

31 October 2018

Mr Nick Mowat  
Company Secretary  
RSL NSW  
341 George St  
Sydney NSW 2000

Via email: [NMowat@rslnsw.org.au](mailto:NMowat@rslnsw.org.au)

Dear Nick,

Following our recent discussions and my attendance at a meeting with the State Council, I have reviewed the information that has been made available to me and reflected on the discussion of members of State Council in order to prepare a fee recommendation for Directors of the Board which will require consent following members' approval of a new Constitution for RSL NSW.

In preparing the fee recommendation I am mindful of the role which will be fulfilled by the President and Board Chairman and the obligations of the Board and Directors, including the Chairman. These obligations are set out in the attached document.

In the above context, I am mindful that the membership of the Board at the time of its formation will substantially, if not wholly, consist of current members of the State Council and that the organisation will go through a period of transition and transformation in order to thoroughly address issues which have arisen in the recent past.

I am particularly mindful that while the RSL NSW Board will not be accountable for the day-to-day operations of RSL LifeCare Limited, which will be under the stewardship of an independent Board with the Chairman of RSL NSW being a member of that Board, that RSL NSW notwithstanding, as the sole shareholder of the former, will have a significant fiduciary accountability and oversight of RSL LifeCare's regulatory compliance and to the extent that it arises, be a key observer of any issues arising from a Government Inquiry or Royal Commission into aged care.

I have been made aware that the aggregate financial attributes of the Group, subject to oversight by RSL NSW, will consist of operating expenditure in the order of \$250 million, revenues in the order of \$275 million, assets in excess of \$2 billion and liabilities around \$900 million. The bulk of those assets and liabilities sit within RSL LifeCare.

I am aware that the RSL NSW Board will have oversight of the stewardship of the organisation's sub-branches, RSL WBI (Defence Care), the ANZAC House Trust, AFOF and oversight of the work of the staff of RSL NSW under the stewardship of a Chief Executive Officer.

In forming a view as to appropriate fees for Directors, I have had regard to the research gathered by the Independent Review Committee of RSL LifeCare, our own research in relation to fees payable to not-for-profit organisations of comparable scale and fees paid in the listed company arena.

In the context of listed companies with the financial attributes of the RSL NSW group, the average fee paid to a Board Chairman is \$200,000 and a Director \$118,000, in the directly relevant sectors the fees were \$225,000 and \$128,000 respectively. We observed that variable fees are paid to Directors subject to their obligations, be that of a Deputy Chair, a Chair of a Committee or member of a Committee.

We note that the recommendation of the Independent Review Panel of RSL LifeCare have proposed fees for their Board pitched in the lower quartile of the market for Directors with oversight of an enterprise of comparable scale, albeit a wholly-owned though substantially independent Board of RSL NSW.

In the context of Director obligations, which as will be seen in the attachment are quite onerous, it would be our judgement that an appropriate fee for the Chairman of the Board, who will assume a demanding and substantially fulltime role, should be set in the range of \$150,000 to \$170,000, inclusive of obligations under the Superannuation Guarantee legislation.

We understand that the Chairman, as part of his obligations, will represent RSL NSW on the RSL LifeCare Board. We have been advised that fees payable by that Board for his service will be forgone in favour of RSL NSW and not represent separate compensation for the benefit of the Chairman.

We note specifically, in that context, that RSL LifeCare is an organisation with assets of around \$1.4 billion, a staff of 3,000, an operating expenditure in excess of \$200 million and revenues in excess of \$200 million.

Turning specifically to the balance of members serving on the RSL NSW Board, it would be my recommendation that the Deputy Chairman receives an annual fee in the range of \$50,000 to \$55,000, including contributions under the Superannuation Guarantee legislation, and that Directors receive an aggregate fee of \$42,500, also including contributions under the Superannuation Guarantee legislation.

Given the fiduciary and compliance oversight of RSL LifeCare, it would be my recommendation that the State Treasurer and Director of RSL NSW receive an aggregate fee in the range of \$60,000 to \$65,000, also including contributions under the Superannuation Guarantee legislation.

I have proposed the above fees for the Directors of the Board of RSL NSW in recognition that their role, while different from those serving on the Board of RSL LifeCare, would make comparable demands on Board members having oversight of Group assets above \$2 billion and liabilities in the order of \$1 billion.

I acknowledge, in this context, that the majority of Directors of RSL NSW will, by virtue of their close affiliation with the RSL organisation, also have an engagement in ceremonial activities across the state and an engagement with RSL sub-Branches in meeting their obligation of having an understanding of issues facing veterans and their sub-Branches state-wide.

In this context, I see their engagement/representational contribution as reflective of their traditional role where they were not paid a fee. In the context of RSL NSW having oversight of a number of entities and being the sole shareholder in RSL LifeCare, I believe that in attracting Directors over time, with appropriate capabilities to meet their obligations as Directors while

concurrently engaging with the veterans' community, it will be essential for fees to be reasonable though conservative.

I have also observed arising from discussions with members of State Council and the President, that the President's time commitment to the organisation is virtually fulltime. In that context, we have prepared a document setting out our understanding of the accountabilities of the President in chairing the Board, the accountabilities of the Directors, the role of the Company Secretary and the additional duties and obligations which the President will assume during the transition period, essentially creating a fulltime role when incorporating the ceremonial and representational obligations of the position.

Subsequent to our submission of the above research outcomes and recommendations to Members of State Council, we have been advised that State Council have endorsed an aggregate fee payable to the Chairman for his stewardship of the Board and broader engagement in the transition arrangements for RSL NSW of \$135,000, as distinct from a fee up to \$170,000 as recommended.

We note that other fees approved by State Council are as follows:

- Treasurer - \$60,000
- Deputy President - \$40,000
- Elected Director - \$37,500
- An independent Director will be paid the same fee as an elected Director.

We understand that the aggregate pool for which approval will be sought will be \$497,500.

We acknowledge that State Council have approached these decisions thoroughly and following considerable discussion have adopted a conservative approach reflecting the significance and importance of the change to be put to members.

Regards



John V Egan

***Declaration: This correspondence (including any attachment(s) where relevant) is made free from undue influence by the member or members of the key management personnel of the company to whom it relates.***