



# Board**Services** **DirectorRem**

Director Fees  
Benchmarking Review

**Prepared for Gentrack Group Limited**  
March 2020

Version: final report

*This report has been prepared as guidance for the board of Gentrack Group Limited, and is not intended to be prescriptive or exhaustive or used or relied upon by any other organisation. It contains our benchmarking analysis using remuneration data provided by members in our annual survey on director remuneration, information supplied by Gentrack Group Limited and other publicly-available sources of information. The report is an independent assessment of appropriate fees for board members of Gentrack Group Limited and has been prepared free from any influence from organisation management, any board member or any other party in relation to the services provided or outcomes of those services.*

*The IoD believes the information it provides about comparable entities is accurate at the time it is provided. The IoD provides no warranty (either expressed or implied) in relation to the completeness, accuracy or currency of any information provided about any comparator or third party organisation, and cannot be held liable for the consequences of any actions taken or not taken on the basis of such information.*

*The IoD encourages an open and transparent process in setting director fees. To meet the requirements and guidance contained in the NZX Corporate Governance Code 2017, Recommendation 5.2, Gentrack Group Limited may decide to share part or all of this report publicly.*

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# 1. Executive summary

## Introduction

Directors serve in an increasingly demanding and complex environment, influenced by factors such as globalisation, technology, climate change as well as shifting societal expectations.

Good governance is more important than ever to face these challenges and a key element of this is to have a robust approach to reviewing and setting board fees. Setting fees at the right level is essential to attracting and retaining directors with the right skills and expertise to deliver long-term value to the organisation.

Organisations should support and justify board fees with good disclosure, governance and accountability practices. This means demonstrating that fees have been set using robust processes and data.

## Purpose and scope

Gentrack Group Limited (Gentrack) has asked the Institute of Directors in NZ Inc. (IoD) to undertake a formal review of board fees. This document sets out the approach taken, the relevant background information and our independent assessment of appropriate fee range benchmarks for your directors.

In carrying out this assignment, the IoD has considered the following:

- Information supplied by Gentrack
- Data from the latest available annual IoD Directors' Fees survey
- Data, where available, on fees in organisations of a similar type or size
- International fee data, where available
- Other confidential sources of fee data that the IoD holds

Our recommendations are formed from our considered judgement, and are provided as guidance. The final decision on fees is the ultimate responsibility of the organisation.

This report does not include an evaluation of specific constraints that may affect the organisation's final decision with respect to fee levels, such as available funds or the impact of fee levels on the ability to access appropriately qualified and skilled directors to your board.

## Summary of approach

Directors' fees are a 'fee for service' rather than a salary. In line with the principle of collective responsibility, base fees should be shared equally as a rule, except in the case of additional responsibility of workload such as the chair.

The IoD encourages an open and transparent process to setting director fees. A fee benchmarking exercise is a suitable approach to determining whether your organisation's director fees are fair and appropriate, and it is important to review benchmarks across a wide range of relevant criteria.

The IoD provides a recommended range of fees for your board roles based on:

- relevant market fee data from our latest directors' fees survey;
- online research of fees in comparative organisations (where available),
- information that you have provided to us on the scope and time commitments of the roles; and
- the nature and complexity of the organisations' industry or operating environment.

Before reaching a final decision, the IoD recommends that Gentrack considers such factors as shareholder/stakeholder expectations; its own view on appropriate levels of fees, as well as ensuring a level of remuneration that will attract, motivate and retain appropriate candidates.

## Relevant organisation background

Gentrack is a New Zealand owned technology company supplying billing and customer management software to utilities in New Zealand, Australia and the UK, and to airports worldwide.

Gentrack is listed on both the NZX and the ASX markets, and has offices across the UK, Australia, New Zealand, Singapore, Denmark and the USA.

The risk profile of the organisation is of moderate to low risk for a public company. Complexity of operations is typical for a multinational organisation. Regulatory change in global markets and competition are impacting Gentrack's utility customer's profitability and reducing their spend on IT projects currently.

Gentrack has a board of six, including the chair. The board includes a majority of overseas directors, with two being New Zealand based.

Current board fees were last set in February 2017.

## Summary of comparator fee data

Below is a summary of the fee research we have undertaken to inform our fee range recommendations. (See [pages 12 to 16](#)).

Source	Fee comparator category	Median director fee	Median chair fee
<i>IoD Directors' Fees Survey 2019-20</i>	Consolidated comparator dataset	\$59,300	\$94,417
	Listed companies	\$85,000	\$160,000
	Listed companies with market cap \$200.1 - \$500m	\$75,000	\$110,000
<i>Further ad hoc fee research</i>	Other NZ listed companies – tech/media	\$81,500	\$125,000
	Other NZ listed companies - various	\$78,785	\$125,000
	Australian comparator data - median	AU\$88,500 <i>(approx. NZ\$92,400)</i>	AU\$155,415 <i>(approx. NZ\$162,300)</i>
	UK fee data – FTSE 250 <\$1b – median	£50,000 <i>(approx. NZ\$100,200)</i>	£168,000 <i>(approx. NZ\$337,000)</i>
	Singapore fee data – market cap S\$300m - \$1b – median	S\$66,552 <i>(approx. NZ\$74,400)</i>	N/A
	<b>Gentrack - current fee</b>	<b>\$62,000</b>	<b>\$124,000</b>

## Summary of time commitments

The following table shows the estimated time commitments for Gentrack board members, against our comparator survey data (see [pages 17 and 18](#)).

