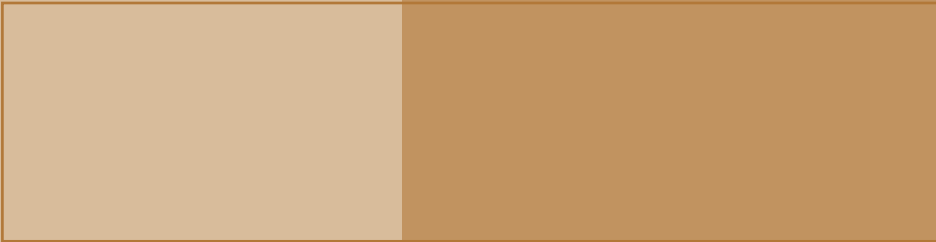


2005

Boards of Directors Study in Australia and New Zealand



## About Korn/Ferry International

Korn/Ferry International (NYSE:KFY), with more than 70 offices in 36 countries, is the premier provider of executive search and leadership development solutions. The firm works closely with clients to provide solutions tailored to their recruitment and assessment needs: through the company's executive search business, identifying CEOs, COOs, CFOs and other senior-level executives; through the Global Board Services Practice, recruiting for boards of directors and consulting on matters of corporate governance; through the firm's Management Assessment and Coaching business, which provides evaluation and development of senior management teams; and through Futurestep, Korn/Ferry's middle management recruitment provider.

Since 1972, Korn/Ferry has been a premier provider of director recruiting and corporate governance consulting, understanding the challenges associated with assembling a knowledgeable, cohesive and effective board prepared to meet the growing demands for greater accountability and more effective board performance. The firm has a dedicated team of global professionals whose sole focus is recruiting for company boards for clients worldwide and whose depth and expertise on matters of corporate governance are unparalleled.

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## About Egan Associates

Egan Associates, established initially as a research organisation by John Egan in the mid 1970s has, for the past 15 years, advised public companies, including those preparing for listing, private and international corporations, government and related corporatised entities, as well as innovative enterprises, many with a technology or sciences base, on executive and non-executive director reward, cash incentive programs, equity plans and derivatives, as well as strategic and corporate governance issues now embracing guidance on the preparation of company remuneration reports for shareholder review.

The company is retained by a number of Australian and New Zealand leading corporate entities as an advisor to their Chief Executive and/or Board on strategic remuneration challenges, including the construct of CEO pay and service agreements including contemporary termination provisions, unlatching payments for external appointees, and performance aligned 'at risk' remuneration plans, particularly those that have become increasingly sensitive as a result of emerging corporate governance guidelines, disclosure and shareholder scrutiny. Egan Associates' principals bring diverse backgrounds and skills to providing leading edge solutions. These skills, combined with a comprehensive director and executive remuneration database, give us the capability to provide depth in answering client questions in every industry sector.

Details of our services are set out fully on the company's website.

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## Korn/Ferry International in association with Egan Associates

### Foreword

The Directors' report produced by Korn/Ferry International in association with Egan Associates has for several years commented on the structure, performance and compensation of Boards of Directors.

This 2005 Boards of Directors Study in Australia and New Zealand highlights the impact of the closure of director retirement plans, presents insight into the changing structure of emoluments for Boards and includes Editorial Comment on the continuing movement in non-executive directors' fees in Australia and New Zealand.

Signed by



Gary Reidy  
Managing Director, Australasia  
Korn/Ferry International



John Egan  
Chairman  
Egan Associates

### Editorial Comment

Our current research, the statistical summary of which follows, highlights continuing movement in non-executive directors' fees in both Australia and New Zealand. Over the past 18 months there have been three primary factors impacting upon the elevation of disclosed fees for non-executive directors. These factors have been influential in both Australia and New Zealand, though more pronounced in Australia in respect of the economic impact associated with the closure or abandonment of directors' retirement plans.

The other key points of influence in the elevation of non-executive directors' emoluments have been the increased workload generally on directors arising from the greater focus of investors and regulators on Board governance and their degree of engagement in the stewardship of the companies on whose Boards they serve. Secondly, the significant increase in the incidence, accountability and subsequent workload of Board committees, particularly in addressing audit and accounting matters, compliance and risk, as well as remuneration and related human resource challenges.

The consequence of these changes has been firstly an elevation in fee levels, which we anticipate will continue to work their way through as adjustments to directors' fee pools in the next 18 months and secondly, with the increased amount of Board work being undertaken in committees, the ratio of a Chairman's aggregate fee to that of a non-executive director's aggregate fee has been reduced. Traditional ratios of 2, 2.5 or 3 to 1 on the basis of a non-executive director's composite fee is now more regularly aligned to a retainer or base fee exclusive of additional fees payable to members of a Board other than the Chairman for their service on committees of the Board.

We have also observed in the last two years an increasing incidence of supplemental payments being offered to directors on both New Zealand and Australian Boards, not resident in the country in which the corporation is headquartered.

In addition to the likely continuing closure and/or crystallisation of retirement plans still on foot, we have observed that a number of organisations have retained a retirement program for long serving and established directors, and established a new fee scale for recently appointed directors. This has generally led to a premium in the base or retainer fee in the range of 20% to 30%. It would not be our judgement that these fee differentials will be sustainable for more than a period of two or three years, during which time we anticipate that the majority of Boards which have retained the benefits under long established retirement plans will crystallise those benefits and equalise fees payable to all directors for common service.

## Korn/Ferry International in association with Egan Associates

Also observed, particularly among Australian companies, has been the increased incidence of directors receiving a proportion of their fees in company shares. As this arrangement is normally managed by way of a tax deferral program with pre-tax emoluments, it has been attractive to a number of Australian Boards and their shareholders.

