sector for organisations of comparable size and scope. The level of discount varies depending on factors such as the level of competition in the GOC's market or industry sector, and the extent of market regulation. For corporations that are critical to Government and which operate in a fully competitive market, (such as finance sector GOCs like QTC and QIC in Queensland and similar GOCs in other jurisdictions), the discount has been generally around 20%, or a fee level of 80% of the median commercial rate. For those GOCs in less competitive markets (eg. monopolies), the discount can extend to as much as 50%.

Of final note are the fee levels that apply within the few similar bodies elsewhere. The Chairs of similar bodies received fees in the broad range of ~\$50,000 to ~\$115,000, with directors being anywhere from \$20,000 up to \$60,000.

Other factors that may influence target remuneration positioning for Directors include:

- business strategy (e.g. substantial growth plans)
- Board workload relative to comparable organisations, which also takes into account the number of directors
- the responsibilities of directors of government organisations vis-a-viz the responsibilities of directors under Corporations law (Mercer finds increasingly that there is little or no difference)
- the complexity and scope of the business relative to comparable organisations
- the organisation's ability to attract suitably qualified Non-Executive Directors (and, in particular, any requirement to attract highly experienced private sector directors)

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- the need for the Board to have several key sub-committees, which may substantially increase the workload of members of these sub-committees, particularly the Non-Executive Directors who Chair such sub-committees
- whether any of the directors or the Chair are required to be members of national industry-wide coordinating/controlling Committees or bodies
- internal relativities for the roles of Directors, Deputy Chairman and Chairman, (considering both historic and workload factors).

## Recommendations

Bearing in mind the market information on directors' fees reported above, and the additional considerations outlined in the previous paragraphs, Mercer advance the following recommendations for Directors fees for the Board, inclusive of superannuation. Unless otherwise stated, such fees would be all-inclusive of duties associated with any Board sub-committees, but would not include reimbursement of travel or accommodation expenses that Board members might incur in attending meetings or travelling to other locations either in Queensland or other States to discharge their official duties.

Chairman:	\$75,000 to \$80,000;
Deputy Chair:	\$50,000 to \$55,000;
Director:	\$40,000 to \$45,000

In developing the above fee ranges, Mercer notes that the Chairman spends at least 2 days but often 3 days per week on QTRB business, representing around 120 days per year. This is **three times** the workload on average of Chairman of comparably-sized public companies. As the organisation does not (and will not) have a CEO, Mercer believes that in many respects the Chairman is also of necessity playing partly an executive/managerial function within this extensive time commitment. The fee range recommended for the Chairman is nevertheless still less than the median of the private sector, is slightly higher than the upper quartile of GOCs across Australia, and is in the middle of the fee range that applies to industry-specific bodies.

As the time commitments of the other Directors are closer to general industry norms, there is no need to recommend any additional premium other than adopting a fair market-based fee range, whilst also preserving fair internal relativities, as in the end, all Directors bear the same *collective* responsibility.



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Mercer's fee range for Directors is around 55% of the Chairman's range, whilst the Deputy's range is around 67%. These relativities are entirely consistent with market practice elsewhere.

In addition, Mercer notes that one of the Directors will be the Queensland nominee on the Australian Racing Board. Mercer believes that the work associated with this directorship is not only vital for effective governance and coordination of the industry at a national level, but represents a further workload which is completely *in addition* to the time spent on QTRB business. Although this role is currently filled by the Chairman, other Directors could be Queensland's nominee in future, so Mercer has therefore put a separate remuneration value on this unique and special role in the range of \$17,000 to \$20,000. In keeping with good practice, should the ARB change its functions so that a significant change in workload and responsibility is required, this fee range will need to be adjusted accordingly.

Finally we note that fee levels generally are subject to market and internal pressures for change, and need to be reviewed annually, or at the outside, every two years.

Yours Sincerely

Chris Leck,  
Principal Consultant

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"C"

# MERCER

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17 July 2007

Ms. Tracey Harris  
Manager Finance and Administration  
Queensland Harness Racing Board

Sent via E-Mail: [tharris@qld.harness.org.au](mailto:tharris@qld.harness.org.au)

Subject:

## **Proposal: Indicative Director Fees**

Dear Tracey

Further to our discussions, Mercer Human Resource Consulting Pty Ltd (Mercer) is pleased to provide Queensland Harness Racing Board (Qld Harness Racing) with a proposal for providing indicative remuneration levels for its Non-Executive Director positions. This document confirms the scope of the work and the terms of the engagement.

### Our understanding of your needs

From our discussions, we understand your situation and objectives as follows:

- Qld Harness Racing requires indicative remuneration data for the following Director roles:
  - Chairman
  - Deputy Chairman
  - Non Executive Director (NED)

### Scope of services

Mercer Human Resource Consulting Pty Ltd ("Mercer") will provide the following services:

- Review of Non-Executive Directors remuneration. The review will include providing indicative remuneration data for comparable non-executive positions (Chair, Deputy Chair, and NEDs) within the market.

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17 July 2007

Queensland Harness Racing Board

## Methodology and Data Sources

To conduct this review, Mercer proposes sourcing appropriate remuneration data from among the following Data sources:

- Similar sized ASX listed companies: We will source appropriate remuneration data from Mercer's 2007 Board & Executive Remuneration Disclosure (BERD) Database. BERD contains disclosed remuneration data from published annual reports and is a valuable indicator of remuneration levels and practices within similar sized listed Australian organisations. As an indicator of size, we will source data from companies with similar annual revenue as Qld Harness Racing (i.e. companies within 50 to 200% of Qld Harness Racing's annual revenue of \$20m)
- Subscription Surveys: To supplement disclosed data captured in BERD, Mercer subscribes to niche Board remuneration surveys. For this assignment we propose referencing the 2006 PRO:NED's Non-Executive Directors' Remuneration Survey.

## Staffing

Shai Ganu and Alex Cass will be responsible for ensuring the services are completed to a high standard, with all work peer-reviewed in accordance with Mercer's Peer Review Policy.

## Timeframe

We will begin our work on 18<sup>th</sup> July 2007 or on your acceptance of this proposal (whichever later). Assuming no unforeseen circumstances will endeavour to complete the review within 3 working days from the project start date (i.e. by Monday, 23 July 2007 assuming 18<sup>th</sup> July project start).

## Fees and expenses

Based on the scope of work outlined above, Mercer estimates that the consulting fees for this review will be **\$4,500**.

In addition to consulting fees, Mercer charges a 5% administration fee to cover secretarial support, telephone calls, photocopying, faxing, taxis and couriers etc. 10% GST is also applicable.

Please note that Mercer charges on a time cost basis. Actual fees would be based on actual time incurred, and we will not charge for the time originally estimated but not spent on the assignment. Also, we will not charge any additional fees without your prior approval. If the scope of services or staffing requirements changes, then the professional fees will be adjusted in advance by mutual agreement.

# MERCER

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Page 3

17 July 2007

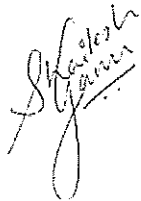
Queensland Harness Racing Board

Tracey, I hope that this proposal accurately captures your requirements. I would be pleased to discuss any modifications you consider appropriate.

Please feel free to call me on (02) 8864 6998, if you have any questions or require further information.

We look forward to working with you on this project.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Shai Ganu', written in a cursive style.

**Shai Ganu**



"D"

# MERCER

Human Resource Consulting

Mercer Human Resource Consulting Pty Ltd  
ABN 32 005 315 917  
Darling Park Tower 3  
201 Sussex Street Sydney NSW 2000  
GPO Box 9946 Sydney NSW 2001  
02 8864 6698 Fax 02 8915 1526  
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24 July 2007

DRAFT

Tracey Harris  
Manager Finance and Administration  
Queensland Harness Racing Board  
3 Amy Street  
Albion Park QLD 4010

E-Mail: [tharris@qld.harness.org.au](mailto:tharris@qld.harness.org.au)

Subject:

## **Indicative Non-Executive Director Fees**

Dear Tracey

Mercer Human Resource Consulting (Mercer) is pleased to provide the Queensland Harness Racing Board (QLD Harness Racing) with indicative market remuneration for the following non-executive director positions:

- Chairman
- Deputy Chairman
- Non-Executive Director (NED)

### **Our Approach**

In sourcing the market remuneration data, Mercer has used the following sources:

- **Mercer's Board & Executive Remuneration Database (BERD)**

BERD contains disclosed remuneration data from published annual reports. As an indicator of similar sized organisations, we have sourced data from companies with similar annual revenue as QLD Harness Racing (i.e. companies within 50 to 200% of QLD Harness Racing's annual revenue of \$20 million).

- **Survey data**

To supplement disclosed data captured in BERD, Mercer has referenced market data from the 2006 PRO:NED's Non-Executive Directors' Remuneration Survey based on not for profit organisations, and public companies with revenue between \$16 - \$50 million.

# MERCER

Human Resource Consulting

Page 2

24 July 2007

Tracey Harris

Queensland Harness Racing Board

DRAFT

The following tables provide Chairman, Deputy Chairman and Non-Executive Director market remuneration data in terms of:

- **Base Fees:** Annual salary excluding allowances or additional payments
- **Superannuation:** Compulsory 9% superannuation contribution
- **Total Fees:** Sum of Base Fees and Superannuation

Market data has been provided for the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles, and for the average of the sample.

- **25<sup>th</sup> percentile:** is the point at which 25% of the market pay below and 75% pay above the market
- **50<sup>th</sup> percentile (median):** is the point at which half of the market pay below and half pay above the market
- **75<sup>th</sup> percentile:** is the point at which 75% of the market pay below and 25% pay above the market

All market remuneration has been forecast to July 2007.

Please note that PRO:NED only discloses Base Fees. Superannuation data provided is an estimate of 9% of Base Fees and Total Fees represents the sum of Base Fees and Superannuation. As superannuation practices vary across organisations, the data provided as Total Fees are indicative estimates only. However, given that 9% is the minimum superannuation payment, the Total Fees provided in the following tables can be considered to be conservative.

# MERCER

Human Resource Consulting

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24 July 2007

Tracey Harris

Queensland Harness Racing Board

DRAFT

Chairman

**Table 1: BERD Data – 50-200% of \$20m Revenue Peer Group**

	Base Fees	Super	Total Fees
Q1	44,900	4,500	50,400
Q2	66,000	7,300	70,600
Q3	99,000	9,900	110,000
Average	74,600	11,700	83,800
Count	67	44	71

**Table 2: PRO:NED Data – Public Companies Turnover of \$16 -\$50m Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	55,100	4,959	60,059
Q2	73,500	6,615	80,115
Q3	94,500	8,505	103,005
Average	79,300	7,137	86,437
Count	22	22	22

**Table 3: PRO:NED Data – Not for Profit Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	21,000	1,890	22,890
Q2	36,800	3,312	40,112
Q3	94,500	8,505	103,005
Average	49,800	4,482	54,282
Count	11	11	11

\* Please note: Superannuation data provided is an estimate of 9% of Base Fees; and Total Fees represents the sum of Base Fees and Superannuation.



# MERCER

Human Resource Consulting

Page 4

24 July 2007

Tracey Harris

Queensland Harness Racing Board

DRAFT

Deputy Chairman

**Table 4: BERD Data – 50-200% of \$20m Revenue Peer Group**

	Base Fees	Super	Total Fees
Q1	35,900	3,300	37,300
Q2	46,800	4,200	50,900
Q3	66,000	5,900	71,900
Average	51,300	4,700	56,500
Count	9	8	9

**Table 5: PRO:NED Data – Public Companies Turnover of \$16 -\$50m Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	57,800	5,202	63,002
Q2	63,000	5,670	68,670
Q3	68,300	6,147	74,447
Average	63,000	5,670	68,670
Count	2	2	2

**Table 6: PRO:NED Data – Not for Profit Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	13,100	1,179	14,279
Q2	31,500	2,835	34,335
Q3	31,500	2,835	34,335
Average	24,200	2,178	26,378
Count	5	5	5

\* Please note: Superannuation data provided is an estimate of 9% of Base Fees; and Total Fees represents the sum of Base Fees and Superannuation.

# MERCER

Human Resource Consulting

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24 July 2007

Tracey Harris

Queensland Harness Racing Board

DRAFT

Non-Executive Director

**Table 7: BERD Data – 50-200% of \$20m Revenue Peer Group**

	Base Fees	Super	Total Fees
Q1	25,900	2,900	29,400
Q2	39,200	4,100	44,000
Q3	55,000	6,600	61,800
Average	42,500	7,500	48,200
Count	88	69	90

**Table 8: PRO:NED Data – Public Companies Turnover of \$16 -\$50m Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	31,500	2,835	34,335
Q2	39,400	3,546	42,946
Q3	47,300	4,257	51,557
Average	39,300	3,537	42,837
Count	20	20	20

**Table 9: PRO:NED Data – Not for Profit Peer Group\***

	Base Fees	Super*	Total Fees*
Q1	10,500	945	11,445
Q2	21,000	1,890	22,890
Q3	57,800	5,202	63,002
Average	32,700	2,943	35,643
Count	10	10	10

\* Please note: Superannuation data provided is an estimate of 9% of Base Fees; and Total Fees represents the sum of Base Fees and Superannuation.

# MERCER

Human Resource Consulting

Page 6

24 July 2007

Tracey Harris

Queensland Harness Racing Board

DRAFT

Tracey, I trust the market data provided above assists you in your review of the remuneration arrangements for these roles. Please do not hesitate to contact me on 02 8864 6698 or alternatively Paul Leitch in our Brisbane office on 07 3234 4818 if you have any questions or queries.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Shai Ganu', with a stylized flourish at the end.

Shai Ganu  
Associate

Copy: Paul Leitch, Principal, Mercer Brisbane Office

"E"

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Mercer (Australia) Pty Ltd  
ABN 32 005 315 917  
123 Eagle Street Brisbane QLD 4000  
GPO Box 9946 Brisbane QLD 4001  
61 7 3234 4825 Fax 61 7 3503 9259  
michael.d.smith@mercer.com  
www.mercer.com.au

## **Private & Confidential**

28 August 2008

Mr Adam Carter  
Finance Manager  
Queensland Racing Limited  
PO Box 63  
Sandgate QLD 4017

**Subject:** Proposal to Review Non-Executive Director Fees - Queensland Racing Limited

Dear Adam

Thank you for seeking a proposal from Mercer (Australia) Pty Ltd (Mercer) to provide remuneration advice to the Board of Queensland Racing Limited (Queensland Racing). Following on from our discussion last week, this letter seeks to confirm the nature and scope of the work to be undertaken, the project approach, Mercer's professional fees and project timeframes.