	Non-executive director			Non-executive chair		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Survey data – consolidated comparator dataset.	126	196	275	139	227	342
Average time commitments in hours						
Gentrack annual time commitments	177 - 239			475		

## Recommended benchmark fee ranges

Taking the above factors into consideration, as well as the information provided to us about the organisation's nature, complexity and risk profile, we recommend the following board fees.

We consider these ranges to be representative of the wider market, offering fair remuneration for the governance commitments of the roles, and reflecting the need for Gentrack to attract directors with relevant international expertise.

Fee Category	Recommended fee range
Base directors' fee	\$75,000 - \$85,000
Chair fee	\$135,000 - \$150,000
Committee chair – additional fee	\$10,000 - \$15,000



## 2. Approach to setting board fees

### *The remuneration of directors should be transparent, fair and reasonable.*

The subject of board fees continues to be a subject of scrutiny and discussion, both in New Zealand and overseas. Establishing appropriate fees can be complex and should be set in the context of the broader market, whilst taking into account the individual circumstances of each organisation. There is no 'right' or 'wrong' when setting fees because so many factors influence remunerations levels.

In general, the IoD favours fixed fees, set annually at a level that reflects the commitment and skills required as well as the liability and personal risk involved. An overall fixed fee makes an allowance for occasional heavy workloads, allows for the fact that director liability does not vary with meeting numbers, and creates the expectation that the director will devote the appropriate time to the organisations affairs. In the 2019 IoD directors' fees report, 93.8% of directors are paid a fixed fee, with only 4% paid a 'per meeting rate' and 2.2% a combination of the two.

Directors' fees are generally a 'fee for service'. In line with the principle of collective responsibility, base fees should be shared equally as a rule, except in the case of additional responsibility of workload such as the chair.

### **IoD approach**

Benchmarking is an appropriate approach to identify at what level directors fees should be set, and it is important to review benchmarks across a wide range of relevant criteria. The IoD provides a recommended range of fees for your board roles based on:

- relevant market fee data from our latest directors' fees survey;
- online research of fees in comparative organisations (where available),
- information that you have provided to us on the scope and time commitments of the roles; and
- the nature and complexity of the organisations' industry or operating environment.

Where direct industry comparators are few or unavailable we will research fees in organisations that are considered to be of a similar size, for example, in terms of market capitalisation, revenue or asset size. We rely on the information you have provided to us to undertake this research, as well as any input you may have on suitable comparators.

To command fees at benchmark level there is an assumption that directors should have the appropriate skills, knowledge and training in governance as would reasonably be expected for people in their roles.

Whilst comparisons against benchmark may sometimes suggest significant increases to current fee levels, for a variety of entity-specific reasons, organisations may opt for more moderate increases, plan a timed transition to higher levels or implement fee increases on or above our recommended range. If more moderate increases are implemented, the organisation should be mindful that the fee gap between current and benchmark fees may widen over time.

### **IoD Directors' Fees Survey**

Our annual Directors' Fees Survey is undertaken with a wide cross-section of New Zealand organisations and IoD members. Our 2019-20 survey includes information about 2,027 directorships, covering 1,393 organisations. 83.6% of IoD members surveyed hold non-executive (independent) positions and our benchmarking focusses on these roles.

The IoD will also review the level of hours involved in the directorship role. This varies significantly between organisations. In our 2019/20 survey the median time a non-executive director spends on board work has increased to 140 hours, from 127 hours in 2018.

## Transparency of fee decisions

Consistent and open reporting on director fees helps build trust and confidence in business and corporate governance. We encourage all organisations to think beyond compliance. They should disclose director payments openly and consistently. Boards of all types of entities are welcome to use the IoD's [Guide to disclosing director remuneration in annual reports](#).



## 3. The role of the board

Trust and accountability underpin long-term success and sustainability, and directors of all organisations need integrity, courage, judgment, emotional agility, energy and curiosity.

The IoD publication *The Four Pillars of Governance Best Practice* deals with the role of the board in adding value. It emphasises that this is the key role of a board. The board adds value through its four key governance functions:

- Determination of the company's fundamental purpose and strategy
- Leading an effective governance culture, characterised by integrity, robust decision making and effective relationships with management, shareholders and stakeholders
- Holding management to account, rigorously and accurately
- Ensuring effective compliance

These are significant responsibilities and it is the Institute's view that in order to be accountable, board members need to spend more focussed time, thought and enquiry on their organisation, both within board meetings and outside of them.

A key element of good governance is having a robust approach to reviewing and setting board fees underpinned by comprehensive and robust data. Remuneration for board members needs to be set at a level that acknowledges responsibilities and risks, as well as to attract, motivate and retain members with the ability and character necessary to carry out these critical and demanding functions.

### The chair's role

The chair facilitates the board but under the Companies Act all directors share equal responsibility. In practice the role of the chair depends on the extent of his or her involvement with the organisation. This can be influenced by such matters as:

- The size or particular circumstances of the company,
- The complexity of its operations,
- The quality of its chief executive and management team, and
- The administrative or contractual arrangements that the board or shareholders have put in place.

In particular circumstances it may be appropriate for the chair to work significant additional hours. This may arise for example, where an organisation is dealing with a significant event, or is engaging in a major transaction. These additional hours are addressed in the chair fee by using a multiplier (premium) over the base director fee.

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation.