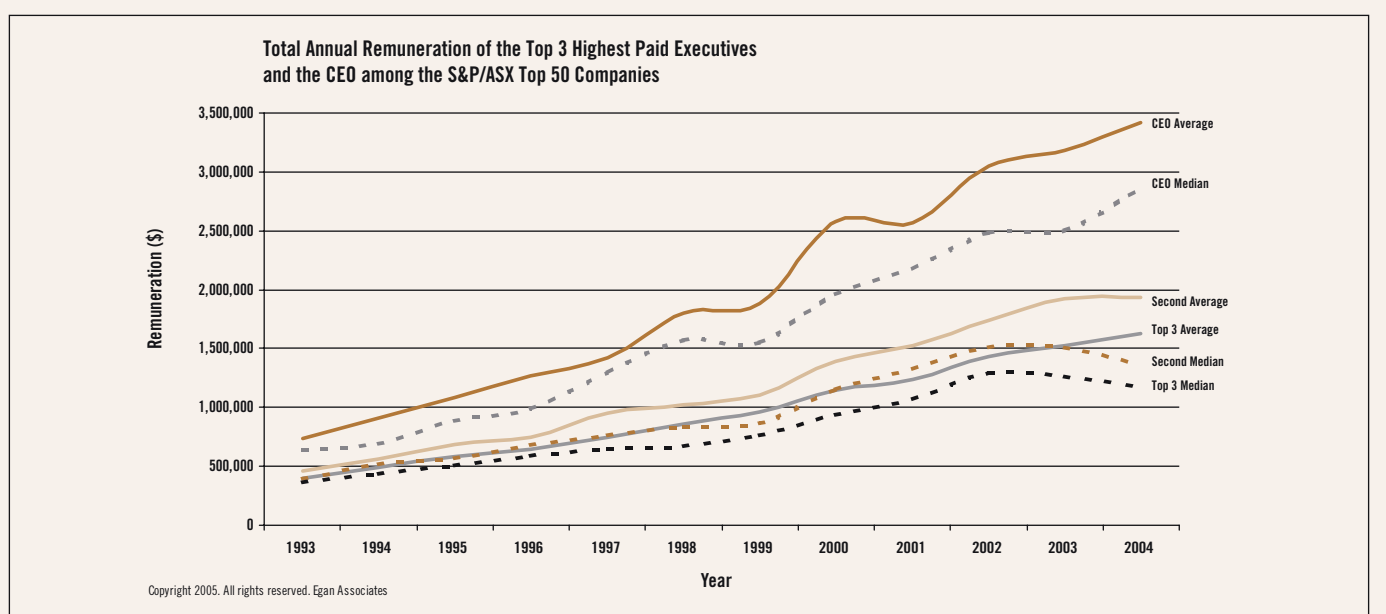
In New Zealand this facility is not available and the acquisition of mandatory shareholdings by directors is required to be acquired with after-tax income. This has not dissuaded a number of leading companies in New Zealand from adopting either a mandatory shareholding regime or a requirement that a proportion of a non-executive director's emoluments are to be set aside for the purpose of acquiring shares in the company on whose Board they serve.

A key issue which we believe will be carefully considered by a number of Boards in the period ahead will be the differentials, if any, between fees paid to members serving on various formal committees of the Board, the desirability or otherwise of paying supplemental fees, normally by way of a consultancy fee, for extraordinary engagement of directors on matters impacting on the company on whose Board they serve. This can include due diligence work associated with the issuance of prospectus, takeover defences and major litigation matters, to nominate but a few sources of demand.

In the current regulatory environment Boards are required to seek shareholder approval for fee pool increases. In order for each director to receive appropriate reward which is supported by shareholders, an approach to cost containment could be to reduce the size of the Board. If the minimum fee for a non-executive director was \$100,000, then a Board of six would require a fee pool of \$500,000, a Board of eleven, \$1,000,000, before the Chairman's fee was factored in. Fewer directors could however also present challenges. Much of the work of a Board now takes place in Committees, and under the new regulatory regime directors are required to have particular qualifications and or experience, for example, for the Audit Committee, so a Board of fewer than six directors would be unlikely to successfully manage the workload.

A further challenge is to recruit appropriately qualified and experienced independent directors in an environment when cross-directorships are under scrutiny. In 2002 and 2003 many new directors were appointed to Boards, however that trend has now slowed, and with the age of Board members remaining the same in this study as it was in 2003 (average 58, median 59 when ranked by revenue), there may well be a shortage of talent to fill directorships in the near future, leading to pressure on shareholders to further increase fee pools.

There is clearly an undertow of disquiet in some settings among directors who of necessity are heavily engaged in representing the interests of shareholders, and having regard to their time commitment, skill and experience, the reward gap between the executive team whom they are strongly supporting is stark. These concerns are not necessarily reflective of those directors serving on major corporate Boards, as the issue of separation between executive remuneration and the growth in non-executive directors' emoluments at all levels of enterprise is presently a mild source of tension.