## **Our Understanding of Your Needs**

Mercer understands that there are currently five (5) Directors serving on Queensland Racing's Board. This group is made up of the Chairman, Deputy Chairman and three (3) non-Executive Directors.

Queensland Racing has sought Mercer's assistance in determining appropriate, market-related remuneration rates for the five (5) Directors.

## **Mercer's Approach**

In undertaking this consultancy, Mercer proposes the following approach:

- familiarisation with the context of the Board and its activities through the background study of relevant information, including typical duties involved, typical time spent on Board duties, relevant Committee involvement etc
- conduct discussions to better understand the role and functions of the Board
- utilise Mercer's remuneration databases and other relevant survey data to determine Board remuneration practices of 'like' organisations
- compile a report on the findings of the study, highlighting any issues, concerns or actions that Queensland Racing may want to consider.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 2  
28 August 2008  
Mr Adam Carter  
Queensland Racing Limited

## **Timeframe**

We can commence work on this assignment within a week of receipt of your signed acceptance. Assuming no unforeseen circumstances and availability of relevant information, Mercer anticipates that this review will be completed in time for the distribution of board papers for the November meeting (ie end of September).

## **Staffing**

This project will be undertaken by Michael Smith and Lily Kan. Michael is a Senior Associate with Mercer and has extensive experience in providing remuneration advice for a diverse range of organisations in both the public and private sectors. Lily is an Associate at Mercer and has significant experience as a professional HR practitioner and consultant. Her experience includes reward strategy; classification systems and pay structures; salary surveys; organisational reviews; performance management, job evaluation, analysis and design.

## **Fees and Expenses**

Based on the scope of work outlined above, our professional fees for this review will be in the range of \$10,000 to \$11,000 exclusive of GST. An administration fee of 5% of our professional fees will be charged to cover out-of-pocket expenses, secretarial support, local transport and couriers.

## **Terms & Conditions**

THIS ENGAGEMENT LETTER IS SUBJECT TO THE TERMS & CONDITIONS CONTAINED IN THE DOCUMENT TITLED "MERCER (AUSTRALIA) PTY LTD CONSULTING TERMS AND CONDITIONS EFFECTIVE OCTOBER 2005" WHICH WAS ATTACHED TO THE EMAIL IN WHICH THIS LETTER WAS DELIVERED, INCLUDING WITHOUT LIMITATION THE PROVISIONS AS REGARDS LEGAL DISPUTES AND LIMITATION OF LIABILITY, WHICH TERMS & CONDITIONS ARE INCORPORATED HEREIN BY REFERENCE AND TOGETHER ARE REFERRED TO AS 'THE AGREEMENT'. This agreement will be governed by and interpreted in accordance with the law of Queensland and will be subject to the exclusive jurisdiction of the courts of Queensland. Where a term used in this Covering Letter is used in the Terms & Conditions, the definition in this Covering Letter will apply.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 3  
28 August 2008  
Mr Adam Carter  
Queensland Racing Limited

## Summary

Adam, we look forward to working with Queensland Racing on this project. We have found that clarifying our terms of engagement in advance prevents any misunderstanding later on. Consequently, this Engagement Letter once accepted and signed below by both parties, will reflect our full and complete understanding and agreement of the terms of our relationship.

If you have any questions about these terms, please call me on 07 3234 4825. If there are no such queries, please indicate your agreement to the terms of this engagement by signing the enclosed copy of this letter and returning it to me at Mercer, GPO Box 9946, Brisbane Qld 4001.

Yours sincerely

Michael Smith  
Senior Associate

Encl.

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Signed on behalf of <b>Mercer (Australia) Pty Ltd</b> by:	Signed on behalf of <b>Queensland racing Limited</b> by:
Print Name <b>Michael Smith</b>	Print Name

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 4  
28 August 2008  
Mr Adam Carter  
Queensland Racing Limited

Signed on behalf of <b>Mercer (Australia) Pty Ltd</b> by:		Signed on behalf of <b>Queensland racing Limited</b> by:	
Print Title	Senior Associate	Print Title	FINANCE MANAGER
Signature 		Signature 	
Date	28 August 2008	Date	28 AUGUST 2008

For Mercer Office Use Only:

<b>Template Type (Circle selection):</b>	Ongoing/ Ongoing Varied/ Project/ Project Varied		
<b>Expiry Date:</b>			
<b>Confidentiality Flag (Circle selection):</b>	Yes/ No		
<b>Primary CAP Code:</b>	Client Code:	Account Code & Name:	Project Code:

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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28 August 2008  
Mr Adam Carter  
Queensland Racing Limited

## MERCER (AUSTRALIA) PTY LTD TERMS AND CONDITIONS EFFECTIVE OCTOBER 2005





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25 September 2008

**Non Executive Director  
Remuneration Review  
Queensland Racing Limited**

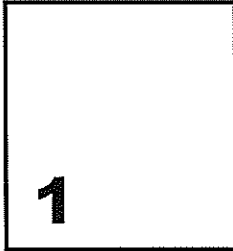
**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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<b>Appendix A:</b> Summary of PRO:NED Non-Executive Director’s Remuneration and Board Governance Survey Report of 2007 (PRO:NED Survey)		



## Introduction

In September 2008 Queensland Racing Limited (QRL) commissioned Mercer (Australia) Pty Ltd (Mercer) to provide independent advice regarding appropriate remuneration levels for Non-Executive Directors (Directors) within QRL.

## Approach Used

In providing this advice, the consultants have:

- reviewed available information on the organisation and the Board, including annual reports
- conducted a discussion with both the Board Chairman and Deputy Chairman to gain an understanding of the context of the Board and its activities, including its role and functions, typical duties involved, typical time spent on Board duties and relevant Committee involvement
- accessed 2007 PRO:NED survey data to determine Board remuneration practices of other comparable organisations, and supplemented data with research where required, on Board remuneration in other Racing Authorities
- developed recommendations and compiled this report.

When supplying advice of this nature, Mercer attempts to provide the latest information and trends available to assist organisations in their decision-making processes. However, unlike various executive surveys that are available, board surveys are not always updated annually. Therefore, the 2007 PRO:NED survey represents the latest available board-related data. Appendix A contains a brief description of the PRO:NED survey.

## Organisational Context

QRL is the control body for thoroughbred racing in Queensland. It administers the rules of racing, licenses industry participants and race clubs, enforces standards and monitors industry participants. In addition to its regulatory role, there is also a commercial aspect in staging and selling all races as a product. While QRL is bound by Government legislations and regulations, it operates independently of Government. QRL also operates in a highly politicised environment.

The structure of QRL is such that the organisation does not have a Head of Organisation such as Chief Executive Director, General Manager or Managing Director. Rather, the most senior positions are Chief Operations Manager (responsible for the commercial aspects) and Director Integrity Operations (responsible for compliance), which both report directly to the Board.

## Board Details

There are currently five (5) Directors serving on QRL's Board. This group is made up of the Chairman, Deputy Chairman and three (3) other Directors. The Directors (as part of the role) are also expected to hold directorship in one of the following companies:

- Queensland Product Company
- Australia Racing Board
- Racing Information Services Australia
- Country Racing

The Chairman, while not an Executive Chairman functions like one, operating on a full time basis, with time commitments of around 20 days per month (or 240 days per annum). Time commitments of the Deputy Chairman and other Directors are around 5 to 6 days per month (or around 60 to 72 days per annum).

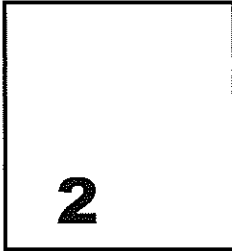
The Board meets around 11 times a year. Within the Board structure, there is an Audit Committee which meets around four times a year and a Human Resources and Remuneration Committee which meets twice a year. Other Directorship commitments include board meetings in the above companies.

Mercer understands that Board remuneration was last reviewed by Mercer in 2005 for implementation in 2006. Mercer understands that since that time the Board has been required to provide greater leadership and its time commitments have also increased. The Directors are currently paid a single fee which includes all board and subcommittee work. Current Directors Fees are outlined in Table 1.

**Table 1: Current Directors Fees**

<b>Role</b>	<b>Current Directors Fees*</b>
Chairman	\$78,000
Deputy Chairman	\$53,000
Director	\$43,000

\* Directors fees are inclusive of 9% superannuation



## Comparator Group

To assess the competitiveness of current Board remuneration, it is important to define the basis for comparison through selection of appropriate benchmark comparators.

For QRL, Mercer has referenced the following comparators:

- public companies with turnover of between \$50m to \$250m
- private companies with turnover of between \$50m to \$250m
- business services industry sector

Please note that revenue range data is not included in the PRO-NED survey for the industry sectors.

## Time Commitments

QRL time commitments relative to market practice are an important consideration when determining appropriate board remuneration levels. Mercer's experience in market trends on non-executive Director time commitments is that they have increased in the past few years, most likely due to the increased expectation and focus on governance. Outlined in Table 2 is the total time commitments per annum required of board members taken from the 2007 PRO:NED report. Data has been provided based on the above comparator groups.

The total time commitment represents all time spent on matters relating to the board including where relevant time spent on board meetings, committee work, ad hoc meetings, discussions with the CEO, site visits, company representation, interstate and overseas travel.

**Table 2: Total Annual Time Commitments by role**

		Days per annum		
	Distribution	Private Company \$50-\$250m	Public Company \$50-\$250m	Business Services Industry
<b>Chairman</b>	Q1	29	28	13
	Median	41	40	30
	Q3	53	55	43
	Average	54	46	39
	<i>n</i>	12	21	38
<b>Deputy Chairman</b>	Q1	9	22	10
	Median	20	31	21
	Q3	26	39	45
	Average	19	38	33
	<i>n</i>	8	10	9
<b>Other Directors</b>	Q1	15	27	23
	Median	30	35	30
	Q3	39	48	44
	Average	28	38	33
	<i>n</i>	12	30	37

As can be seen from the above information, the average time commitment for the position of Chairman is around 39 to 54 days, for a Deputy Chairman is 19 to 38 days and for other Directors around 28 to 38 days. Where a Deputy Chairman is appointed, the time and responsibilities for the role are typically greater than those required of other Directors (excluding the Chair).

It is estimated that QRL Directors and the Deputy Chairman could be spending anywhere from 60 to 72 days on QRL business, which is higher than the market averages outlined above. This is approximately **two** times the average time commitments of Deputy Chairman and Directors in companies of a similar size. QRL's Chairman spends a significantly higher amount of time (240 to 264 days) than the average Chairman in the 2007 PRO:NED survey. This is approximately **five** times the average workload of Chairman of comparable-sized companies. As a general principle, where Board time commitments for an organisation exceed typical market requirements, we would expect remuneration levels to be more competitive to compensate for these additional time demands.

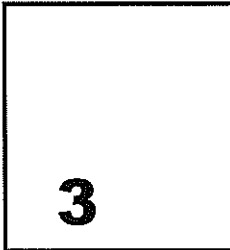
## Other Factors

There are a number of other factors that may influence target remuneration positioning for Directors including:

- size of the organisation as measured by revenue
- business strategy (e.g. substantial growth plans)
- complexity and scope of business
- board workload relative to comparable organisations, which also takes into account the number of directors
- the complexity and scope of the business relative to comparable organisations
- the organisation's ability to attract suitably qualified Directors (and, in particular, any requirement to attract highly experienced private sector directors)
- the need to retain highly experienced directors
- the need for the Board to have several key sub-committees, which may substantially increase the workload of members of these sub-committees, particularly the Directors who chair such sub-committees
- whether any of the Directors or the Chair are required to be members of national industry-wide coordinating/controlling Committees or peak bodies
- internal relativities for the roles of Directors, Deputy Chairman and Chairman (considering both historic and workload factors).

Mercer believes it is important that all of these factors be given some consideration when reviewing Board remuneration.





### Market Data

This section contains market data for board fees and sub committee fees based on the 2007 PRO:NED survey.

### Base Fees

Tables 3 to 5 provide base fees for the Chair, Deputy Chair and Non Executive Directors, based on the following comparator groups:

- private companies (\$50-\$250m revenue)
- private companies (\$50-\$250m revenue)
- industry (business services)

### Chair Market Data

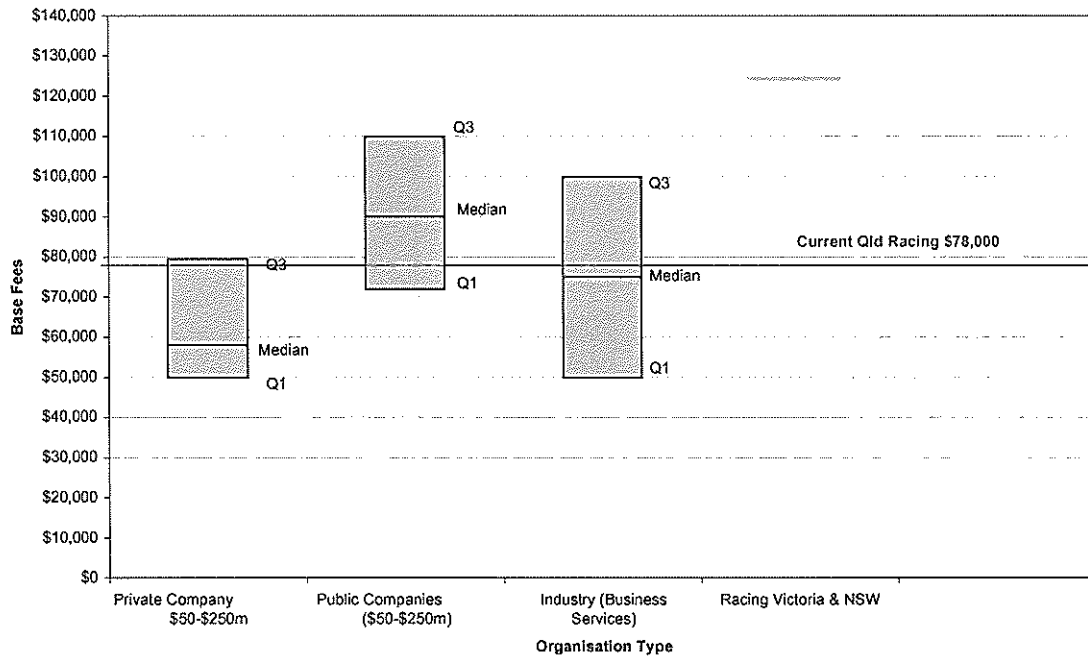
Table 3 below shows Chair market data for the above benchmark groups. Chair fees for Racing NSW, Racing Victoria and QRL has also been provided for comparative purposes.