In the case of Gentrack, the fee range recommendations have been given a chair premium of x1.8. A premium of x2.0 would also be appropriate.



## 4. General trends: IoD directors' fees survey

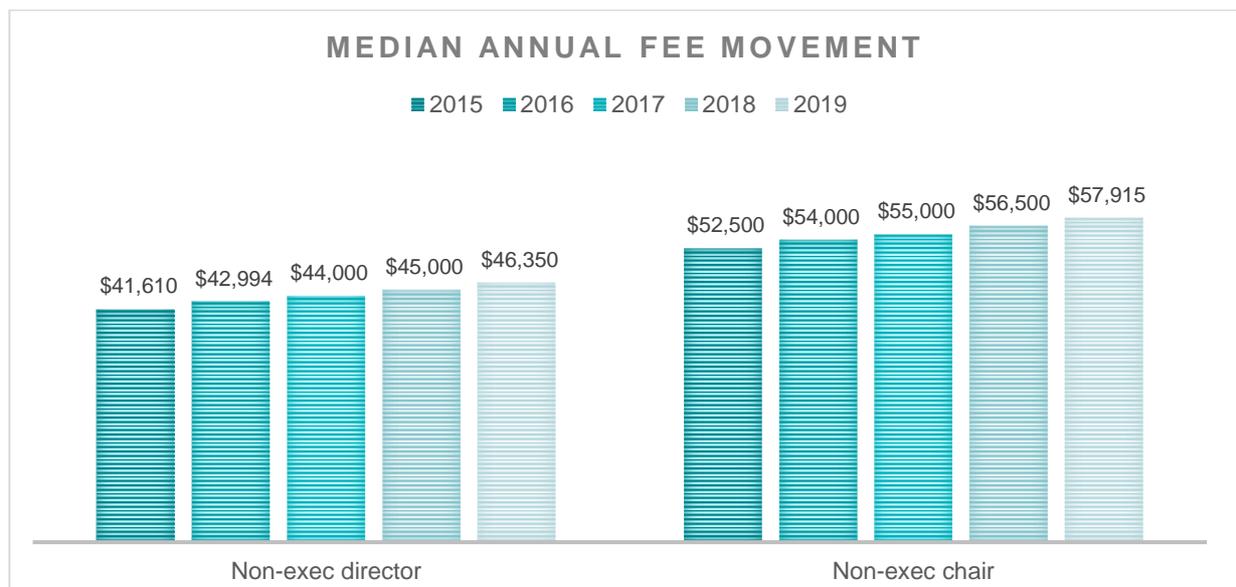
The principle underlying a benchmarking exercise such as this is that fees paid to the board of Gentrack should be assessed taking into account the remuneration levels generally paid to directors in New Zealand and relative to the market. The fees should reflect the benefit directors bring to the organisation and adequately compensate them for their time, effort and skill level.

Whilst this overall data contains a broad range of organisations, many not directly comparable to Gentrack, it does provide valuable insights into market fee movements and trends.

### Median annual fee movements

Our latest and most comprehensive data on the remuneration of New Zealand directors is the 2019-20 IoD Directors' Fees Report.

The following graph shows the median annual fee movement across the entire survey data, which includes New Zealand organisations of all types and sizes and across all industries.



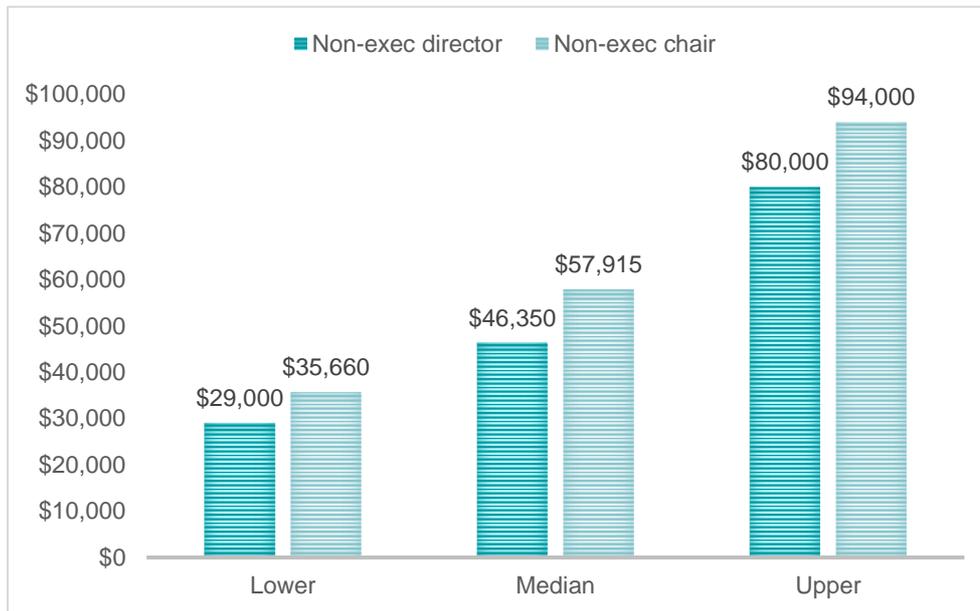
**The 5-year movement of fees is approximately 11% for non-executive directors and 10% for non-executive chairs.**

In the last 12 months, the median fee received by non-executive directors has increased by 3%, which is above the 2.3% movement in 2018. Non-executive chair fees have increased by 2.5%, which is slightly lower than the 2.7% movement in 2018.