## Korn/Ferry International in association with Egan Associates

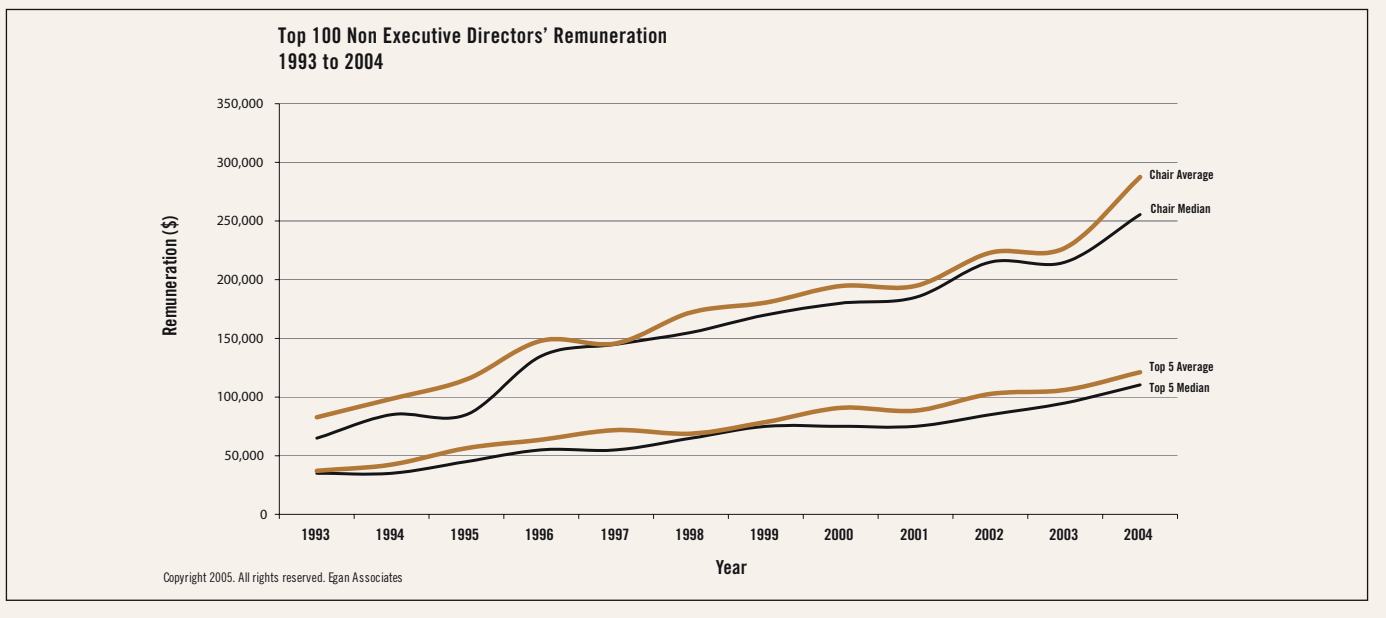
The graph on page 5 highlights the movement in Chief Executive and Senior Executive remuneration over the past 12 years across Australasia's top 50 listed corporations. It reveals an increase in CEO annual emoluments (that is, base remuneration plus annual bonus) reflecting a median shift of around 400% and on average, closer to five times the 1993 base. For the most senior executives reporting to the CEO, the average movement approximates three times the multiple of earnings in the early 1990s. This significant increment in reward primarily reflects the growth in annual incentive payments. It excludes the benefits arising to senior executives from their participation in equity based incentives, where the value to CEOs is quite variable given their tenure is now less than five years in the position.

The elevation in reward for a CEO at the median is from around \$600,000 per annum in the early 1990s to an amount approaching \$3,000,000 in 2005.

For non-executive directors in the same period in the same group of companies, the fee payable to Chairmen has been elevated in the range of \$80,000 to \$100,000 through to around \$250,000 at the median and \$275,000 on average, representing a multiple of less than three times and an increment in annual earnings of around \$175,000 compared to the counterpart Chief Executive, where the increment over the same period is greater than \$2,000,000.

For non-executive directors whose emoluments were in the range of \$35,000 to \$45,000 in the early 1990s, the average fee for the top five directors is now marginally in excess of \$120,000, and at the median the figure is around \$110,000, reflecting a comparable ratio of improvement.

Over the period the top 50 companies have changed, with mergers, acquisitions, divestments and the growth in market capitalisation, annual revenues and assets managed would also account for a proportion of the increase. With these components, however, remaining constant between non-executive directors and senior executives, including Chief Executives, we believe the data highlights a significant challenge for shareholders in attracting the best quality independent directors, while concurrently retaining top executive talent whose career horizons have become more global than domestic.



## Introduction

This 2005 Study has been compiled from an analysis of published information from 2004 annual reports of leading companies in Australia and New Zealand.

### Information and Interpretation

This report has adopted the same format and data gathering methods as in previous Studies. The number of Australian companies is 349 and the number of New Zealand companies is 82.

Fee analysis includes base retainer fees, committee fees, disclosed SGC contributions and other benefits.

Market Capitalisation is determined as at 31 December 2004.

### Profile of Participating Organisations

The list of 431 organisations, 349 Australian companies and 82 New Zealand companies from which data has been drawn is appended. Of the 323 Australian listed companies surveyed, 250 were in the Top 300 of Australian listed companies, and the remaining 73 companies were ranked below the Top 300. When ranked by market capitalisation, the Australian companies ranged from 1 to 1,243. For the 74 New Zealand listed companies surveyed, 45 were ranked in the Top 50 of New Zealand listed companies, with 29 below the Top 50, and the market capitalisation rank ranged from 1 to 138. The financial profile of the participating organisations is shown below.

### Australian Leading Companies

	Average \$	Count #
Market Capitalisation <sup>1</sup>	2,522,500,000	323
Market Capitalisation <sup>1</sup> : Top 50 companies	11,675,832,000	50
Operating Revenue	1,587,344,038	349
Operating Revenue : Top 50 companies	8,867,461,860	50
Total Assets	6,002,056,831	349
Total Assets : Top 50 companies	38,247,369,080	50
Operating Profit	202,361,706	349
Operating Profit : Top 50 companies	1,203,364,860	50

1. Market Capitalisation as at 31 December 2004

### New Zealand Leading Companies

	Average NZ\$	Count #
Market Capitalisation <sup>1</sup>	734,568,378	74
Market Capitalisation <sup>1</sup> : Top 50 Companies	1,160,069,333	45
Operating Revenue	432,518,355	82
Operating Revenue : Top 50 companies	689,047,494	50
Total Assets	560,283,916	82
Total Assets : Top 50 companies	896,436,116	50
Operating Profit	47,099,074	82
Operating Profit : Top 50 companies	83,161,214	50

1. Market Capitalisation as at 31 December 2004



## Non-Executive Chairmen Fees

### Non-Executive Chairmen Fees in Australian Leading Companies Ranked by Revenue and Market Capitalisation

Chairmen fees have been analysed according to company size, that is, by revenue and market capitalisation.

