

Kloppers may get R151m parting gift from BHP Billiton

BHP Billiton's former chief executive Marius Kloppers retires officially at the beginning of October and stands to receive awards of company stock worth a total of about R151m during the four years since his departure.

By [Brendan Ryan](#) 26 Sep 2013



Those shares will be in addition to the about R310m worth of BHP Billiton stock that Kloppers already owned at the end of July this year according to the BHP Billiton annual report, which was released earlier this week.

According to the remuneration report employees who retire are entitled to hold share awards granted in prior years.

"However, the number of awards is reduced to reflect the period of service in relation to each grant. Under the rule, Kloppers will retain 504,675 awards and 412,649 awards will lapse."

At the existing JSE share price of about R300 a share those awards are worth about R151m but it is by no means certain that Kloppers will get all of them as it will depend on BHP Billiton's relative total shareholder return performance over the five year periods to June 2014, 2015, 2016 and 2017 respectively.

Payment based on performance

The remuneration report says: "Even if the performance hurdle is met, the (remuneration) committee has an over-riding discretion under the rules to reduce the amount of awards that vest. Accordingly, the vesting outcome and the number of long-term incentive awards that will ultimately vest are unknown at this time."

In accordance with new UK regulatory requirements, the current annual report provides a single figure of actual remuneration for the chief executive, which shows that Kloppers made US\$15.99m in 2013 (about R160m) which was slightly lower than the US\$16.1m he made in last year.

As previously reported, Billiton's new chief executive Andrew Mackenzie will earn materially less than Kloppers as BHP Billiton says it has reduced remuneration packages to achieve an appropriate alignment of remuneration with the prevailing business environment.

New executives get less

Mackenzie's pay for the 2014 will include a "base salary" of US\$1.7m compared with the US\$2.2m that Kloppers received

His pension will be cut to 25% of base salary from the 40% that Kloppers enjoyed and the short-term incentive target opportunity is being limited to a maximum of 240% of base salary from 320% previously.

The face value of Mackenzie's "long-term incentive award" for 2014 has been cut to US\$6.8m from the US\$8.4m that applied to Kloppers in the 2013 financial year.

According to the BHP Billiton report Mackenzie's actual remuneration is linked substantially to business outcomes and shareholder returns.

"The 'at risk' component of his remuneration (short-term and long-term incentives) is 72% of his total target remuneration. Fixed remuneration (base salary and pension benefits) comprises 28% of the total," the report said.

"Mackenzie's annual short-term incentive is at risk. The minimum short-term incentive is zero, as was the outcome for Mackenzie's predecessor in 2012," it said.

The company said that Mackenzie's long-term incentive is at risk as BHP Billiton's business is long-term and decisions are made that are likely to have an impact for many years.

"It is therefore important that executives are rewarded over the long-term for long-term performance and the company's long-term incentive plan measures performance over five years," the report said.

For more, visit: <https://www.bizcommunity.com>