### Overall survey quartiles

The lower, median and upper quartiles for non-executive director remuneration in the most recent survey are \$29,000, \$46,350 and \$80,000 and for non-executive chairs, they are \$35,660, \$57,915 and \$94,000 respectively across the whole survey sample. The survey incorporates a very wide sample of organisations from NFPs to NZX listed companies.

## 2019 non-executive chair and director remuneration (Across entire survey sample)



### Other relevant fee movement data over the last 12 months

Our fee data uses the ANZSIC (Australian and New Zealand Standard Industrial Classification) groups.

Fee Category	12 month fee movement
Organisation type - listed	4.7%
Industry – electricity, gas, water and waste	7.1%
Industry – information, media and telcos	10.8%*

\*The largest median fee industry movement from the 2019 survey

### Committee chair fees

The following table summarises payments for chairs of audit, risk and finance committees from our latest directors' fees survey.

Committee chair	Lower quartile	Median quartile	Upper quartile	Average
Audit, risk & finance	\$5,000	\$10,000	\$17,156	\$13,385

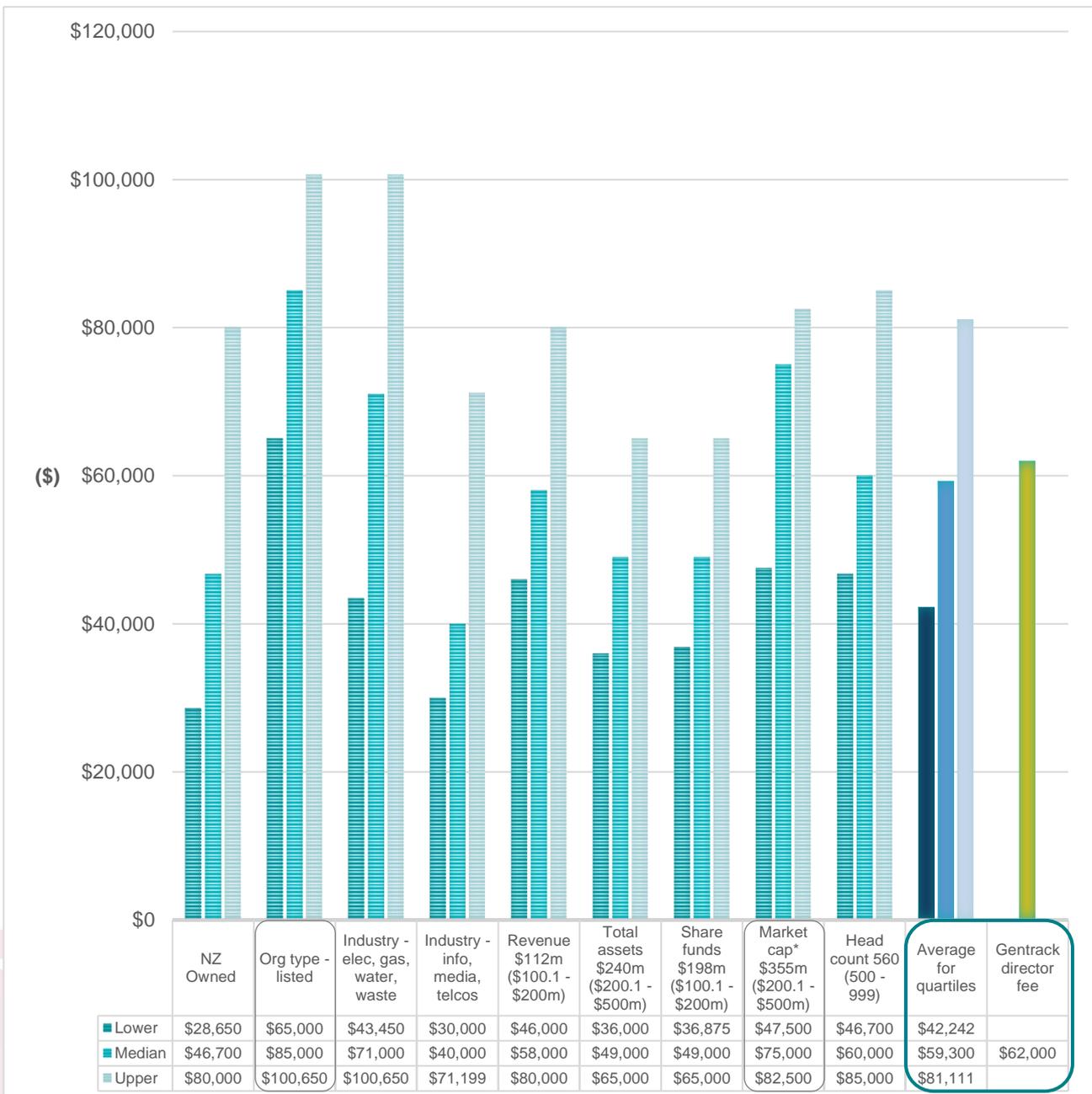
# 5. Comparator fee benchmarking – IoD directors’ fees survey

## Director fees - comparator breakdown

The graph below shows director fees in various fee categories, considered appropriate comparators to Gentrack based on the information provided by the organisation. Each fee category is a sub-set of our latest directors’ fees survey, showing data most relevant to your organisation.

It demonstrates that your current director fee aligns most closely to the median quartile against the consolidated comparator fee categories.