Table 1 shows the average fees for the Total Sample (283) of Non-Executive Chairmen is \$156,224 and the median is \$119,900.

There have been significant increases across the Australian marketplace, holding scale constant in relation to both revenue and market capitalisation over the past three years. This, in our judgement, is attributable to both the 'cashing out' of directors' retirement schemes, as well as in recognition of the increased workload for Boards as a whole, and for committees, especially Audit, Compliance and Risk.

For those companies with non-executive director retirement allowances the annualised economic benefit would range widely, though typically from 25% to 50% of the annual fee and, with these adjustments being in addition to those associated with increased time commitments and more in depth engagement, the indicative increase in disclosed fee levels is more readily understood.

The average Chairman's fee, having regard to companies with revenues of Less than \$200 million through to \$5 billion, varied from \$371,957 to \$101,146. When ranked from the Top 25 to the third 100, that is those ranked between 200 and 300, the range in average fees for a Non-Executive Chairman was from \$96,745 through to \$373,871.

In relation to market capitalisation, having regard to those companies ranked in the Top 25 through to those ranked between 400 and 500 on the ASX, the average Chairman's fee ranged from \$77,106 to \$407,021. For those companies with a market capitalisation of Less than \$200 million the Chairman's fee on average was \$102,556 and for those with a market capitalisation in Excess of \$5 billion, the Chairman's fee on average was \$318,695.

**Table 1: Non-Executive Chairmen Fees in Australian Leading Companies by Revenue**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
<b>Total Sample</b>	202,928	119,900	74,575	156,224	283
<b>Revenue Ranges</b>					
Less than \$200 million	109,492	80,000	59,975	101,146	123
\$200 - \$500 million	158,633	112,225	78,877	127,618	60
\$500 million - \$2 billion	212,839	163,500	125,796	173,285	55
\$2 - \$5 billion	328,349	261,001	193,414	269,325	21
Greater than \$5 billion	440,473	356,005	308,497	371,957	24
<b>Revenue Ranked</b>					
Top 25 Companies	440,649	358,009	308,118	373,871	23
Top 50 Companies	409,306	327,938	247,975	324,062	45
Second 50 Companies	218,254	173,650	144,154	180,526	47
Top 100 Companies	329,023	227,451	161,417	250,734	92
Top 100 - 200 Companies	152,667	108,564	77,032	124,805	95
Top 200 - 300 Companies	102,960	76,300	52,815	96,745	96

**Table 2: Non-Executive Chairmen Fees in Australian Leading Companies by Market Capitalisation**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
<b>Market Capitalisation Ranges</b>					
Less than \$200 million	101,775	76,300	59,740	102,556	68
\$200 - \$500 million	128,093	87,200	65,738	120,108	71
\$500 million - \$2 billion	176,312	152,600	116,766	151,010	75
\$2 - \$5 billion	278,940	235,286	189,856	243,186	29
Greater than \$5 billion	401,480	319,961	215,088	318,695	40
<b>Market Capitalisation Ranked</b>					
Top 25 Companies	439,223	361,485	314,419	407,021	22
Top 50 Companies	378,000	308,876	231,625	337,879	45
Second 50 Companies	252,160	188,085	147,230	213,224	38
Top 100 Companies	342,035	250,000	183,338	280,808	83
Top 100 - 200 Companies	163,608	124,165	86,775	129,660	80
Top 200 - 300 Companies	128,093	87,000	64,549	120,756	59
Top 300 - 400 Companies	112,188	89,635	69,164	146,955	20
Top 400 - 500 Companies	77,586	69,219	52,382	77,106	34

Market Capitalisation as at 31 December 2004

### Non-Executive Chairmen Fees in Australian Leading Companies by Industry

Industries are categorised using the Global Industry Classification Standard (GICS) adopted by the Australian Stock Exchange. GICS comprises 10 economic sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Information Technology, Industrials, Materials, Telecommunication Services and Utilities.

Table 3 reveals that the average fees for the largest industry group, Materials was \$174,797, and that Consumer Staples had the highest average fees, at \$241,261.

**Table 3: Non-Executive Chairmen Fees in Australian Leading Companies by Industry**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
<b>GICS 10 Economic Sectors</b>					
Consumer Discretionary	162,035	128,546	70,325	129,601	40
Consumer Staple	302,165	189,959	160,232	241,261	18
Energy	252,880	110,000	66,075	175,308	13
Financials	231,800	121,424	78,015	179,211	57
Health Care	130,800	102,525	59,109	115,164	21
Information Technology	117,911	90,295	77,993	102,468	14
Industrials	228,770	126,607	80,108	184,696	42
Materials	232,219	121,395	74,986	174,797	64
Telecommunication Services	139,785	90,010	79,382	101,039	5
Utilities	169,861	130,000	125,709	152,302	7

The range in industry sector average fees for a Chairman was from a low of \$102,468 in the Information Technology sector through to a high of \$241,261 among Consumer Staples.

## Non-Executive Directors' Fees

### Non-Executive Directors' Fees in Australian Leading Companies Ranked by Revenue and Market Capitalisation

Table 4 shows that non-executive directors' fees on average across the Total Sample stood at \$99,912, and at the median \$76,399.