**Table 3: Board Chair Remuneration**

	Private Companies (\$50-\$250m)	Public Companies (\$50-\$250m)	Base Fees Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$50,000	\$72,000	\$50,000			
Median	\$58,000	\$90,000	\$75,000			
Q3	\$79,500	\$110,000	\$100,000	\$125,350	\$125,350	\$54,400
Average	\$62,846	\$88,570	\$85,744			
N	13	43	39			

Chart 1 compares QRL’s current Chairman remuneration against the benchmarks.

**Chart 1: Board Chair Remuneration Vs Market**



As can be seen from the above chart, the Chairman’s current remuneration is between the median and Q3 of the private companies and business services industry sector, and between Q1 and the median of the public companies. When compared with the Chair of Racing Victoria and Racing NSW, QRL’s Chair is paid lower. However, Mercer notes that Racing Victoria and Racing NSW are larger by prize money distributed but Queensland’s industry is the same size in horse population, races conducted, licences and more difficult to manage because of the number of clubs and the size of the state. In comparison to Victoria, Queensland has three times as many tracks and clubs to look after.

**Deputy Chair Market Data**

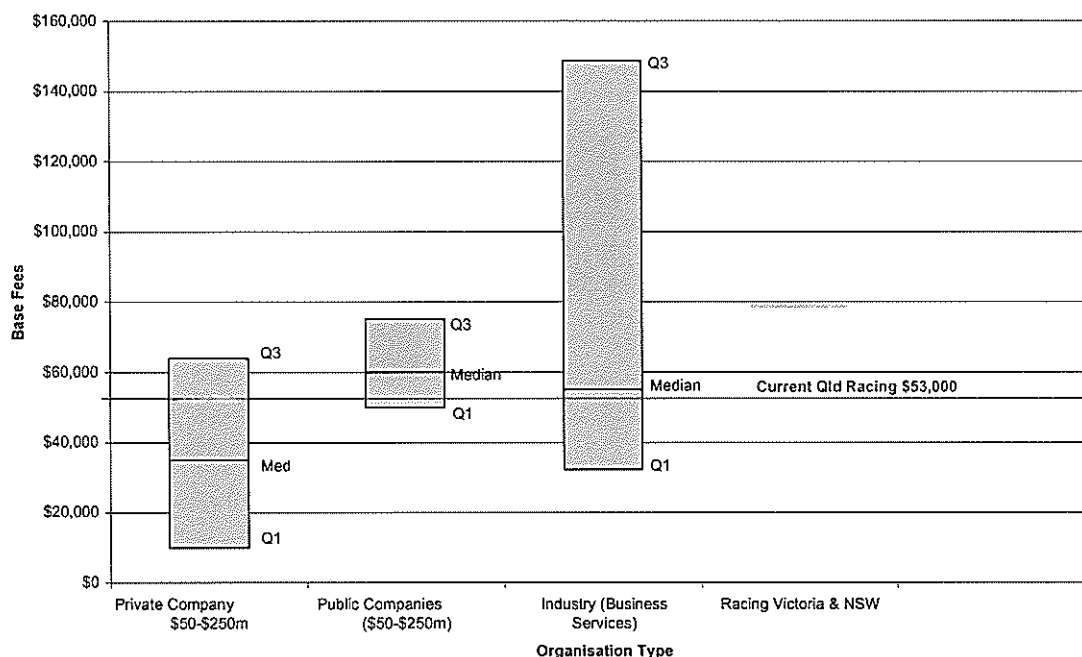
Table 4 below shows Deputy Chair market benchmark data. Deputy Chairman fees for Racing NSW, Racing Victoria and QRL has also been provided for comparative purposes.

**Table 4: Deputy Chair Remuneration**

	Private Companies (\$50-\$250m)	Public Companies (\$50-\$250m)	Base Fees Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$10,000	\$50,000	\$32,250			
Median	\$35,000	\$60,000	\$55,000			
Q3	\$64,000	\$75,000	\$148,750	\$78,000	\$78,000	\$33,700
Average	\$36,000	\$63,182	\$77,375			
n	5	11	8			

Chart 2 overleaf compares the current Deputy Chairman’s remuneration against the various benchmarks.

**Chart 2: Deputy Chair Remuneration Vs Market**



The Deputy Chairman is remunerated between the median and Q3 when compared with private companies and between Q1 and the median when compared to the other two comparators. Mercer notes that data sample sizes for the Deputy Chair role are relatively small as this role has declined in popularity as a formal board position over time. When compared with the Deputy Chair of Racing Victoria and Racing NSW, QRL’s Deputy Chair is paid lower. Please note Mercer’s earlier comment regarding the differences that exist between Queensland Racing and the New South Wales and Victorian counterparts.

**Non-Executive Director Market Data**

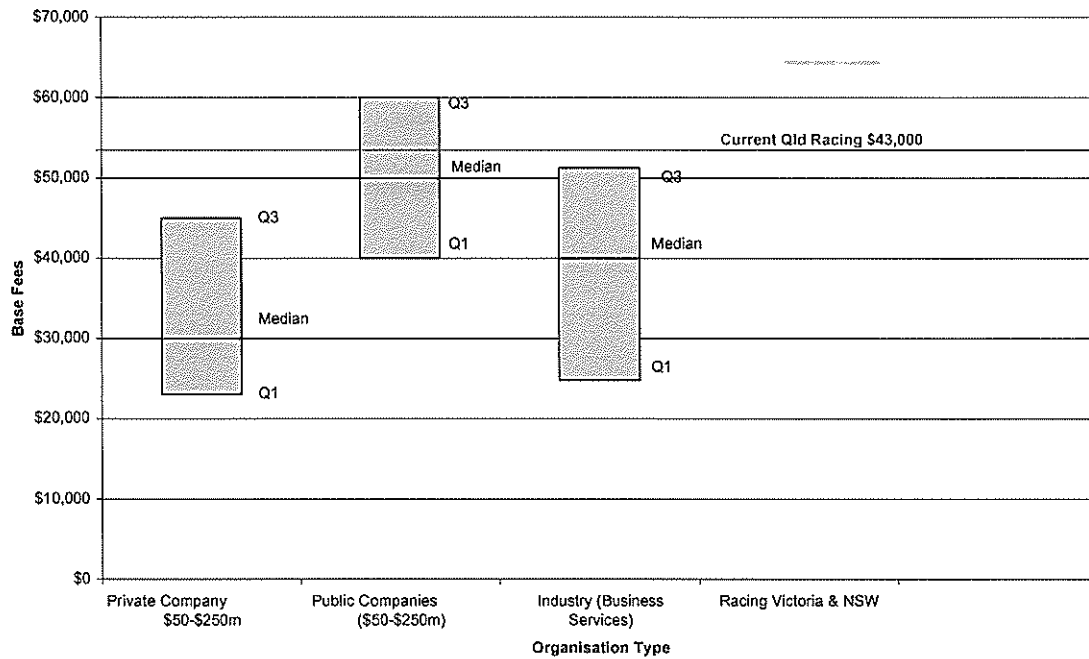
Table 5 below shows benchmark data for the remaining board members. Director fees for Racing NSW, Racing Victoria and QRL have also been provided for comparative purposes.

**Table 5: Board Non-Executive Director Remuneration**

	Private Companies (\$50-\$250m)	Public Companies (\$50-\$250m)	Base Fees Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$23,000	40,000	24,750			
Median	\$30,000	50,000	40,000			
Q3	\$45,000	60,000	51,250	\$56,571	\$56,571	\$29,400
Average	\$33,643	51,036	43,180			
N	21	55	50			

Chart 3 compares QRL’s current Director remuneration against the benchmarks.

**Chart 3: Other Directors' Remuneration Vs Market**



QRL's Directors are remunerated above Q3 of the private companies and business industry sector and between the median and Q3 of the public companies. When compared to Racing Victoria and Racing NSW, QRL Directors are paid at a lower rate.

### Fee Ratios

Generally, Board Chairs are typically remunerated 1.6 to 2.2 times the amount paid to other directors on the same Board. The differential between the Chairman and the Deputy Chairman ranges from 1.4 to 1.9 times. The differential between the Deputy Chairman and the Directors ranges from 1 to 1.5 times. Table 6 indicates that QRL's current ratios fall within current market practice.

While the market ratios provide an indication of pay relativities between the Chairman, Deputy Chairman and Directors, Mercer believes that actual relativity should be determined according to the relative workloads for the positions within an organisation. Given that the Chairman's work commitments are significantly more than the Deputy Chairman and Directors, Mercer recommends a higher ratio between QRL's Chairman and the rest of the Board.

**Table 5: Sub Committee Remuneration by role**

	Market Ratios	Current Ratio
Ratio Chairman: Directors	1.6 – 2.2	1.8
Ratio Chairman: Deputy	1.4 – 1.9	1.5
Ratio: Deputy: Directors	1 – 1.5	1.2

### Sub Committee Fees

64% of PRO:NED survey respondents operate through one or more Board Committees. Of these, only 33% (i.e. only 21% of all survey respondents) pay additional fees on top of the base fee for committee work. However, there is indication

that there is a growing practice to reward this extra work and responsibility with additional payment. The table below provides remuneration data for the audit sub committee and the remuneration sub committee.

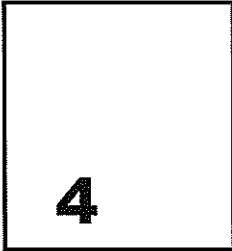
**Table 6: Sub Committee Remuneration by role**

		<b>Audit Sub Committee</b>	<b>Remuneration Sub Committee</b>
<b>Committee Chairman</b>	Q1	\$5,000	\$5,000
	Median	\$10,000	\$8,000
	Q3	\$15,000	\$10,000
	Average	\$11,985	\$9,616
	<i>N</i>	103	30
<b>Committee Board Member</b>	Q1	\$4,000	\$4,000
	Median	\$5,000	\$5,500
	Q3	\$10,000	\$8,050
	Average	\$7,219	\$7,275
	<i>N</i>	52	24

This data indicates differential fees depending on the size of the committee and the Board member's role in the sub-committee. Furthermore, sub-committee chairs are remunerated more highly than sitting members. Currently QRL does not differentiate payments based on sub-committee workload, nor do they pay fees for sub-committees in addition to base fees.

## Subsidiary Board Fees

The findings of the PRO:NED survey indicates that additional fee for work on a subsidiary or related board is not usual practice.



## Recommendations

Based on the market information on Directors' fees reported in the previous section, and the additional considerations outlined in Section 3, Mercer provides the recommended base fees for QRL's Chairman, Deputy Chairman and other Directors in Table 6. Such fees would be inclusive of duties associated with any Board sub-committees, but not include reimbursement of travel or accommodation expenses that Board members might incur in attending meetings or travelling to other locations either in Queensland or other States to discharge their official duties.

**Table 6: Recommended Fees**

	<b>Current Base Fees</b>	<b>Recommended Base Fee</b>
Chairman	\$78,000	\$98,000 - \$102,000
Deputy Chairman	\$53,000	\$58,000 - \$62,000
Director	\$43,000	\$45,000 - \$48,000

In setting these ranges, Mercer has taken into consideration the nature of the business, current time commitments of the Board members and the fact that the Directors are also required to sit on related racing boards. It is Mercer's assessment that the recommended market positioning below reflects the significantly higher than average time commitment for the Board and nature of QRL's business.

- The Chair's current time commitment is approximately five times the average workload for equivalent roles in comparably-sized companies. To account for this, the recommended fee for the Chairman is positioned higher than Q3 of the private companies (\$50-\$250m), around Q3 of the business service industry and between the median and Q3 of the public companies (\$37-\$150m)
- Time commitment for the Deputy Chairman is approximately two times the average workload for equivalent roles in comparatively sized companies. The recommended fee for the Deputy Chairman is positioned between the median and Q3 of the private companies and business services industry and at the median of the public companies (\$50-\$250m)
- Time commitment for the other Directors is also approximately two times the average workload for equivalent roles in comparatively sized companies. The recommended fee for other Directors is positioned around Q3 of the private companies, between the median and Q3 of the business services industry and at the median of the public companies (\$50-\$250m).

Table 7 compares the recommended base fees against the current fees for Racing NSW, Racing Victoria and QRL.

**Table 7: Recommended Fees**

	<b>Recommended Fees</b>	<b>Current NSW</b>	<b>Current Vic</b>	<b>Current QRL</b>
Chairman	\$98,000 - \$102,000	\$125,350	\$125,350	\$78,000
Deputy Chairman	\$58,000 - \$62,000	\$78,000	\$78,000	\$53,000
Director	\$45,000 - \$48,000	\$56,571	\$56,571	\$43,000

Table 8 shows the percentage average increase should QRL adopt Mercer's recommended fees. While the average percentage increase is higher than the market median increase of ~10% (reported in the 2007 PRO:NED survey), Mercer believes that the recommended increases are justified on the basis that the Board's workload has increased more than the average Board.

**Table 8: Average Increase (%)**

	<b>% average increase</b>
Chairman	28%
Deputy Chairman	13%
Director	8%

The Chairman's workload in the 2005 review was around three times the average workload of Chairman of comparably sized public companies. It is now five times the average workload of Chairman of comparably sized companies. For the Deputy Chairman, the workload in the 2005 review was similar to the general industry norms but is now two times more than the average industry norm.

The recommended base fees in Table 6 also increases the current ratio between the Chairman and the rest of the Board (refer to Table 9). Mercer believes that this increase in ratio is appropriate given that the Chairman's current time commitments and work load is significantly more than the Deputy Chairman and the other Directors. Mercer notes that the new ratios are still consistent with market practice.

**Table 9: New Fee Ratio**

	<b>Market Ratios</b>	<b>Current Ratio</b>	<b>New Ratio</b>
Ratio Chairman: Directors	1.6 – 2.2	1.8	2.2
Ratio Chairman: Deputy	1.4 – 1.9	1.5	1.7
Ratio: Deputy: Directors	1 – 1.5	1.2	1.3

Mercer also notes that fee levels generally are subject to market and internal pressures for change, and need to be reviewed annually, or at the outside, every two years.