**The median fee for all listed companies within the survey is \$85,000. The median for listed companies of a comparative market cap is \$75,000.**

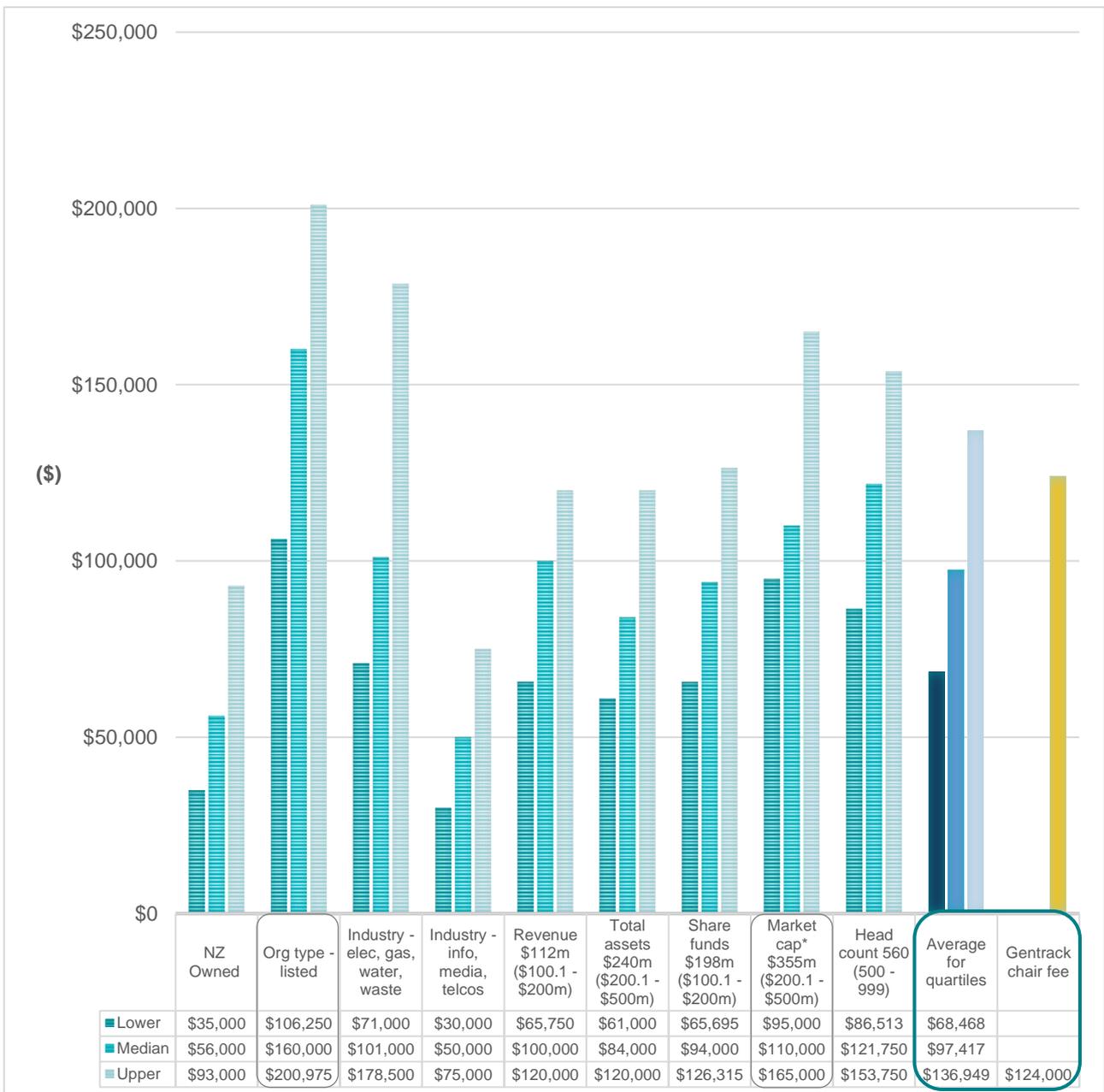


### Chair fees - comparator breakdown

This graph shows chair fees in various fee categories, considered appropriate comparators to Gentrack based on the information provided by the organisation. Each fee category is a sub-set of our latest directors' fees survey, showing data most relevant to your organisation.

It demonstrates that your current chair fee aligns most closely to the upper quartile against the consolidated comparator fee categories.

**The median fee for all listed companies within the survey is \$160,000. The median for listed companies of a comparative market cap is \$110,000.**



*Note: The IoD's data for director roles is considerably deeper than for chairs; therefore our methodology places a higher reliance on director data as a basis for estimating fees for all board members.*

## 6. Further fee research – other NZ listed companies

The following tables provide further comparator fee research from latest available annual reports. We provide various examples, which we consider suitable comparators in terms of size, global reach or industry.