The highest number of non-executive directors are within the revenue range, Less than \$200 million and the average fees paid to directors of companies of this size is \$67,969, and at the median \$50,070.

With regard to the Top 25 companies ranked by revenue, the average fees are \$181,763, and at the median \$143,048.

Analysis by market capitalisation (Table 5) shows average fees of \$62,664, and at the median, \$46,338 for companies that fell within the range, Less than \$200 million. The Top 25 companies analysis reveals average fees of \$186,715, and at the median \$145,330.

The highest number of non-executive directors are within the market capitalisation range, \$500 million to \$2 billion, and the average fees paid to directors of companies of this size is \$91,253, and at the median \$77,206.

**Table 4: Non-Executive Directors' Fees in Australian Leading Companies by Revenue**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
Total Sample	119,900	76,399	50,000	99,912	1,568
<b>Revenue Ranges</b>					
Less than \$200 million	73,863	50,070	35,750	67,969	526
\$200 - \$500 million	94,696	69,018	50,000	83,012	343
\$500 million - \$2 billion	116,966	83,430	65,916	100,406	355
\$2 - \$5 billion	158,023	120,035	95,103	145,658	151
Greater than \$5 billion	185,294	142,159	114,679	180,304	193
<b>Revenue Ranked</b>					
Top 25 Companies	186,709	143,048	116,225	181,763	187
Top 50 Companies	179,610	136,000	106,075	167,257	327
Second 50 Companies	116,984	86,653	69,429	104,459	278
Top 100 Companies	155,000	114,039	82,657	138,401	605
Top 100 - 200 Companies	100,000	70,195	52,500	85,549	469
Top 200 - 300 Companies	68,867	49,469	38,352	63,690	349

**Table 5: Non-Executive Directors' Fees in Australian Leading Companies by Market Capitalisation**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
<b>Market Capitalisation</b>					
Less than \$200 million	65,400	46,338	34,000	62,664	292
\$200 - \$500 million	76,666	55,006	43,600	70,865	328
\$500 million - \$2 billion	98,100	77,206	61,710	91,253	448
\$2 - \$5 billion	130,041	105,018	86,684	128,117	179
Greater than \$5 billion	174,930	135,835	105,850	156,985	317
<b>Ranked by Market Capitalisation</b>					
Top 25 Companies	193,547	145,330	125,485	186,715	185
Top 50 Companies	180,675	136,250	114,507	167,134	326
Second 50 Companies	119,765	88,660	73,597	115,684	258
Top 100 Companies	157,399	119,430	87,164	144,404	584
Top 100 - 200 Companies	91,259	69,936	54,616	80,594	427
Top 200 - 300 Companies	75,900	52,281	40,000	70,559	267
Top 300 - 400 Companies	70,469	51,394	41,910	68,495	98
Top 400 - 500 Companies	57,750	37,000	33,055	46,817	31

Market Capitalisation as at 31 December 2004

### Non-Executive Directors' Fees in Australian Leading Companies Ranked by Industry

Table 6 reveals that the average fees for the largest industry group, Financials is \$136,497, and at the median \$99,380. Financials has the highest fees, and Information Technology has the lowest fees at \$64,513 on average and \$55,712 at the median.

**Table 6: Non-Executive Directors' fees in Australian Leading Companies Ranked by Industry**

	75th Percentile \$	Median \$	25th Percentile \$	Average \$	Sample #
<b>GICS 10 Economic Sectors</b>					
Consumer Discretionary	102,164	67,896	49,763	84,260	228
Consumer Staple	141,605	89,071	67,444	129,462	129
Energy	114,448	68,038	38,110	90,835	70
Financials	148,038	99,380	54,500	136,497	331
Health Care	94,439	65,200	49,376	80,016	110
Information Technology	76,075	55,712	41,946	64,513	70
Industrials	112,725	78,621	49,587	98,684	226
Materials	119,350	81,941	50,000	99,747	327
Telecommunication Services	98,607	75,317	50,286	98,066	25
Utilities	115,056	73,153	64,238	88,578	39

## Board Demographics

### Board Composition - Executive v Non-Executive

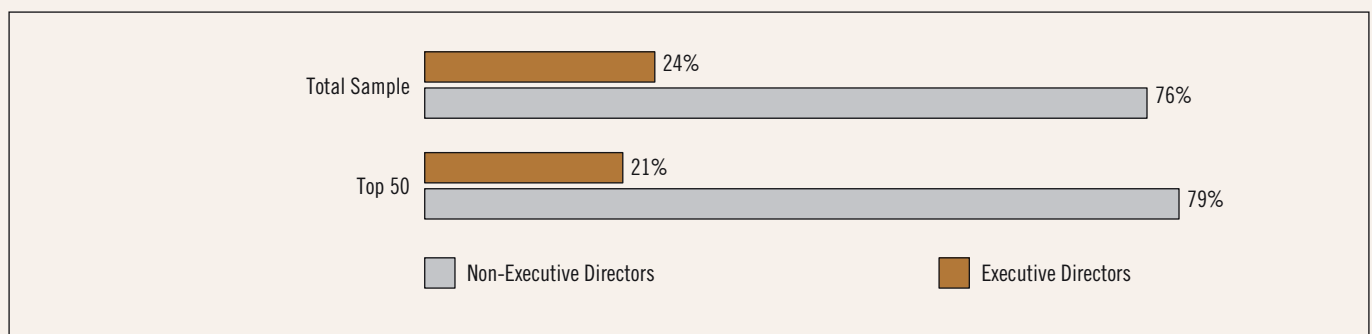
Our observations over past years revealed strong support for there being a majority of non-executive directors serving on the Board and it is clear from our findings this year that the proportion of non-executive directors has increased markedly since introduction in 2003 of the ASX Corporate Governance Principles.