Appendix A

## **Summary of PRO:NED Non-Executive Director's Remuneration and Board Governance Survey Report of 2007 (PRO:NED Survey)**

The *PRO:NED Survey* is published by PRO:NED International, Board & Executive Search Consultants (PRO:NED). PRO:NED's core business is in executive search and corporate governance advisory services.

The *PRO:NED Survey* is typically conducted every two years, however it was conducted in both 2006 and 2007. It is questionnaire based and is managed directly with non-executive directors. The 2007 sample covers personal reporting for 249 non-executive directors' submissions and 555 individual board seats. This is supplemented with fee data for other positions for the same boards to create a database of 3,326 records.



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www.mercer.com.au

## Private & Confidential

27 October 2008

Mr Adam Carter  
Finance Manager  
Queensland Racing Limited  
PO Box 63  
Sandgate QLD 4017

### Subject: Motor Vehicle Benefit Calculations

Dear Adam

Thank you for seeking the assistance of Mercer (Australia) Pty Ltd (Mercer) regarding the value of motor vehicles for salary packaging purposes.

In determining the market value of the motor vehicle, Mercer has applied Mercer's 2008/2009 Car Formula and changed the variables as appropriate (in line with the assumptions stated in Queensland Racing Limited's documentation) to determine an applicable market value. Details of Mercer's Car Formula are provided in Attachment 1

### Motor Vehicle Costs to Salary Package

Queensland Racing Limited (QRL) has provided the purchase price of the vehicles (excluding GST). Mercer has applied GST to the purchase price and calculated the value as shown in Table 1 below. The calculations are based on the assumption of a 3 year/ 30,000km per year or 2 year/ 50,000 km per year leasing period.

**Table 1: Market Value of motor vehicle**

	Purchase Price (Incl GST)	Change- over	Annual Kims	Net Benefit	FBT	Total
Toyota Camry Altise	\$27,331	3 years	30,000	\$15,496	\$2,886	\$18,383
Toyota Camry Sportivo	\$31,815	3 years	30,000	\$16,839	\$3,360	\$20,199
Subaru Forester X	\$32,296	3 years	30,000	\$17,322	\$3,477	\$20,799
Nissan X Trail ST	\$34,849	3 years	30,000	\$17,898	\$3,680	\$21,578

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	<b>Purchase Price (Incl GST)</b>	<b>Change- over</b>	<b>Annual Klms</b>	<b>Net Benefit</b>	<b>FBT</b>	<b>Total</b>
Holden Commodore Sedan	\$32,536	3 years	30,000	\$17,205	\$3,436	\$20,641
Holden Commodore Wagon	\$33,359	3 years	30,000	\$17,452	\$3,523	\$20,975
Ford Falcon Sedan	\$31,591	3 years	30,000	\$16,922	\$3,336	\$20,258
Ford Falcon Wagon	\$32,325	3 years	30,000	\$17,142	\$3,414	\$20,556
Toyota Aurion	\$35,023	3 years	30,000	\$17,950	\$3,699	\$21,649
Toyota Hilux 4X	\$39,372	2 years	50,000	\$23,612	\$2,646	\$26,258
Nissan Navara ST-X	\$37,184	2 years	50,000	\$22,934	\$2,499	\$25,433

Table 2 below compares Queensland Racing's current motor vehicle policy cost with Mercer's motor vehicle benefit value.

**Table 2: Current Motor Vehicle Policy Costs Vs Mercer's Values**

	<b>Mercer's Value</b>	<b>QRL's Value</b>	<b>Difference</b>
Toyota Camry Altise	\$18,383	\$12,000	\$6,383
Toyota Camry Sportivo	\$20,199	\$12,000	\$8,199
Subaru Forester X	\$20,799	\$12,000	\$8,799
Nissan X Trail ST	\$21,578	\$12,000	\$9,578
Holden Commodore Sedan	\$20,641	\$15,000	\$5,641
Holden Commodore Wagon	\$20,975	\$15,000	\$5,975
Ford Falcon Sedan	\$20,258	\$15,000	\$5,258
Ford Falcon Wagon	\$20,556	\$15,000	\$5,556
Toyota Aurion	\$21,649	\$15,000	\$6,649
Toyota Hilux 4X	\$26,258	\$15,000	\$11,258
Nissan Navara ST-X	\$25,433	\$15,000	\$10,433

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Assuming no discount for work related usage, reference to the Difference column of Table 2 indicates that Queensland Racing's current motor vehicle policy undervalues their vehicles by between \$5,200 and \$11,200. However, Mercer understands there are a range of circumstances where employees are required to travel varying work related distances throughout a year.

Under that scenario, Mercer envisages three (3) possible classes of vehicle use:

- a 'full benefit' vehicle where work related kilometres are only minimal
- a vehicle where there are some/reasonable work kilometres involved, or
- a 'tool of trade' vehicle where the vast majority of the annual kilometres travelled are work related.

For employees who are provided with a 'benefit' vehicle as part of their employment package, then the full market cost of providing that vehicle (as per the Mercer calculations shown on Table 1) should be deducted from their Employment Cost (EC) figure. They are receiving the full benefit from the vehicle and, assuming the EC levels are market competitive, should be expected to meet the full cost of that car.

Employees who fall into the second class noted above might be using their vehicle to travel a reasonable number of work related kilometres (Mercer's estimate would be between 30% - 60% of the total distance travelled in a year). The current QRL motor vehicle policy deducts \$12,000 or \$15,000 per year from the employee's package; which represents between 55% and 72% of the real cost of the vehicle. Mercer believes the continuation of the current policy would reasonably reflect the benefit that these employees are gaining from being provided with a motor vehicle.

The third group of employees have a vehicle provided as a 'tool of trade', where QRL expects them to travel to various locations around the State, in order to perform their duties (eg stewards). For those employees, the vast majority (ie 75% - 90%) of the vehicle's annual kilometres are work related. In these instances, Mercer recommends that a notional percentage (say 15% - 20%) be deducted from their EC figure to account for any private use they might derive from the vehicle. An employee normally spends around 64% of the year at work, so it is reasonable to assume that 36% of the time they have the vehicle available for private use. Recognising that the employee may not drive the same distances privately that they might through work, Mercers estimate of 15% - 20% is not unreasonable.

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27 October 2008  
Mr Adam Carter  
Queensland Racing Limited

Adam, I trust this report meets your requirements. If you have any questions or require any additional information, please telephone me on (07) 3234 485.

Yours sincerely

A handwritten signature in black ink that reads "Michael Smith".

Michael Smith  
Senior Associate

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DRAFT

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Mr Adam Carter  
Queensland Racing Limited

## Attachment 1

### Car Formula – 2008/2009

$$\text{Purchase Price}^* \times 0.299 + \$4,698^{**} + ***[0.092 \times (P^* - \$57,009)]$$

\* GST inclusive purchase price

\*\* GST exclusive running costs (ie after input tax credits)

\*\*\* Only use the second part of the formula if P (original purchase price) is greater than the depreciation limit

NB: This formula does not include FBT

#### Assumptions:

Cost of Funds	10.68%	Changeover	3 years
Depreciation	21.40%	Registration and Insurance	\$1,539**
Annual Kilometres	16,000	Corporate Tax Rate	30%
Depreciation Limit	\$57,009	Cost of Petrol(cents/litre)	137.30 (weighted average of 8 capital cities @ April 2008)

#### Running Costs:

Car Size	Engine Size	Cents/Km	Total Running costs*****
Light	up to 1.6 litres	13.54**	\$3,707**
Small	1.6 – 2.0 litres	15.41**	\$4,005**
Medium	2.1 – 3.0 litres	19.24**	\$4,618**
Large	3.1 – 4.0 litres	19.74**	\$4,698**
Very Large	Over 4.0 litres	28.98**	\$6,177**

\*\*\*\* Total running costs equal the sum of the running costs plus registration and insurance costs

#### FBT Calculation = Purchase Price × 2.0647 × 0.465 × Statutory Fraction

Total Kms Travelled in the FBT Year	Statutory Fraction
Less than 15,000	0.26
15,000 to 24,999	0.20
25,000 to 40,000	0.11
More than 40,000	0.07



**Smith, Michael**

---

**From:** Shara Murray [smurray@queenslandracing.com.au]  
**Sent:** Friday, 24 July 2009 4:01 PM  
**To:** Smith, Michael; dtoohey@queenslandracing.com.au  
**Cc:** Adam Carter  
**Subject:** RE: Brief quotation to update last year's Board Report

Dear Michael

I refer to your below e-mail, thank you for the quote provided.  
I confirm that QRL wishes for Mercer to proceed with this update.  
I look forward to receiving this Report once finalised.

Regards  
Shara

Shara Murray  
Corporate Counsel I Company Secretary

---

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-----Original Message-----

**From:** Smith, Michael [mailto:Michael.D.Smith@mercer.com]  
**Sent:** Thursday, 23 July 2009 2:03 PM  
**To:** Shara Murray; dtoohey@queenslandracing.com.au  
**Cc:** Adam Carter  
**Subject:** Brief quotation to update last year's Board Report

Shara & Debby,

Further to yesterday's e-mail to Adam; Mercer will be able to update the  
2009 Non-Executive Directors' Report with 2009 data (which will include re-aligning the  
matching comparator groups and, following a discussion with Mr R Bentley, ensuring the  
Chair's role reflects participation on the Australian Racing Board) for a professional  
fee of \$4,800 (exclusive of GST). Mercer also applies an administration fee of 5% of the  
final professional fees to cover secretarial services etc.

Should you wish for Mercer to proceed with this update, a return e-mail confirmation will  
suffice. In the meantime, should you have any further questions, please do not hesitate  
to call.

Regards,

Michael.

---

Michael Smith  
Mercer | 123 Eagle Street, Brisbane Queensland 4000 phone +61 7 3234 4825 | mobile +61  
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" I "

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**Private & Confidential**

7 August 2009

Ms Shara Murray  
Corporate Counsel & Company Secretary  
Queensland Racing Limited  
PO Box 63  
Sandgate Qld 4017

**Subject:** 2009 Board Remuneration Update

Dear Shara

Thank you for seeking the assistance of Mercer (Australia) Pty Ltd (Mercer) in providing updated remuneration advice for the Directors of Queensland Racing Limited (QRL).

To provide this advice, Mercer has undertaken the following process:

- reviewed available information on the organisation and the board, including the 2008 Annual Report,
- accessed the 2009 ProNed survey data to determine board remuneration practices of other comparable organisations, and
- developed recommendations and compiled this letter of advice.

Note that this remuneration update should be read in conjunction with Mercer's detailed *Non Executive Director Remuneration Review* report dated 28 September 2008.

**Context**

Mercer understands that environment in which QRL operates in has not altered significantly since our previous advice dated 25 September 2008. The board currently consists of five Directors, made up of the Chairman, Deputy Chairman and three other Directors.

Mercer understands that board remuneration was last reviewed in 2006. Mercer revisited QRL Board remuneration in September 2008 but the recommendations were not implemented. Current Directors fees are outlined in Table 1 overleaf.



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Ms Shara Murray  
Queensland Racing Limited

**Table 1: Current Directors Fees**

<b>Role</b>	<b>Current Directors Fees*</b>
Chairman	\$78,000
Deputy Chairman	\$53,000
Director	\$43,000

\* Directors fees are inclusive of 9% superannuation

## **Comparator Group**

To assess the competitiveness of current board remuneration, it is important to define the basis for comparison through selection of appropriate benchmark comparators. Since Mercer's 2008 report, ProNed have adjusted the comparator group segmentation. Consequently, this report now references organisations with a turnover of between \$101-\$250 million, rather than the \$50-\$250 million range referenced previously. For QRL, Mercer has referenced the following comparators:

- public companies with a turnover of between \$101m and \$250m
- private companies with a turnover of between \$101m and \$250m
- Property and Business Services Industry sector.

Note that there is limited data available for the Deputy Chair position, as the role is steadily disappearing. Only 23% of boards retain this position, down from 36% in 2000, according to the ProNed survey. Subsequently, Deputy Chair data is presented in the following categories:

- Public (no turnover parameters)
- Private (no turnover parameters)
- Turnover (\$101-\$250 million)
- Property and Business Services.

## **Market Data**

The following section contains market data for board fees and sub-committee fees based on the 2009 ProNed survey.

### **Base Fees**

Tables 2 to 4 provide Base fees for the Chair, Deputy Chair and Non-Executive Director (equivalent to QRL's Director positions). All fees are inclusive of superannuation. Chair fees for Racing NSW, Racing Victoria and QRL have also been provided for comparative purposes.



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Queensland Racing Limited

**Table 2: Board Chair Remuneration**

	Private Companies (\$101-\$250m)	Public Companies (\$101-\$250m)	Property & Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$25,000	\$100,000	\$35,000			
Median	\$78,000	\$120,000	\$65,000			
Q3	\$100,000	\$145,000	\$140,000	\$126,786	\$107,910	\$78,000
Average	\$65,600	\$128,588	\$94,095			
<i>n</i>	5	17	39			

As can be seen from the above chart, the Chairman's current remuneration is below Q1 of the Public Companies, at the median of the Private Companies and between the Median and Q3 of the Property and Business Services industry sector. When compared with the Chair of Racing Victoria and Racing NSW, QRL's Chair is paid significantly lower. However, Mercer notes that Racing Victoria and Racing NSW are larger by prize money distributed but Queensland's industry is the same size in horse population, races conducted, licencees and may be considered more difficult to manage because of the number of clubs and the size of the state. In comparison to Victoria, Queensland has three times as many tracks and clubs to look after.

Table 3 below shows Deputy Chair market benchmark data. Deputy Chairman fees for Racing NSW, Racing Victoria and QRL has also been provided for comparative purposes.

**Table 3: Deputy Chair Remuneration**

	Private Companies	Public Companies	Turnover (\$101- \$250m)	Property & Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$35,000	\$60,000	\$22,750	\$25,000			
Median	\$42,000	\$115,000	\$47,500	\$70,000			
Q3	\$93,500	\$125,000	\$120,000	\$115,000	\$82,542	\$71,940	\$53,000
Average	\$59,800	\$90,727	\$62,667	\$70,000			
<i>n</i>	5	11	6	4			

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The Deputy Chairman is remunerated between the Median and Q3 when compared with Private Companies and Turnover (\$101-\$250m), and between Q1 and the Median when compared with the Property and Business Services Industry. However, QRL's Vice Chair is below Q1 when compared with Public Companies. Mercer notes that data sample sizes for the Deputy Chair role are relatively small, as mentioned earlier. When compared with the Deputy Chair of Racing Victoria and Racing NSW, QRL's Deputy Chair is paid significantly lower. Please note Mercer's earlier comment regarding the differences that exist between Queensland Racing and the New South Wales and Victorian counterparts.