### Technology or info/media sector

Company	Market cap	Revenue	Assets	Base director fee	Chair fee	Other fees	Fee pool/cap
Scott Technology	\$179m	\$72m	\$84m	\$70,000	\$125,000	None reported	Unknown
Serko	\$465m	\$25m	\$33m	AU\$75,000 <i>(approx. NZ\$78,000)</i>	AU\$120,000 <i>(approx. \$125,000)</i>	Comm chair \$15k	\$350,000
Sky Network	\$327m	\$795m	\$771m	\$100,000	\$170,000	Comms chair from \$12 - \$20k  Member from \$5 - \$12k	Unknown
Vista	\$607m	\$131m	\$221m	\$85,000	N/A Chair is Executive		\$500,000
Median				\$81,500	\$125,000		
Gentrack	\$357m	\$112m	\$240m	\$62,000	\$124,000	Comm chair \$10k	\$450,000

### Other listed companies - various

Company	Market cap	Revenue	Assets	Base director fee	Chair fee	Other fees	Fee pool/cap
Hallenstein Glasson Holdings	\$354m	\$288m	\$105m	\$79,000	\$120,000	Comm chair from \$9 - \$11k	Unknown
Michael Hill International	\$271m	\$570m	\$379m	\$98,332	\$197,047	Comm fees of \$20,420 to \$30,630	\$840,000

NZX Limited	\$353m	\$67m	\$181m	\$50,000	\$100,000	None	\$435,000
Tower Limited	\$308m	\$323m	\$686m	\$78,570	\$130,000	A&R comm chair \$15,000  Member \$9,000	\$900,000
Median				\$78,785	\$125,000		
Gentrack	\$357m	\$112m	\$240m	\$62,000	\$124,000	Comm chair \$10k	\$450,000

\*Market cap @ 11/12/2019



## 7. International fee data

To provide a broader context for board fee discussions we have undertaken some research into international fees. We have sourced fee data from Australia, the UK and Singapore to reflect some of the markets where Gentrack operates. It is important to note that fee frameworks differ across markets, and in some cases there may be further options and incentives that are not clear from the available information. In addition, even a conversion of fees to NZ\$ can be misleading as the value of currency and buying power varies between countries.

### Australian comparator data (AUD)

Sourced from latest available annual reports.

Company	Market cap*	Revenue	Assets	Base director fee	Chair fee	Other fees	Fee pool/cap
Hansen Technologies	\$691m	\$231m	\$545m	\$70,025	\$114,830	Comm chair \$5,083	\$520,000
Infomedia	\$659m	\$85m	\$92m	\$88,500	\$196,000	Comm chair \$15,000	\$550,000
Technology One	\$2.82b	\$299m	\$281m	\$127,000	N/A – role is currently executive	Comm fees \$1,500	\$1.5m
Median				AU\$88,500 (approx NZ\$92,400)	AU\$155,415 (approx. NZ\$162,200)		

### UK fee data

Source: KPMG Board Leadership Team 'Guide to Directors' Remuneration Dec 2018' (a wide-ranging overview of executive and non-executive directors' remuneration trends in FTSE 350 companies).

		Market cap		Lower quartile		Median		Upper quartile	
		(Pound sterling £)		Director	Chair	Director	Chair	Director	Chair
FTSE 250	<£1b	£46,000	£144,000	£50,000	£168,000	£53,000	£191,000		
				Approx. NZ\$100,200	Approx. NZ\$336,800				

### Singapore fee data

Source: Singapore Institute of Directors 2018 Q1 – The Current State of Play in Director Remuneration'

(Data for non-executive directors only – currency Singapore dollar)

Market cap	Lower quartile	Median	Upper quartile
S\$300m - \$1b	S\$53,068	S\$66,552	S\$85,250
		Approx. NZ\$74,400	

## 8. Time commitments

### General commentary

The roles and responsibilities of board members have expanded over recent years, and they need to spend increasing hours staying up to date with the changing operating environment. A board's work is generally not restricted to the boardroom. There can be significant additional time requirements, such as for stakeholder engagement, attending events, etc.

The hours devoted to the organisations' governance may provide an indication of the complexity of the roles, the level of involvement required, and is one of the considerations that can help to inform the decision on the appropriate level of fees. For some directorships, a fee may be recommended based on hours worked in a typical year. However, caution should be used as there are so many other factors to take into account when setting appropriate fees. Getting remuneration right has a far greater impact than just making sure a director is adequately compensated for the time they spend in their role. It is important, also, to note that director liability does not vary with time commitments or meeting numbers.

### Gentrack annual time commitments

Time commitments for the Gentrack board are based on data provided by the organisation management and set out in the table below.

Activity	No.	Time in	Prep time	Hrs per annum (estimate)
Board meetings	11	4	5	99
• Sub-committee: audit & risk	6	2	5	42
• Sub-committee: remuneration	4	2	2	16
Director – other time commitments	Ad hoc meetings – prep and attendance (6.5 per month)			78
<b>Average annual hours for director*</b>				<b>177 - 219</b>
Committee chair – other time commitments	Various meetings CFO and Financial Controller, various meetings external auditor, various meetings Company Secretary/Head of Risk			20
<b>Average annual hours for committee chair</b>				<b>239</b>
Chair – other time commitments	Overseas visits (2 weeks – 80hours) M&A activity (4 weeks – 160 hours)			240
<b>Average annual hours for chair</b>				<b>475</b>

\*There are no directors (apart from the chair and committee chair) that attend both committees.

## Individual board member time commitments

Name	Role	Commitments	Total
John Clifford	Chair	Board meetings and prep, audit and rem committee meetings and prep, ad hoc meetings and prep, overseas visits and M&A activity	475
Fiona Oliver	ARC Chair, NED	Board meetings and prep, chair of audit, member of rem committee and prep. Ad hoc meetings and prep. Other committee chair time commitments	239
Andy Coupe	NED	Board meetings and prep. Audit committee meetings and prep. Ad hoc meetings and prep.	219
Leigh Warren	NED	Board meetings and prep, rem committee meeting and prep. Ad hoc meetings and prep.	193
Nick Luckock	NED	Board meetings and prep. Ad hoc meetings and prep.	177
James Docking	NED	Board meetings and prep. Ad hoc meetings and prep.	177

## Time commitments in comparator organisations

The following table compares the governance time commitments in Gentrack to commitments in comparator organisations provided as part of the latest IoD directors' fees survey.