Chart 1 shows that the composition of the Board for the Total Sample is 76% non-executive directors and 24% executive directors and the Top 50 sample shows that the Boards comprise 79% non-executive directors and 21% executive directors.

Chart 2 shows that non-executive directors account for at least 73% of directors (Revenue Less than \$200 million) on the Board across all revenue ranges and those that fall within the Greater than \$5 billion revenue range have a 82% / 18% split.

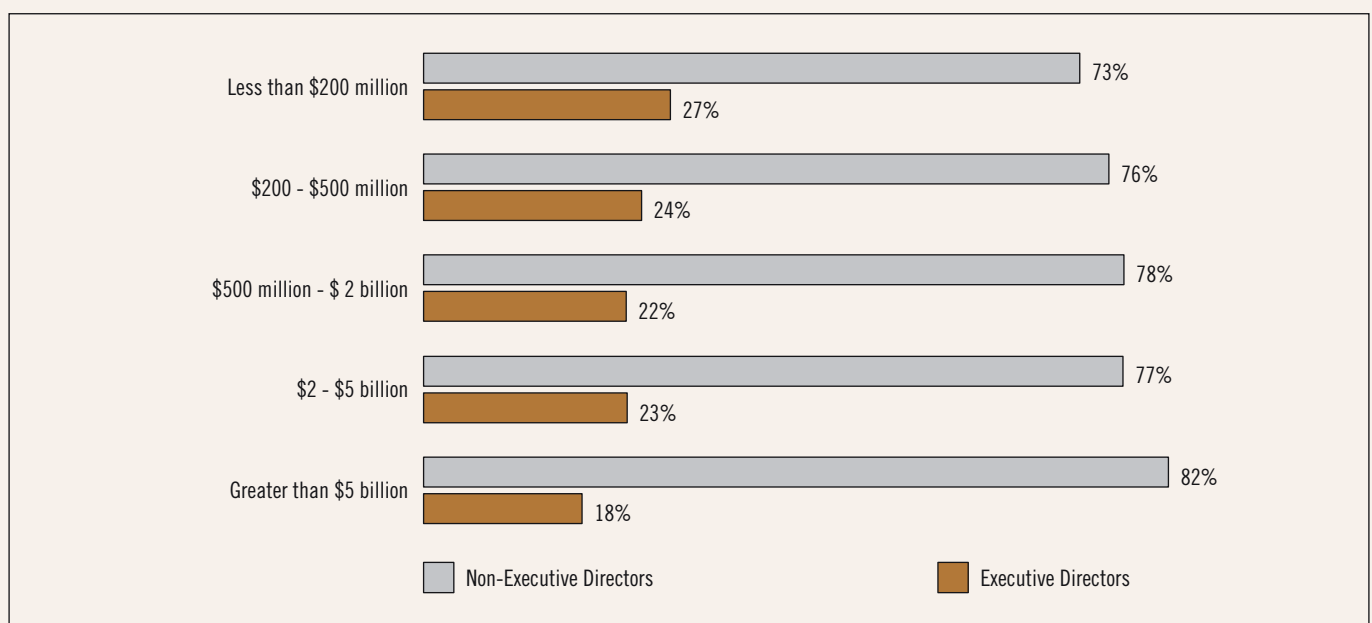
When analysed by GICS Industry (Chart 3), Consumer Staple has the highest proportion of non-executive directors (85%) whereas Health Care has the lowest proportion of non-executive directors serving on their Boards (70%).