Table 4 below shows benchmark data for the remaining board members. Director fees for Racing NSW, Racing Victoria and QRL have also been provided for comparative purposes.

**Table 4: Board Non-Executive Director Remuneration**

	Private Companies (\$101-\$250m)	Public Companies (\$101-\$250m)	Property & Business Services	Racing NSW	Racing Victoria	QRL
Q1	\$13,750	\$50,000	\$30,000			
Median	\$37,500	\$66,000	\$48,000			
Q3	\$51,375	\$80,000	\$64,000	\$61,908	\$53,955	\$43,000
Average	\$34,750	\$66,100	\$50,440			
n	6	20	35			

QRL's Directors are remunerated between the Median and Q3 when compared to Private Companies, between Q1 and the Median when compared to the Property and Business Services industry and below Q1 when compared to Public Companies. When compared to Racing Victoria and Racing NSW, QRL Directors are paid at a lower rate.

## Sub-Committee Fees

The ProNed Survey indicates that 74% of boards operate through one or more board sub-committees. Of these, only 30% (i.e. only 22% of all survey respondents) pay additional fees on top of the base fee for committee work. However, there is indication that there is a growing practice to reward this extra work and responsibility with additional payment. Table 5 below provides remuneration data for the Audit, Nominations, Remuneration and Corporate Governance sub-committees.



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Queensland Racing Limited

**Table 5: Sub-Committee Remuneration by role**

		<b>Audit Committee</b>	<b>Nominations Committee</b>	<b>Remuneration Committee</b>	<b>Corporate Governance Committee</b>
<b>Committee Chair</b>	Q1	\$5,438	\$5,000	\$5,000	\$2,000
	Median	\$10,000	\$12,000	\$8,000	\$5,000
	Q3	\$18,750	\$25,000	\$15,000	\$20,000
	Average	\$13,878	\$15,233	\$10,297	\$11,000
	<i>n</i>	80	15	31	7
<b>Committee Board Member</b>	Q1	\$4,000	\$2,125	\$4,000	\$2,250
	Median	\$5,000	\$7,500	\$5,000	\$4,500
	Q3	\$10,000	\$18,750	\$9,500	\$35,000
	Average	\$9,639	\$13,250	\$7,625	\$14,375
	<i>n</i>	61	16	26	8

This data indicates differential fees depending on the size of the committee and the Board member's role in the sub-committee. Furthermore, sub-committee chairs are remunerated more highly than sitting members. Currently QRL does not differentiate payments based on sub-committee workload, nor do they pay fees for sub-committees in addition to base fees.

## Recommendations

Based on the market information on Directors' fees reported above, Mercer provides the recommended base fees for QRL's Chairman, Deputy Chairman and other Directors in Table 6. Such fees would be inclusive of duties associated with any Board sub-committees, but not include reimbursement of travel or accommodation expenses that Board members might incur in attending meetings or travelling to other locations either in Queensland or other States to discharge their official duties.

**Table 6: Recommended Fees**

	<b>Current Base Fees</b>	<b>Recommended Base Fee</b>
Chairman	\$78,000	\$105,000 - \$110,000
Deputy Chairman	\$53,000	\$63,000 - \$68,000
Director	\$43,000	\$49,000 - \$52,000

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Ranges have been set to align with the recommendations made in Mercer's 2008 Remuneration Review, which took into account board member time commitments and other organisational factors. These ranges were broadly aligned between the Median and Q3 of the comparator groups.

Table 7 compares the recommended base fees against the current fees for Racing NSW, Racing Victoria and QRL.

**Table 7: Recommended Fees**

	<b>Recommended Fees</b>	<b>Current NSW</b>	<b>Current Vic</b>	<b>Current QRL</b>
Chairman	\$105,000 - \$110,000	\$126,786	\$107,910	\$78,000
Deputy Chair	\$63,000 - \$68,000	\$82,542	\$71,940	\$53,000
Director	\$49,000 - \$52,000	\$61,908	\$53,955	\$43,000

Shara, I hope this advice is useful for your purposes. If you require any additional information or clarification, please do not hesitate to contact me on 3234 4919, or alternatively Michael Smith on 3234 4825.

Yours sincerely

Phoebe Lynch

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## Statement of Work

This Statement of Work (**SOW**) is dated 26 April 2013.

The objective of this SOW is to confirm the details governing the provision of Services to the Racing Queensland (**Client or "you"**) by Mercer Consulting (Australia) Pty Ltd ABN 55 153 168 140 AFSL No 411770 (**Mercer or "we"**) in relation to the project.

We will be issuing an Engagement Letter shortly that will include the Terms and Conditions governing our working relationship.

All terms used in this SOW shall have the same meaning as in the Terms and Conditions unless otherwise defined.

### Services

From our discussions, we understand that Racing Queensland is seeking remuneration advice for the position of Chief Executive Officer. The position is currently vacant and Racing Queensland is in the process of recruiting for the role. The remuneration advice will inform Racing Queensland in its remuneration offer to the successful candidate.

### Scope of services

To provide this advice Mercer will:

- Obtain from Racing Queensland organisational context (such as annual reports, organisational budget information, organisational charts, and any other information that will aid our understanding of the organisation) and position documentation.
- Review the above documentation
- Conduct an interview with the Board Chair or equivalent role to discuss the higher level strategic objectives of the business, understand the Board's expectations of the CEO and relationship between the Board and CEO, and discuss the appropriate market positioning for the CEO role.
- Conduct an interview with the acting incumbent to gain a comprehensive understanding of the nature and complexity of the role.
- Evaluate the role using the Mercer CED Job Evaluation methodology and benchmark the evaluation against similar positions contained in our evaluation database.
- Source market remuneration data for similar sized roles from Mercer's remuneration database
- Provide a recommended fixed remuneration range for the position.

### Instructions

We understand instructions with respect to the Services will be given to us by Ms Michelle Hutchinson or her designee.

**Timeframe**

Mercer will be able to complete this assignment by May 10<sup>th</sup> provided we receive all the required documentation and information by April 29<sup>th</sup> and the relevant interviews are conducted by May 1<sup>st</sup>.

**Staffing**

This work will be managed by Lily Kan (Associate) and assisted by other consultants. Peer review will be provided by Raphaelae Nicaud (Senior Principal).

**Fees and Expenses**

Based on the scope of work outlined above, our professional fees will be \$4,000 (excluding GST). In addition, Mercer applies a standard 5% Administration fee to cover secretarial services, taxis, etc. GST will also apply.

**Conclusion**

We look forward to working with you on this project. Please acknowledge your agreement to this SOW by signing a copy and returning it to us (by post or email).



Signed for and on behalf of Mercer  
by its duly authorised representative

.....(Principal)

Raphaelae Nicaud                      Print name

26 April 2013                      Date

Signed for and on behalf of the Client  
by its duly authorised representative

*M. Hutchinson*  
.....

*Michelle Hutchinson* Print name

*29 April 2013* Date



26 April 2013

Ms Michelle Hutchinson  
Acting Senior Corporate Counsel  
Racing Queensland  
GPO Box 63  
Brisbane QLD 4017

## **Engagement Letter**

Dear Michelle

We are pleased to have the opportunity to work with Racing Queensland ("**Client**" or "**you**").

This Engagement Letter together with the attached Terms and Conditions and all Statements of Work ("**SOWs**") entered into pursuant to clause 3 of the Terms and Conditions (collectively the "**Agreement**") set out the terms governing the provision of Services to you by:

- (a) Mercer Consulting (Australia) Pty Ltd, ABN 55 153 168 140, AFSL# 411770; and
- (b) Such other Mercer companies which enter into a SOW with you from time to time.

Terms used in this Engagement Letter have the same meaning as defined in the Terms and Conditions.

### **Term**

The Agreement will apply for five years (**Term**) from the date of this letter or the date on which we commenced to provide the Services if earlier ("**Start Date**").

### **Statement of Work**

During the Term, the relevant parties shall enter into a SOW for the purpose of detailing:

- (a) The Services to be provided from time to time;
- (b) The Mercer company/ies responsible for provision of the Services; and
- (c) The Fees and any special terms applicable to the provision of the particular Services under the SOW.

**ENGAGEMENT LETTER**  
Racing Queensland

A SOW can be terminated in accordance with its terms without terminating the Agreement.

To the extent a SOW has been delivered to and accepted by you prior to the execution of this Engagement Letter, such SOW shall be deemed to be subject to the terms of this Agreement.

**Acceptance**

Please acknowledge your acceptance of this Agreement by signing a copy of this Engagement Letter and returning it to us (by post or email).

We look forward to working with you.

If you have any questions about these terms, please do not hesitate to contact Lily Kan on 07 3234 4936.

Sincerely



Raphael Nicaud  
Principal

Signed for and on behalf of  
Mercer Consulting (Australia) Pty Ltd  
by its duly authorised representative

Enclosure:

- Terms and Conditions

ENGAGEMENT LETTER  
Racing Queensland

Signed for and on behalf of the Client by its duly authorised representative .	
MICHELLE HUTCHINSON	
Print Name	CORPORATE COUNSEL (ACTING)
Print Title	M. Hutchinson
Signature	29 April 2013
Date	

**Terms and Conditions****1. Definitions**

- 1.1 In these Terms and Conditions, the following terms have the meanings indicated:
- 1.2 "Agreement" means the agreement made between Mercer and the Client as set out in these Terms and Conditions together with the Engagement Letter and all SOWs.
- 1.3 "Australian Financial Services Licence" ("AFSL") has the same meaning as in the Corporations Act 2001.
- 1.4 "Client" means the client identified in the Engagement Letter.
- 1.5 "Confidential Information" means all information or material of a confidential nature which either party discloses to the other pursuant to this Agreement.
- 1.6 "Engagement Letter" means the letter of engagement to which these Terms and Conditions are attached.
- 1.7 "Fees" means the fees and expenses payable to Mercer for the Services as detailed in the applicable SOW.
- 1.8 "Licensable Financial Services" means those services which may only be provided by the holder of an Australian Financial Services Licence or by the representative or authorised representative of such a holder.
- 1.9 "Loss" means any and all loss (including pure financial loss), injury, liability, damage, compensation, claim, demand, expense, interest or cost, including reasonable legal fees, whether arising in tort, contract or otherwise (including costs awarded or incurred) of any kind.
- 1.10 "Mercer" means each Mercer company that enters into a SOW with the Client (as identified in the SOW) solely with respect to the Services.
- 1.11 "Mercer Contracting Party" means the Mercer company that issued the Engagement Letter.
- 1.12 "Mercer Entity" means Mercer, a Related Body Corporate or any other entity within the Mercer global group.
- 1.13 "Mercer Parties" means any Mercer Entity and any of their directors, employees, officers, consultants, agents, subcontractors or representatives.

- 1.14 "Mercer Report" means a report prepared by Mercer specifically and exclusively for the Client pursuant to this Agreement.
- 1.15 "Related Body Corporate" has the meaning provided in the Corporations Act 2001.
- 1.16 "RSE" means a registrable superannuation entity as defined in the Superannuation Industry (Supervision) Act (1993).
- 1.17 "Services" means the services to be provided by Mercer to the Client as detailed in the applicable SOW.
- 1.18 "Start Date" is the date specified as such in the Engagement Letter.
- 1.19 "Statement of Work" or "SOW" means a statement of work issued pursuant to clause 3 substantially in the form annexed to these Terms and Conditions.
- 1.20 "Term" means the period specified in the Engagement Letter.

**2. Appointment**

- 2.1 The Client appoints Mercer on and with effect from the Start Date for the Term to perform the Services in consideration of the Client paying or causing to be paid the Fees.

**3. Statement of Work**

- 3.1 During the Term, Mercer and the Client shall enter into a SOW for the purpose of detailing the Services, the Mercer company responsible for provision of the Services, the Fees and any other terms applicable to the provision of the Services under the SOW.
- 3.2 A SOW forms part of, and is governed by, the terms of this Agreement.

**4. Provision of Information and Assistance**

- 4.1 The Client will provide all necessary cooperation to enable Mercer to provide the Services.
- 4.2 The Client acknowledges that Mercer's ability to provide the Service is dependent on Mercer having access to (and being able to spend time with) employees of the Client and other individuals (including third parties such as the Client's other advisers) and also on Mercer being provided with (and continuing to receive) complete, accurate, up to date and timely documentation and information.

4.3 The Client agrees that Mercer can use and rely on all information and data supplied by or on behalf of the Client without having independently evaluated or verified the accuracy or completeness of it.

4.4 The Client agrees that if any documentation or information supplied to Mercer is incomplete, inaccurate or not up to date or its provision is unreasonably delayed, or if access as described in clause 4.2 is not provided, Mercer will not be responsible for any delays or liability arising as a result and will be entitled to charge the Client in respect of any resulting additional work.

4.5 The Client further understands that in certain circumstances failure to provide, or cause to provide, complete, accurate, up to date and timely documentation and information to Mercer or other service providers could result in impairment or voiding of coverage. The Client will review all policies, endorsements and program agreements delivered to it by Mercer and will advise Mercer of anything which the Client believes is not in accordance with the negotiated coverage and terms within thirty days following receipt.

## 5. Confidentiality and Data Protection

5.1 Except as otherwise permitted by this Agreement the party receiving any Confidential Information ("the receiving party") provided by or on behalf of the other party ("disclosing party"), will not disclose or communicate the Confidential Information to any person except to the extent that:

5.1.1 it is reasonably required to be disclosed to perform the Services;

5.1.2 it is information that must be disclosed under any applicable law, regulatory request, legal process or professional obligation;

5.1.3 the information is either in the public domain or enters the public domain through no fault of the receiving party;

5.1.4 it is information which is available to the receiving party from third parties without any non-disclosure obligation to the disclosing party which is known to the receiving party;

5.1.5 it is information which is independently developed by the receiving party without reference to any Confidential Information of the disclosing party; or

5.1.6 it is information disclosed as necessary to enforce or defend the receiving party's rights under this Agreement.