	Director Time Commitments			Chair Time Commitments		
	Lower quartile	Median quartile	Upper quartile	Lower quartile	Median quartile	Upper quartile
NZ Owned	85	143	225	109	172	293
Org type - listed	124	222	312	95	252	372
Industry - elec, gas, water, waste	106	173	274	84	207	370
Industry - info, media, telcos	102	142	196	117	162	241
Revenue \$112m (\$100.1 - \$200m)	136	187	281	153	224	346
Total assets \$240m (\$200.1 - \$500m)	156	224	309	209	347	426
Share funds \$198m (\$100.1 - \$200m)	175	239	324	144	179	320
Market cap* \$355m (\$200.1 - \$500m)	124	215	254	No data	No data	No data
Headcount 560 (500 - 999)	125	220	297	200	274	370
Average time commitments	126	196	275	139	227	342
<b>Gentrack</b>	<b>177 - 219*</b>			<b>475</b>		

\*includes committee chair

## 9. Recommendations

### Context

There is no absolute right or wrong when setting director fees. We endeavour to view the market as widely as possible, taking into account a variety of comparator data as well as the time commitments of the roles, in order to provide you with data and advice to support your governance fee decisions. However, a remuneration recommendation is part of an evaluative process and the final decision on fees is the ultimate responsibility of the organisation.

Before reaching a final decision, you should consider where Gentrack sees itself within the market. In addition, consider such factors as complexity of role and operating environment, risk and liability, shareholder/stakeholder expectations, as well as ensuring a level of remuneration that will attract and retain the calibre of director to drive long-term value for your business.

### Supporting commentary

A fair and appropriate annual fixed fee should reflect the commitment and skills required of the director, the liability and personal risk involved, and take into account periods of heavy workload for the board.

With regards to the fee ranges recommended below, we have considered information provided by Gentrack relating to the size, nature, complexity and risk profile of the organisation, along with the time commitments of the governance roles.

Taking these factors into consideration we recommend the following board fees. We consider these ranges to be representative of the wider market, offering fair remuneration for the governance commitments of the roles, and reflecting the need for Gentrack to attract directors with relevant international expertise.

### Fee range recommendations

Fee Category	Recommended fee range
Base directors' fee	\$75,000 - \$85,000
Chair fee	\$135,000 - \$150,000
Deputy chair fee	\$93,750 - \$106,250
Committee chair – additional fee	\$10,000 - \$15,000

- Please note that base fees include committee attendance. We generally only recommend an additional fee for a committee chair
- We don't recommend additional loadings for the chair or deputy chair of the board for any committee responsibilities
- A chair premium has been set at x1.8. A premium of x2.0 would also be appropriate.



## Chair, committee chair and deputy chair premiums

An appropriate chair fee makes an allowance for additional hours spent in meeting preparation and follow-up and for other demands and expertise required of the role. A loading over the base director fee is usually used to calculate the chair fee.

The IoD's data for director roles is considerably deeper than for chairs; therefore our methodology places a higher reliance on director data as a basis for estimating fees for all board members.

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation.

In addition, we generally recommend a loading of between x1.1 to x1.2 for committee chairs and a x1.25 loading for the deputy (vice) chair of the board.

It would not be normal for the board chair or deputy chair to be paid additional fees for their involvement with committees.

## Ongoing fee review policy

Because of movements in the market and other factors, such as inflation and CPI, fees are not static. They should be assessed for market appropriateness regularly.

When a fee structure is on or near the market benchmark, one option is to review fees against annual fee movements – for example using the appropriate industry sector or the overall fee movement for a particular role (eg. non-executive director). This information is available from the IoD.

We would, however, encourage a discipline to update the benchmark data regularly. Best practice would be to review director fees annually, and it should be no longer than 3 years. This should identify if the fees remain competitive or if the fee gap is widening. A significant fee gap against benchmark may indicate the need for a further fee review at this stage.



# Appendix 1 – Market insights for boards

## Legislative and regulatory developments

### *New NZX Listing Rules now in force*

The new NZX Listing Rules came into effect on 1 July 2019 for all listed issuers. A significant change relevant to directors is the extension of the continuous disclosure rules to include constructive knowledge of directors and senior managers. That is a director or senior executive will be deemed to be aware of information when they ought reasonably to have come into possession of it in the course of the performance of their duties. For more information on the changes see the brief *What Directors Need to Know About the New NZX Listing Rules* by the IoD and MinterEllisonRuddWatts.

Other updated rules and guidance relevant to listed entities include:

- *NZX Corporate Governance Code* and associated Guidance Notes (including on Continuous Disclosure)
- ASX Listing Rules (effective in December 2019) and the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations* (for ASX listed entities)

### *Capital Markets 2029*

The NZX and FMA initiated the Capital Markets 2029 review, which is industry-led and aimed at delivering a 10 year vision for growth and wider industry participation in the sector. There has been considerable change in New Zealand's capital markets in the last ten years including significant governance related developments. The findings are expected to be published in 2019.