**Chart 1: Proportion of Executive and Non-Executive Directors - For Total Sample and Top 50**

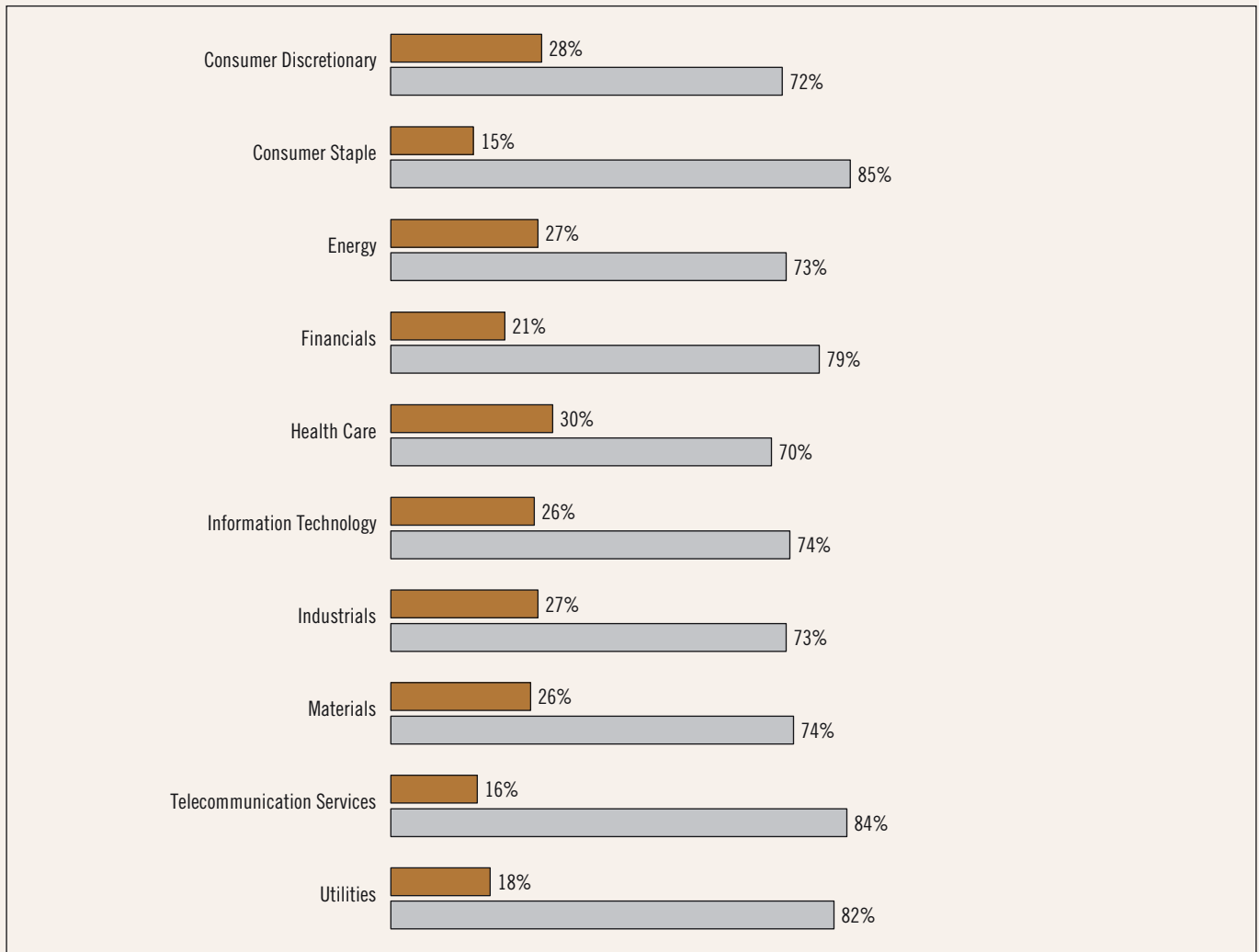


*Top 50 ranked by market capitalisation*

**Chart 2: Proportion of Executive and Non-Executive Directors by Revenue**



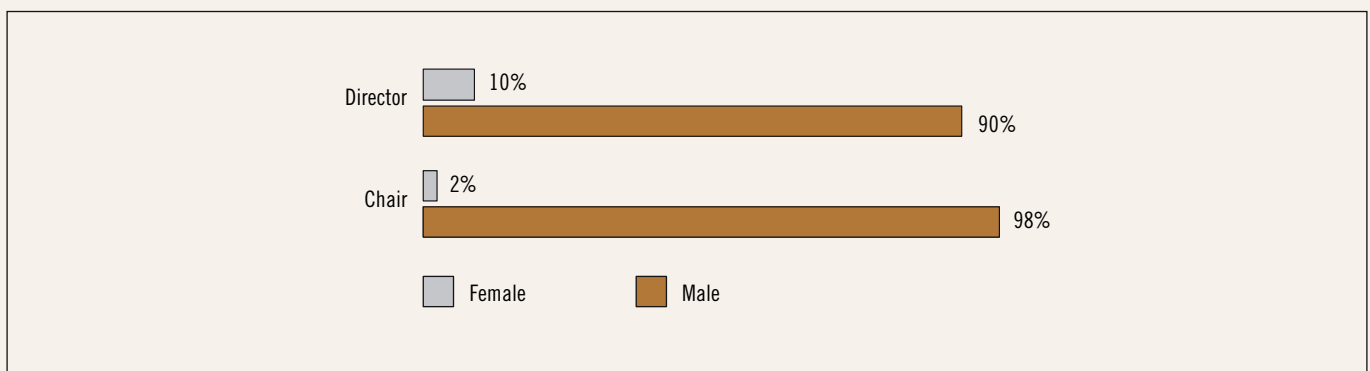
**Chart 3: Proportion of Executive and Non-Executive Directors by GICS Industry**



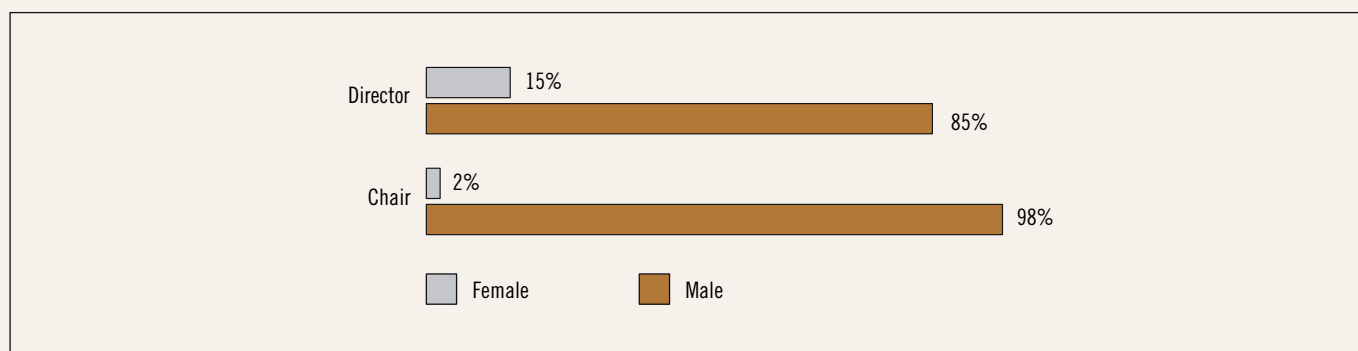
**Board Composition – By Gender**

Charts 4 and 5 show that the overwhelming majority of director positions are held by men. Men hold 98% of Chairman roles for the Total Sample and the Top 100. With regard to Director roles, for the Total Sample women hold 10% of positions, and for the Top 100 companies, 15% of directors are women.