## 6. Records Retention and Destruction

6.1 Notwithstanding anything to the contrary in this Agreement, but subject to clause 5, Mercer may:

6.1.1 retain copies of Client Confidential Information that is required to be retained by law, regulation or its internal audit and governance requirements;

6.1.2 retain copies of the Mercer Reports and any other work product for archival purposes or to defend the Services provided; and

6.1.3 in accordance with legal, disaster recovery and record retention requirements, retain Client Confidential Information and derivative works in an archival format (e.g. tape backups), which need not be returned or destroyed.

6.2 Notwithstanding clause 5, Mercer may include the Client's name in its representative client listings and the Client's contact details and information about the terms of this Agreement in its internal client management and conflict checking database and may disclose such information to any Mercer Entity.

6.3 The Client agrees that Mercer may use data provided by the Client and Mercer's other clients to build databases and surveys for internal use by Mercer staff and for external distribution to Mercer's other clients. These databases are intended to benefit all clients by improving the quality of Mercer advice and products, Mercer will not disclose any information to any third party in any manner which allows particular clients or individuals to be identified.

## 7. Personal Information

7.1 Mercer may, as part of the provision of the Services, collect, use, disclose, transfer, store and process information that can identify individuals ("Personal Data"). All Personal Data processed by Mercer shall be handled in accordance with Mercer's Privacy Policy and the National Privacy Principles under the Privacy Act 1998 (Cth).

7.2 The Client warrants that any Personal Data supplied to Mercer in connection with the Services has been processed in accordance with applicable privacy laws and that Mercer may use that Personal Data in connection with the Services. The Client further warrants that it has obtained any

consent required under the applicable privacy laws in respect of any Personal Data provided by the Client to Mercer. If the performance of Services requires a third party to supply Personal Data to Mercer, it is the Client's responsibility to ensure that the third party has obtained any required consent.

7.3 Where Mercer subcontracts any part of the Services to a third party and that third party will be processing Personal Data, Mercer will take all reasonable steps to ensure the third party acts only on Mercer's instructions and provides appropriate undertakings in respect of the technical and organisational security measures governing the processing of Personal Data. Where the third party is located outside Australia, Mercer will take all necessary steps to ensure that the processing of any Personal Data by the third party, including transfer to the third party, complies with all relevant data protection and privacy laws.

**8. Intellectual Property**

8.1 Subject to clause 8.2, the Mercer Reports shall be owned by the Client.

8.2 The Client acknowledges that Mercer will retain all copyright and other intellectual property rights in the Mercer Reports and in the methodologies, methods of analysis, ideas, concepts, know-how, models, tools, software, techniques, skills, knowledge and experience (including opinions on and ratings of investment products), and any graphic or digitized representations of any of these used by Mercer in providing the Services (the "Mercer Intellectual Property").

8.3 To the extent the Mercer Reports reflect or incorporate any Mercer Intellectual Property, Mercer grants the Client a non-exclusive, non-transferable right to use the Mercer Intellectual Property solely for the purpose of obtaining the benefit of the Mercer Reports in accordance with the terms of this Agreement.

8.4 Mercer does not acquire ownership in any material provided by the Client to Mercer unless specifically stated.

**9. Conflicts**

9.1 The Client acknowledges that conflicting interests or duties may arise for one or more Mercer Parties where services are provided to one or more clients or Mercer Entities.

9.2 If such a conflict arises, the Client agrees that the relevant Mercer Entities:

9.2.1 may continue to provide the services despite the conflict;

9.2.2 may manage the conflict in accordance with their internal conflicts management policies and procedures; and

9.2.3 may retain (and not account for) any fees or other financial benefits derived from the provision of those services.

9.3 A failure to comply with internal conflicts management policies and procedures does not give rise to any breach of this Agreement or any other cause of action in favour of the Client.

9.4 Where the Services relate to the provision of merger and acquisition services, Mercer reserves the right to provide services to other clients involved in the same transaction to which the Services relate and may have done so in the past, may currently be doing so or may do so in the future. Mercer is under no obligation to notify the Client that it is, or has, or may provide services to other clients involved in the same transaction except to the extent required by law. If Mercer is engaged to provide services to two or more clients involved in the same transaction Mercer will take appropriate measures, including using separate teams, to preserve the confidentiality of each client's Confidential Information. In the event one team has knowledge of another entity involved in the same transaction based upon prior work or becomes aware of information relating to the transaction (such as the identity of another bidder) the team will be under no obligation to disclose the information to the Client. Each client team providing services in relation to the same transaction will provide its services based on the team's own judgement; differences in advice or calculations provided by different teams shall not be evidence of an error.

**10. Insurers and Other Service Providers**

10.1 Where relevant to the Services, it is acknowledged that Mercer does not guarantee or make any representation or warranty that coverage or service can be placed on terms acceptable to the Client. Mercer is not responsible for the solvency or ability to pay claims of any insurance carrier or for the solvency or ability of any service provider to provide service. Insurance carriers or service providers with which the Client's risk or business is placed at the Client's direction will be deemed acceptable to the Client, in the absence of contrary instructions from the Client.

**11. Legal Disputes and Limitation of Liability**

- 11.1 The aggregate liability of the Mercer Parties to any person (including the Client) for any Loss arising out of or in connection with:
- 11.1.1 any act, error, negligence, misrepresentation or omission concerning or arising out of the Services (including any pre contractual statement, representation or warranty as to the quality or fitness of the Services or as to Mercer's ability to perform the Services);
  - 11.1.2 reliance on any advice or a Mercer Report; or
  - 11.1.3 any breach of the Agreement or breach of duty of any kind owed in connection with the provision of the Services,
- shall be limited to, and shall not in any circumstances exceed A\$5,000,000.
- 11.2 In no event shall the Mercer Parties be liable for any loss of profit, revenues, anticipated savings, business or investment opportunities, internal management costs or any other indirect or consequential loss. For the avoidance of doubt, multiple claims arising out of (or based on) the same act, error or omission, or series of continuous, interrelated or repeated acts, errors or omissions shall be considered a single loss.
- 11.3 The limitation on liability in clause 11.1 above does not apply to any liability of the Mercer Parties which arises solely and directly from the Mercer Parties dishonesty, fraud or an intentional or reckless breach of this Agreement.
- 11.4 To the extent permitted by law, the Mercer Parties are not liable to any third party that uses or relies on any advice (or a Mercer Report) provided to the Client under this Agreement unless otherwise agreed in writing. Any such use or reliance is at their own risk.
- 11.5 Nothing in this Agreement is intended to exclude or restrict any liability that cannot be excluded or restricted by law or any regulatory system with which the Mercer Parties are bound to comply.
- 11.6 Mercer holds the benefit of this clause 11 on trust for the benefit of the other Mercer Parties.

## 12. Dispute Resolution

- 12.1 The parties agree that, before commencing any action or proceeding with respect to any dispute between the parties arising out of this Agreement, they shall first attempt to settle such dispute

through consultation and negotiation in good faith and in a spirit of mutual cooperation.

- 12.2 If the dispute is not resolved within five business days either party may elect to escalate it by submitting the dispute in writing to senior executives of Mercer and the Client, who will promptly meet and confer in an effort to resolve the dispute. Each party's executive will be identified by notice to the other party, and may be changed at any time by notice to the other. Any mutually agreed decisions of the executives will be final and binding on the parties.
- 12.3 In the event the senior executives are unable to resolve the dispute within thirty days, either party may refer the dispute to mediation by a mutually acceptable mediator to be chosen by Mercer and the Client within forty five days after written notice by either party demanding mediation. Neither party may unreasonably withhold consent to the selection of a mediator. All communications and discussions in furtherance of this clause shall be treated as confidential and without prejudice settlement negotiations, which are not subject to disclosure. The costs of the mediator shall be shared equally, and each party shall pay its own legal fees.
- 12.4 Any dispute which is not resolved through negotiation, mediation or other form of alternative dispute resolution within six months of the date of the initial demand for mediation by one of the parties may then be submitted to a court of competent jurisdiction.
- 12.5 Nothing in this clause will prevent either party from resorting to judicial proceedings if:
- 12.5.1 good faith efforts to resolve the dispute under these procedures have been unsuccessful; or
  - 12.5.2 interim relief from a court is necessary to prevent serious and irreparable injury to that party or to others.

## 13. Unforeseen Events

Neither party will be in default or liable for delays or failures in performance under this Agreement resulting from events beyond the reasonable control of the affected party including "acts of God", fire, flood, riots, new laws which prevent the carrying out of the Services, terrorist activity, failures of third party suppliers and electronic and other power failures. The affected party must notify the other immediately it becomes aware of such an event. In such a case, either party may terminate the affected SOW with immediate effect by giving written notice to the other.

**14. Third party reliance**

14.1 All advice provided by Mercer to the Client, including the Mercer Reports, is provided solely for the Client's internal use and benefit and only in connection with the purpose for which the Services are provided. Unless required by law, the Client may not provide any such advice or the Mercer Reports (or an extract from them) to any third party, publish them on a website or refer to Mercer or the Services without Mercer's prior written consent. Mercer may act at its discretion to grant or withhold its consent or grant it subject to conditions.

14.2 Notwithstanding clause 14.1, the Client may provide a copy of the Mercer Reports to its legal advisers, accountants, or other advisers whose use of the Mercer Reports is for the benefit of the Client and not their own.

**15. Termination of this Agreement**

15.1 This Agreement may be terminated by the Mercer Contracting Party or the Client giving the other party thirty days' notice in writing or such other period as may be agreed.

15.2 A SOW may be terminated by Mercer or the Client giving thirty days' notice in writing or such other period as may be agreed.

15.3 After the termination of this Agreement, clauses 5, 6, 8, 11, 14 and 17 of these Terms and Conditions will continue in full force and effect.

15.4 Termination of this Agreement shall not relieve the Client of its obligation to pay for Services rendered and expenses incurred by Mercer up until the date of such termination.

15.5 The Agreement will not terminate by reason only that a SOW is terminated or Mercer ceases to provide Services under a SOW.

**16. Sub contracting**

Nothing in this Agreement prevents Mercer from subcontracting the performance of any part of the Services, including to another Mercer Entity, but Mercer will remain responsible for the performance of the Services which have been subcontracted.

**17. General provisions**

17.1 Unless expressly stated otherwise in this Agreement, neither this Agreement nor the provision of the Services is intended to confer any rights or benefit on any third party.

17.2 The Client agrees not to refer to Mercer or attribute any information to Mercer in the press, for advertising or promotional purposes, or for the purpose of informing or influencing any other party, including the investment community, without Mercer's prior written consent.

17.3 The Client agrees that Mercer may destroy paper copies of any correspondence and documents, and retain only digital images thereof.

17.4 This Agreement sets out the entire agreement between the parties relating to the subject-matter of this Agreement and supersedes and replaces any existing agreement between the parties relating to such subject-matter. In the event of any inconsistency between the terms of a SOW and these Terms and Conditions, the provisions contained in the SOW shall prevail.

17.5 The failure by either party to insist upon strict performance of any of the provisions of this Agreement shall in no way constitute a waiver of rights under this Agreement, at law or in equity, or a waiver of any other provisions or subsequent default by the other party in the performance of or compliance with any of the terms of this Agreement.

17.6 The Client agrees that Mercer is engaged to provide the Services pursuant to this Agreement as an independent contractor. Nothing in this Agreement should be construed to create a fiduciary, partnership, joint venture, agency or employer-employee relationship between the parties.

17.7 This Agreement shall be governed by and construed in accordance with the laws of Victoria. Any dispute arising out of or relating to this Agreement shall be subject to the exclusive jurisdiction of the courts of Victoria.

17.8 The Client shall pay or cause to be paid each Mercer invoice within 30 days of the date of the invoice. If any invoice is not paid by the required date, Mercer may exercise its right to claim interest and compensation for debt recovery costs under late payment legislation or other applicable law. If any invoice remains unpaid for longer than ninety days from the date of the invoice, Mercer may either suspend the provision of the Services until payment is received, or terminate this Agreement pursuant to clause 15.1. Failure of Mercer to exercise any remedy referred to above shall not prevent Mercer from doing so with respect to any future unpaid invoice.



- 17.9 The working papers for this engagement, including electronic documents and files, are Mercer's property and Confidential Information.
- 17.10 If Mercer performs work relating to, or otherwise becomes involved with, a legal dispute between the Client and a third party (other than a dispute for which Mercer is liable under this Agreement) the Client will pay Mercer's reasonable fees for services rendered and expenses incurred.
- 17.11 The terms of the Agreement may only be modified by the written agreement of the parties.
- 17.12 A party may assign this Agreement subject to the prior written consent of the other party which consent shall not be unreasonably withheld.
- 17.13 The Client consents to:
- 17.13.1 Mercer transferring the rights and obligations under the Agreement or a SOW to a Mercer Entity (New Party) on the same terms and conditions;
  - 17.13.2 the New Party assuming those rights and obligations on the same terms and conditions; and
  - 17.13.3 Mercer being released from those rights and obligations,
- with effect from the effective date of the transfer. Mercer will notify the Client of the transfer and the details of the New Party. However, failure to notify will not invalidate the transfer.
- 17.14 Any notice which is to be given by one party to the other under this Agreement will be given in writing. It will be effective if delivered to the address of the other party set out in this Agreement or any other address specified subsequently. A notice will be effective 48 hours after delivery. Either party may change its address for service by giving notice to the other party in accordance with this clause.
- 18. Provisions relating to an RSE**
- 18.1 The following provisions apply only in relation to a Client who is an RSE and is obtaining Services in that capacity.
- 18.2 Upon termination of this Agreement for any reason, Mercer will, if requested by the Client, assist the Client in transferring responsibility for provision of the Services to an alternative service provider or to the Client itself ("Transfer Services"). Mercer shall be entitled to charge a fee calculated on a time cost basis using the then current hourly rates charged by Mercer from time to time for the Transfer Services and the Client shall pay such amount upon receipt of an invoice from Mercer.
- 18.3 From the effective date of termination of this Agreement, Mercer must, subject to clause 6, deliver to the Client or such other person as the Client may direct at reasonable times and upon reasonable notice all the information and data owned by the Client which is maintained by Mercer for the purpose of providing the Services.
- 18.4 Mercer agrees to give to the Client, or to any persons authorised in writing by the Client or to any person authorised by law ("auditor"), reasonable access to premises occupied by Mercer where the Services are being performed, and permit an auditor to inspect data and information relevant to the Services.
- 18.5 Mercer agrees to promptly give an auditor the assistance they reasonably require in conducting any audits, including reasonable access at all reasonable times and on reasonable notices to all premises and equipment used in connection with the provision of the Services provided the auditor complies with Mercer's reasonable security requirements and, if required, signs a confidentiality agreement as reasonably required by Mercer.
- 18.6 The Client shall ensure that any such audit does not unreasonably interfere with the business of Mercer and the Client agrees that the timeframe for delivery of Services shall be extended to take account of any delay occasioned by any such audit.
- 18.7 Mercer shall be entitled to charge a fee calculated on a time cost basis using the then current hourly rates charged by Mercer from time to time for the services provided in compliance with any such audit.
- 18.8 Mercer shall maintain disaster recovery and business resiliency/continuity plans pertinent to the Services which shall address reasonably foreseeable events that could impair provision of the Services under this Agreement.
- 18.9 Mercer must implement, maintain and enforce and require each of its subcontractors to implement, maintain and enforce safety and security procedures and safeguards against the destruction, loss, disclosure, alteration or unauthorised use of information and data relating to the Services ("Security Policy").