### *Refocused FMA Corporate Governance Handbook*

The Financial Markets Authority refreshed its corporate governance handbook, *Corporate governance in New Zealand: Principles and guidelines* in 2018 (last updated in 2014) to ensure it is up to date with developments and trends in corporate governance. The handbook has been refocused to apply to non-listed and public sector entities, moving away from listed issuers which are covered by the *NZX Corporate Governance Code*. There are eight high-level corporate governance principles in the handbook, and boards are asked to explain on a voluntary basis how they have applied each principle.

### *New criminal offence for cartel conduct*

In 2019, the Commerce (Criminalisation of Cartels) Amendment Bill received Royal assent introducing a criminal offence for people engaged in cartel conduct. This offence is in addition to the existing civil prohibition on cartels and it will form part of the Commerce Act 1986. Individuals convicted of the new offence will be liable to up to 7 years imprisonment and/or a fine not exceeding \$500,000 (the financial penalty is the same as the existing civil penalty). There's a two-year transitional period before criminalisation comes into effect (in April 2021). Directors and organisations should familiarise themselves with the changes and the Commerce Commission is expected to publish guidance.

## Reform on the horizon

### *A new Privacy Bill on the way*

It has been 25 years since the Privacy Act 1993 came into force. Since then, the rise of the internet and the digital economy have transformed organisations and the use of personal information. The Privacy Bill (introduced into Parliament in 2018) aims to modernise the privacy landscape in New Zealand, while retaining the 12 information privacy principles under the current Act with some alterations and additions. A

key proposed change is the introduction of mandatory privacy breach notification to the Privacy Commissioner and affected individuals.

***Stronger whistleblowing laws coming***

The State Services Commission is leading a review of the Protected Disclosures Act 2000 to ensure it is fit for purpose and in line with international best practice. The Act facilitates the disclosure of serious wrongdoing in and by organisations and protects those who make such disclosures. It applies to both the public and private sector.



## Appendix 2 - Board size considerations

The interests of shareholders of a company will be best served if its board acts with maximum efficiency and effectiveness. The optimum number of directors required to attain maximum efficiency and effectiveness on any given board will depend on such factors as the company's size, nature, diversity and complexity of its business and its ownership structure.

A board that is too large may not give its members the opportunity of participating in discussions and decisions to the best of their abilities. It may result in board proceedings being unnecessarily prolonged. On the other hand, a board that is too small will limit the breadth of knowledge, experience and viewpoints that would otherwise be available to it and from which it could usefully benefit.

As a general rule, a board numbering between six and eight members is usually found to be the most appropriate in the case of medium to large-sized companies. This also takes the relatively small size of New Zealand companies in international terms into account. Smaller companies may operate quite satisfactorily with a lower number. Under NZX listing rules, the minimum number for a listed company (disregarding alternate directors) is three.

It is not really possible or practical to specify an ideal and optimal number for all boards. What every board needs to do is to achieve the right balance to suit the circumstances and requirements of the company and the board itself.

### Average number of directors

*(From the 2019 IoD Directors' Fees Report)*

**Across all entity types, the median and average number of directors appointed to a board is 6.** Only 0.99% of our sample has more than 12 directors appointed to the board.

### Board size for listed company

Organisation type	Number of directors on board			
	Lower Quartile	Median	Upper Quartile	Average
Listed co	5	6	7	6

## Appendix 3 – IoD Services for boards

# We will help you build a better board

Whether you are setting up a new board and looking for help with recruiting board members and establishing good processes, or you're on an established board looking to fine tune your performance, our choice of Board Services can be tailored to your requirements, supporting you in building the best possible board.

### Board Appointments

**Find and appoint directors with the skills and experience that meet your board needs.**

- Access New Zealand's largest database of independent directors
- Use our additional recruitment support services such as refinement of candidate criteria, recruitment templates documents, involvement in the selection committee and administration of the external application process

### Director Vacancies

**Advertise your board vacancy with us.**

- Reach New Zealand's largest pool of director talent
- Cost-effective exposure across multiple channels
- No time limit – list your vacancy until the deadline closes or you find a suitable candidate

### Director fees

**Attract, motivate and retain the best board members by ensuring the right level of director remuneration.**

- Drive growth and performance
- Range of services suited to your needs and budget

### Board Evaluation

**Assess the performance of your board using our online evaluation tool, BetterBoards.**

- Identify your board's strengths, weaknesses and opportunities for improvement against The Four Pillars of Governance Best Practice
- Comprehensive, easy to follow reports that can track improvements over subsequent years

### Facilitation services

- Conducting a board evaluation is a first step in assessment but the real value lies in how you use those findings. We can provide a facilitation service for your board to discuss strengths, challenges and your board's future direction.

# Appendix 4 – Understanding the data measures

## Lower Quartile

This represents the point at which, when ranked from the lowest value to the highest value, 25% of the sample is lower and 75% of the sample is higher. The Lower Quartile is also known as the 25th percentile.

## Median

When data is ranked from the lowest value to the highest value, the median represents the middle point of the data. At the median, 50% of the sample is lower and 50% of the sample is higher. The median is also known as the 50th percentile.

## Upper Quartile

This represents the point at which, when ranked from the lowest value to the highest value, 75% of the sample is lower and 25% of the sample is higher. The Upper Quartile is also known as the 75th percentile.

## Average

Indicates the average value of remuneration or benefit in any given sample. The average is calculated by adding the numbers in a sample and then dividing by the count of the sample.





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