- 18.10 The Client acknowledges that the Security Policy is highly confidential to Mercer and agrees that, notwithstanding any other provision in this Agreement, Mercer is not obliged to provide a full copy of its Security Policy to the Client or any other person but shall if requested provide the Client with a summary.
- 18.11 If Mercer becomes aware of a breach of the Security Policy which is likely to have a material effect on the provision of the Services, Mercer must immediately:
- 18.11.1 notify the Client of such breach;
  - 18.11.2 identify the cause; and
  - 18.11.3 use best endeavours to remedy any breach and its consequences.
- 18.12 Any Services subcontracted by Mercer must comply with Superannuation Industry (Supervision) Regulation 4.16(6) as required.

### Statement of Work (template)

This Statement of Work (SOW) is entered into by.....(Client or “you”)) and .....Pty Ltd [*insert Mercer company responsible for provision of Services under this SOW*] ABN .....AFSL No.....(Mercer or “we”) pursuant to clause 3 of the Terms and Conditions attached to the Engagement Letter dated.....addressed to the Client. These documents together set out the terms governing the provision of the Services.

All terms used in this SOW shall have the same meaning as in the Terms and Conditions unless otherwise defined.

#### Services

From our discussions, we understand your situation and objectives as follows:

*[Insert background i.e. client needs, issues etc]*

*[Insert SMART objectives i.e. Specific, Measurable, Accurate, Realistic, Timely]*

*[Insert services and deliverables based on your Business Group description of standard services available on the Engagement Letter page on the Au/NZ Professional Affairs Site on Mercer Link]*

#### Instructions

We understand instructions with respect to the Services will be given to us by *[Insert name of nominated contact]* or his/her designee.

#### Timeframe

We will begin our work for you on *[Insert start date]* and, assuming no unforeseen circumstances, will endeavour to complete the Services by *[Insert end date]*. *[Delete the following sentence as appropriate]* This assumes that we have received the necessary data and other information by *[Insert date]*. If such information has not been received at that time, the timeframe will change.

#### Staffing

*[Insert staffing required to provide the services]*

#### Fees and expenses

Our *[estimate for]* professional fees for providing the Services will be *[Insert description of fee arrangement and specify provision for GST]*.

If the Services or staffing requirements change, then our fees will be adjusted in advance by mutual agreement *[or if estimate only given insert “This estimate is not a quote, nor is it a cap on what we may charge you. The actual amount of fees may be less than, or more than, this estimate. However, we will give you a revised estimate if there is a substantial change in this estimate”]*.

Our professional fees are exclusive of any expenses incurred in connection with provision of the Services. Expenses such as.....will be charges in addition to our professional fees.

**Information and data required**

The information and data we require in order to provide the Services are *[Insert information and/or data requirements as require or insert "We have all the information we will need to provide the Services"]*.

**Special terms**

*[insert if applicable]*

**Conclusion**

We appreciate your business and look forward to working with you on this project. Please acknowledge your agreement to this Statement of Work by signing a copy and returning it to us (by post or email) or by continuing to instruct us. It is preferable that we both hold a signed copy and we suggest you accept in this way.

**Signed for and on behalf of**

*[insert name of Mercer operating entering into this SOW]*

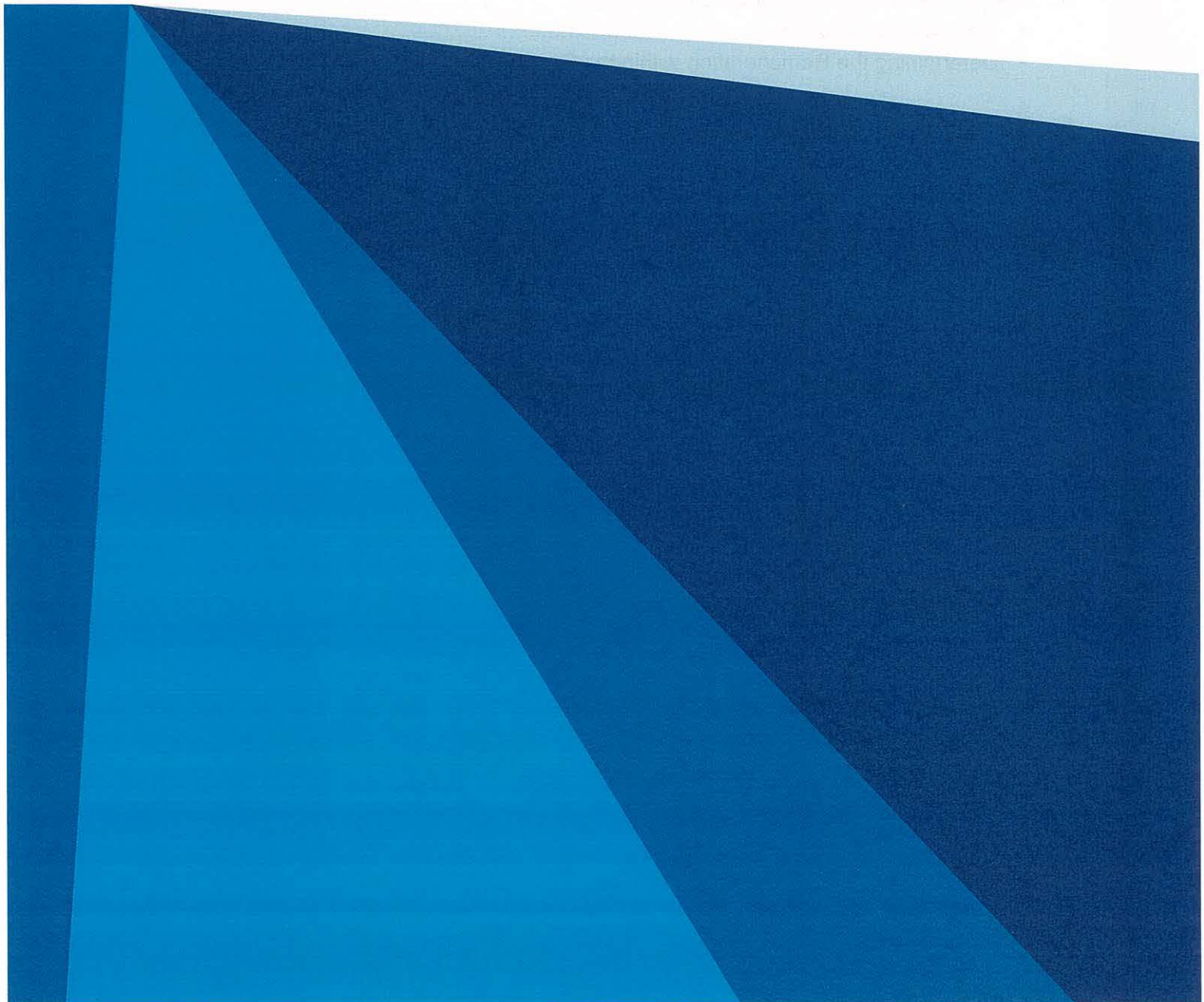
by its duly authorised representative .....(Principal)  
.....Print name

**Signed for and on behalf of the Client** .....

by its duly authorised representative .....Print name

# CEO REMUNERATION ADVICE RACING QUEENSLAND LIMITED

9 MAY 2013



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# 1

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## Introduction

In May 2013, Racing Queensland engaged Mercer to provide remuneration advice for the position of Chief Executive Officer. The position is currently vacant and Racing Queensland is in the process of recruiting for the position. This advice will inform Racing Queensland in its remuneration offer to the successful candidate.

In providing this advice Mercer undertook the following activities:

- Reviewed organisational and position documentation provided by Racing Queensland
- Conducted a discussion with Michelle Hutchinson (Legal Counsel) and Ali Wade (Business Services Manager) to gain an understanding of the organisational context
- Conducted a discussion with the Board Chair (Mr Kevin Dixon) to discuss the higher level strategic objectives, priorities and challenges of the organisation and the Board's expectations of the CEO role
- Evaluated the role using the Mercer CED Job Evaluation methodology to generate a work value outcome
- Reviewed the work value outcome against other similar positions in our database where available to check for equity and consistency
- Sourced remuneration related data from our General Market database
- Provided recommended remuneration levels for the position
- Prepared and peer-reviewed this report.

# 2

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## Organisational and Role Context

Racing Queensland Limited (RQL) is the control body for the thoroughbred, harness and greyhound codes in Queensland and is responsible for the commercial and operational management of the state's racing industry. This includes administering racing rules, enforcing safety and integrity standards, licensing industry participants and race clubs, administering industry funding and commercial agreements, monitoring the condition of racecourses, and working with racing clubs to ensure courses are developed to a suitable standard. RQL is regulated by the Office of Racing. On 1 May 2013, RQL became a statutory body, from a company limited by guarantee.

The organisation has three Sub-Boards representing each code. The Chairs of each of the Sub-Boards sit on the overarching Board plus two other Non-Executive Directors. The organisation's revenue is approximately \$160m, of which a significant portion is derived from a wagering contract with Tattersalls. The organisation's expenditure budget is of a similar value and any profits made are distributed back into the industry. The Government has committed to provide \$110m to RQL over the next few years to fund critical industry infrastructure upgrades.

The CEO is responsible to the Board for leading the effective operations of RQL, working with internal and external stakeholders to develop strategies and business plans in order to meet the overall direction set by the Board. The role also identifies opportunities to develop and grow the racing industries including infrastructure and skills development. While the organisation's aim is not to be profit oriented, the CEO must ensure that the organisation's revenue is optimised. The wagering contract with Tattersalls will expire in 2014 and the CEO will play a lead role in the negotiation of a new contract that will derive optimal revenue for RQL.

Given the unique set up of the Sub-Boards and Board, one of the complexities of the CEO's role is managing the interests and expectations of Sub-Board and Board members who may often have divergent interests and views. The CEO will take the collective view of the Sub-Boards and formulate a set of operational objectives that meet the needs of all Sub-Boards.

The change in legal entity also results in additional challenges and requirements for the CEO. Along with the associated reporting and compliance requirements is the challenge for the CEO to develop a new organisational identity and ways of operating, transforming the organisation from being a command and control organisation where industry was directed to comply with regulations and policies to a more collaborative organisation where Racing Queensland works in partnership with industry, consulting and brings them along the journey. This requires the CEO to change the organisation's culture and mind-set.



The role requires an individual with proven relevant industry experience, a good understanding of the racing and related industries and the way in which a regulated wagering industry operates, and a detailed understanding of the wagering, operational and integrity roles of a racing regulatory body.

# 3

## Work Value Assessment

In order to allow comparisons with positions of a similar size in the General Market, Mercer has applied its CED Job Evaluation Methodology to conduct a work value assessment of the CEO position. This system of job evaluation was developed in Australia to allow the systematic evaluation of positions at all levels based on job content, skill requirements, the business/organisational environment, job challenges and position accountabilities. The methodology is widely used throughout Australia in many different industries and organisations in both the public, private and not-for-profit sectors.

The Mercer CED Job Evaluation methodology is a points-factor system that examines eight sub-factors shown by empirical research to be common across all jobs. These sub-factors are grouped together into three broad factors, as identified in Table 1 below. Refer to Appendix A for further information about the Mercer CED methodology.

**Table 1: Mercer CED Job Evaluation Factors and Sub-Factors**

Expertise	<b>[the knowledge, skills and abilities needed to do the job]</b>
Knowledge and Experience	
Breadth	
Interpersonal Skills	
Judgement	<b>[the application of expertise in planning, managing and solving problems]</b>
Job Environment	
Reasoning	
Accountability	<b>[the responsibility and authority of the position]</b>
Independence and Influence	
Impact	
Involvement	

Each factor is given a rating which is converted to points. The total points result in an overall work value score for the position. It is important to note that the assessment is of the relative work value of the position, not on the qualities that the individual brings to the job or the standard of the individual's performance.

Based on our analysis of the position documentation and discussions Mercer considers that the evaluation profile in Table 2 below appropriately and reasonably reflects the relative contribution of the CEO position.

**Table 2: Work Value Assessment**

Position	Impact	Expertise	Judgement	Accountability	Total
Chief Executive Officer	Direct Rev ~\$160m	G-5-e- 541	E5 356	F-4d 541	1438

It is important to note that this work value profile represents a 'snapshot' of the CEO position at the time of assessment and does not account for changes to the position that are expected in the future. Mercer recommends that the position be re-evaluated if the role changes significantly in terms of its accountabilities, operating environment, key challenges or where significant organisational growth occurs.

# 4

## Market Remuneration Data

In referencing market remuneration data, consideration needs to be given to the relevant market to reference (e.g. General Market, regional market, industry or job family market) as well the targeted pay policy positioning of the organisation (e.g. 25<sup>th</sup> percentile, 62<sup>nd</sup> percentile, median, 75<sup>th</sup> percentile).

Typically, organisations including statutory authorities in Queensland and nationally target the General Market as the appropriate market sector on which to base executive remuneration.

Mercer has therefore sourced data from its General Market database to provide comparable remuneration data for the CEO role. Mercer's General Market database contains actual remuneration data for over 200,000 positions across all industries in Australia, excluding the mainstream Public Service. The General Market provides a robust and defensible basis to underpin reward decisions and recognises that for executive and managerial roles, talent can be drawn from, and lost to, a variety of locations and sectors.

Remuneration data was sourced by referencing other positions with the same work value score as the RQL CEO role, thus allowing a direct remuneration comparison to positions of similar size.

Table 3 below provides Employment Cost or fixed remuneration data from the General Market for positions of a comparable size. Fixed remuneration provides for an equitable basis for remuneration comparisons as it includes base salary, superannuation and benefit items as well as any fringe benefits tax (FBT) payable and is therefore a fuller representation of comparative reward. Fixed remuneration data is provided at the 25<sup>th</sup> percentile, median, 62<sup>nd</sup> percentile and 75<sup>th</sup> percentile.

The 25<sup>th</sup> percentile represents the point where 25% of organisations pay less and 75% pay more; the median represents the point where 50% of organisations pay less and 50% pay more; the 62<sup>nd</sup> percentile is the point where 62% of organisations pay less and 38% pay more; and the 75<sup>th</sup> percentile is the point where 75% of organisations pay less and 25% pay more. All data is current at April 2013 and is rounded to the nearest hundred dollars.

**Table 3: Work Value Based General Market Employment Cost Data – April 2013**

Position	Work Value	Employment Cost			
		25 <sup>th</sup> %ile	Median	62 <sup>nd</sup> %ile	75 <sup>th</sup> %ile
Chief Executive Officer	1438	\$345,300	\$423,500	\$468,600	\$519,100

# 5

## Market Positioning and Remuneration Range

### Market Positioning

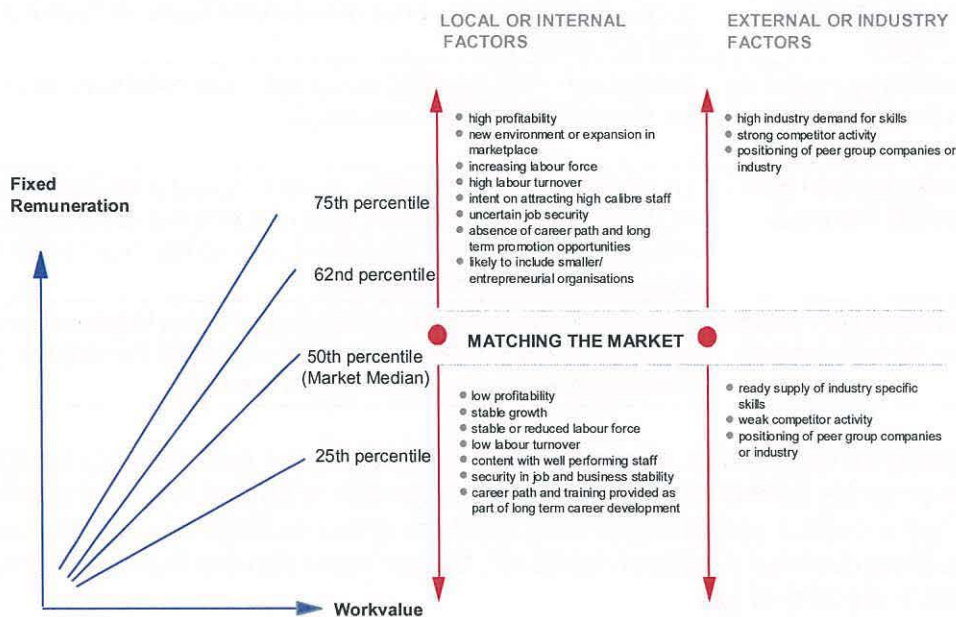
In determining an appropriate remuneration level for the CEO role, consideration needs to be given to the appropriate target pay position, which is influenced by a range of factors including:

- Pay positioning of the relevant industry
- Strategic positioning of the organisation (stable, rapid growth, market entry)
- Profitability and affordability of the organisation i.e. capacity to pay
- Calibre and availability of the required level of skills and capabilities in the market
- Extent to which non-remuneration factors exist to attract and retain the CEO.

Figure 1 details the issues to be considered in determining the targeted pay policy position.

Figure 1

### What Market Position Should Your Organisation Adopt?



Based on Mercer's experience,

- The 25<sup>th</sup> percentile is most commonly referenced by service organisations, not-for-profit organisations and the public sector
- The 50<sup>th</sup> percentile or market median is considered the common "community" benchmark position and is commonly referenced by fully commercial operations in the private sector
- The 75<sup>th</sup> percentile reflects a more competitive pay position, and may be targeted by certain organisations who wish to lead in the market, and who have capacity to pay e.g. resource-based organisations.

In determining an appropriate remuneration positioning for the RQL CEO, Mercer considered the factors outlined in Table 4.

**Table 4: Analysis of Key Remuneration Positioning Factors**

Key Factor	Description
<b>Current remuneration positioning of Queensland public sector executives</b>	Queensland Public Sector executives are generally positioned between the General Market Q1 and median. Specifically, Queensland Government Owned Corporations pay up to the General Market median and Queensland Statutory Authorities pay between the General Market Q1 and the median, depending on the nature of their operations.
<b>Current remuneration positioning of executives in other racing bodies in other States</b>	Remuneration positioning of executives in other State's racing bodies in other states range between the General Market median to the 62 <sup>nd</sup> percentile.
<b>Current remuneration positioning of executives in the Sporting sector nationally</b>	Executives in the Sporting sector are more commonly positioned at the General Market 62 <sup>nd</sup> percentile
<b>Specialised knowledge and skill requirements for the CEO role</b>	The RQL CEO role requires proven successful relevant industry experience and an understanding of how a regulated wagering industry operates. This specialised knowledge may not be readily available in the General Market.
<b>How RQL is positioned in relation to the key factors of relevance in Figure 1</b>	The key factors relevant to RQL appear to fall between the two extremes shown in the model, which supports the need to 'match' the market from a remuneration perspective.

Based on the above considerations, Mercer recommends setting the pay policy for the CEO at around the median of the General Market. In Mercer's view this reflects a balanced positioning outcome which will provide a competitive market positioning and facilitate the attraction and retention of a suitably qualified individual. However, Mercer notes that the final determination will be based on RQL's capacity to pay.

## Remuneration Range

In the General Market, it is typical to find that a remuneration range is applied around the market rate (or remuneration midpoint) of a particular work value level in order to provide flexibility in how remuneration is structured and managed and allows organisations to give due consideration to other factors affecting reward such as to:

- Recognise and reward individual competence and whole-of-job performance
- Recognise the value of particular, scarce individual skills that are not reflected in job sizing or measurement techniques
- Provide flexibility to respond to specific market pressures during recruitment or in the need to retain key individuals where the loss of valuable skills would place the organisation at risk.

In practical terms, this process establishes a remuneration range that can be used to guide decisions about the remuneration that should be provided to the individual. For the RQL CEO, Mercer recommends a  $\pm 15\%$  remuneration range around the General Market median. The application of a  $\pm 15\%$  remuneration range is conservative but competitive when compared with market practice for profit organisations within the private sector, with ranges in the vicinity of  $\pm 20\text{-}30\%$  for Executive positions.

Mercer considers that the remuneration range outlined in Table 5 (based on the General Market median) will provide fair and reasonable EC or fixed remuneration for the position within the current market. The range will provide RQL the flexibility to accommodate market pressures in attracting a suitable candidate.

**Table 5: Recommended Employment Cost Remuneration Ranges**

Position	Minimum (85%)	GM Median (Midpoint)	Maximum (115%)
Chief Executive Officer	\$360,000	\$423,500	\$487,000

## Determining the Remuneration within the Range

Table 6 overleaf details how Mercer would recommend that an appropriate position within a range be determined for the successful candidate.

The competitive market rate or midpoint represents competent and complete performance of all aspects of a position. Positioning in the bottom half of a range would typically be used for new appointees or where the organisation is able to compete satisfactorily in the market for the salary on offer. Remuneration in the upper half of the range would typically be assigned for high calibre and highly experienced executives who demand a premium in the market.

**Table 6: Positioning Remuneration within the Range**

Salary Range	Competence	Market Considerations
MAXIMUM	<ul style="list-style-type: none"> <li>• Considered to be of high calibre with significant and proven relevant experience</li> <li>• Considered an expert in the role</li> </ul>	<ul style="list-style-type: none"> <li>• Premium necessary to attract/ retain suitably qualified and experienced people - market shortage</li> </ul>
MID POINT	<ul style="list-style-type: none"> <li>• Considered capable/competent within the role</li> <li>• Contribution demonstrates all the capabilities required at this level or in this role, no significant development is required</li> </ul>	<ul style="list-style-type: none"> <li>• Need to make a sufficient salary offer to attract suitable candidates</li> </ul>
MINIMUM	<ul style="list-style-type: none"> <li>• Some capabilities have been demonstrated at this level; further development is needed in order to be in line with benchmark "capable" expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Skills available in the market</li> <li>• Succession plan in place and identified internal candidates are available</li> </ul>



# 6

## Summary

In reviewing the RQL CEO role, Mercer recommends that remuneration for the position be positioned at the General Market median with a  $\pm 15\%$  range around that point. This range positioning results in the following remuneration range:

Position	Minimum (85%)	GM Median (Midpoint)	Maximum (115%)
Chief Executive Officer	\$360, 000	\$423,500	\$487,000

In determining an appropriate remuneration level for the successful candidate, consideration should be given to the availability of skills in the market, calibre and competence of the successful individual as well as the need to make a sufficient salary offer to attract suitable candidates.

# APPENDIX A

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## Mercer CED Methodology Overview

Job Evaluation is a method for assessing the work value of jobs. It provides a **systematic** and **defensible** approach for the grading of positions and a sound basis for position classification and remuneration management.

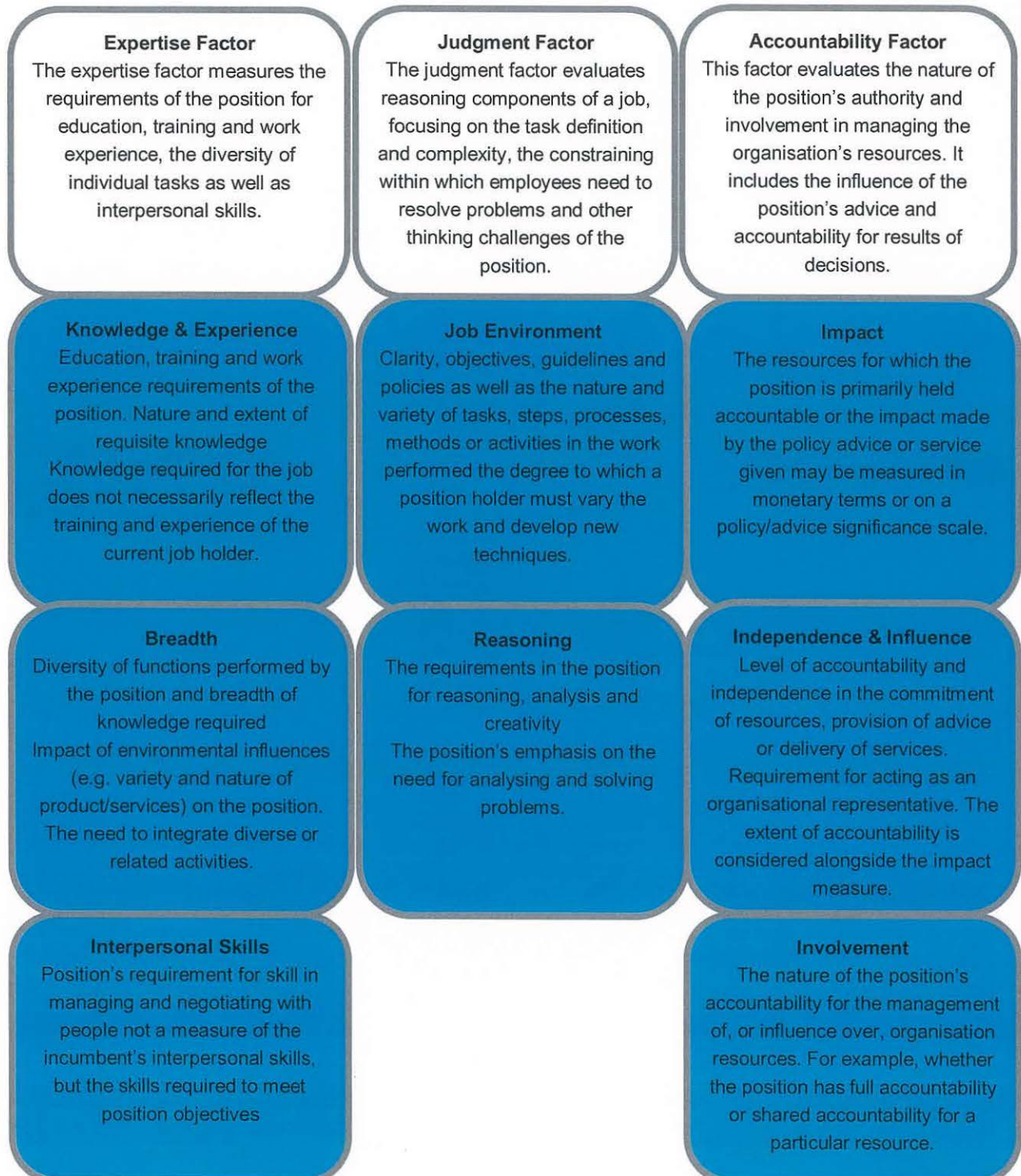
The Mercer CED Job Evaluation System is designed to measure the **relative size of positions**. It measures the major components of job worth to achieve this. This widely-used method examines the **complexity of job demands** of individual positions in a way that allows a systematic and analytical comparison of positions. Information used in the job evaluation process may come from interviews with incumbents or managers, from specifically designed questionnaires completed by job incumbents and/or from position descriptions.

In conducting evaluations a position is measured in terms of the **actual requirements of the job, rather than the experience or skills possessed by the particular incumbent** of the position.

The Mercer CED Job Evaluation System **expresses the worth of a position in work value points**. These points are determined by assessing eight sub factors which are based on a systems approach to understanding jobs. This approach considers all jobs in terms of:

- The required **inputs**, defined in terms of the skills, knowledge and experience needed to do the job. This is referred to as **expertise**.
- The **processing** components of the job, defined in terms of the complexity of tasks, and the requirement for resolving problems. This is referred to as **judgment**.
- The **outputs** from the job, defined in terms of the impact, influence and independence of the position. This is referred to as **accountability**.

The eight sub factors of the methodology are presented in further detail overleaf.





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