**Chart 4: Board Position by Gender for Total Sample**



**Chart 5: Board Position by Gender for Top 100 Companies**



Top 100 ranked by market capitalisation

**Distribution of Board Size – All Directors (Executive and Non-Executive)**

Board size is analysed according to annual revenue and then by industry, with Board size in the following seven categories; less than 4 directors, 4 to 5; 6 to 7; 8 to 9; 10 to 11; 12 to 13 and greater than 13. The average Board size across the Total Sample stood at 7 and for the Top 50, 10 directors.

Table 7 displays the number of directors serving on the Boards of 349 companies and those on the Top 50 companies ranked by market capitalisation. Further analysis is provided on companies within specific revenue ranges and GICS Sectors.

Slightly more than half (55%) of the Total Sample have between 4 and 7 directors, one quarter (24%) have 8 to 9 directors, and 19% have Boards with more than 10 directors.

For the Top 50, 54% have between 6 and 9 directors and 44% have 10 or more directors.

**Table 7: Distribution of Board Size – All Directors (Executive and Non executive)**

	<4		4-5		6-7		8-9		10-11		12-13		>13		Sample #
	Directors		Directors		Directors		Directors		Directors		Directors		Directors		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
Total Sample	8	2	79	23	113	32	83	24	39	11	21	6	6	2	349
Top 50 Companies	1	2	0	0	11	22	16	32	11	22	9	18	2	4	50
Revenue Ranges															
Less than \$200 million	8	5	67	43	58	37	14	9	6	4	3	2	0	0	156
\$200 - \$500 million	0	0	10	14	27	38	24	33	8	11	3	4	0	0	72
\$500 million - \$2 billion	0	0	3	4	17	25	30	45	10	15	4	6	3	4	67
\$2 - \$5 billion	0	0	0	0	7	25	9	32	7	25	4	14	1	4	28
Greater than \$5 billion	0	0	0	0	3	12	8	31	7	27	6	23	2	8	26
GICS 10 Economic Sectors															
Consumer Discretionary	0	0	13	25	13	25	19	37	2	4	5	10	0	0	52
Consumer Staple	1	5	1	5	5	25	4	20	5	25	3	15	1	5	20
Energy	2	11	3	17	9	50	3	17	0	0	1	6	0	0	18
Financials	2	3	14	20	21	30	15	22	13	19	3	4	1	1	69
Health Care	0	0	7	26	12	44	4	15	3	11	1	4	0	0	27
Information Technology	0	0	6	35	5	29	4	24	0	0	2	12	0	0	17
Industrials	0	0	10	20	17	34	14	28	4	8	3	6	2	4	50
Materials	3	4	25	32	25	32	15	19	9	11	1	1	1	1	79
Telecommunication Services	0	0	2	40	1	20	0	0	0	0	2	40	0	0	5
Utilities	0	0	0	0	2	29	2	29	3	43	0	0	0	0	7



## Korn/Ferry International in association with Egan Associates

### Age of Directors

It should be noted that not every age for each director in our sample has been disclosed and the analysis is inclusive of both the non-executive and executive director positions.

The average age across the Total Sample is 58 years, and 59 at the median (Table 8).

For non-executive directors age ranges from 29 to 83, with the average at 59, and for executive directors age ranges from 29 to 78, with the average at 53.

Among the Top 25 and Top 50 companies ranked by revenue the average age of directors is 60 years (2003:58 years).

With regard to the analysis by Industry (Table 9), the average age across all the sectors ranges from 55 years in Information Technology and Telecommunication Services to 59 in Consumer Staple, Energy, Industrials, Materials and Utilities.

**Table 8: Age of Directors in Australian Leading Companies Ranked by Revenue**

	75th Percentile	Median	25th Percentile	Average	Sample #
Total Sample	64	59	53	58	1,834
Revenue Ranked					
Top 25 Companies	64	61	56	60	247
Top 50 Companies	64	60	55	60	453
Second 50 Companies	64	59	53	58	357
Top 100 Companies	64	60	54	59	810
Top 100 - 200 Companies	63	58	53	58	524
Top 200 - 300 Companies	64	59	53	58	349

**Table 9: Age of Directors in Australian Leading Companies Ranked By Industry**

	75th Percentile	Median	25th Percentile	Average	Sample #
GICS 10 Economic Sectors					
Consumer Discretionary	65	59	53	58	275
Consumer Staple	63	60	55	59	150
Energy	64	60	53	59	81
Financials	64	58	53	58	378
Health Care	63	59	51	57	122
Information Technology	61	56	49	55	77
Industrials	64	60	53	59	281
Materials	64	60	55	59	356
Telecommunication Services	60	54	50	55	31
Utilities	64	58	55	59	42

## Board Committees

Committees have been grouped according to similarity of function. The title Audit Committee embraces audit and compliance committees. Remuneration Committee can include human resources, nomination and compensation committees. From our observation, Special Committees are often indicated by the existence of an executive chairman, and are established to deal with specific external influences or enquiries, as well as tasks associated with takeover defence, or takeover, merger and acquisition activity initiated by the enterprise, or dealing with independence and related party transactions.

### Distribution of Committee Types

Most companies have an Audit Committee and a Remuneration Committee. Table 10 shows that 99% of the Total Sample and 100% of the Top 50 have an Audit Committee, and 79% of the Total Sample and 84% of the Top 50 have a Remuneration Committee.

With regard to Corporate Governance Committees, 8% of the Total Sample and 12% of the Top 50 have this Committee. For the Total Sample 3% have a Special Committee and for the Top 50 12% have a Special Committee.

**Table 10: Distribution of Committee Types**

	Total Sample #	Total Sample %	Top 50 #	Top 50 %
Audit	346	99	50	100
Remuneration	275	79	42	84
Risk	44	13	12	24
Corporate Governance	27	8	6	12
Occupational Health & Safety	24	7	9	18
Special	12	3	6	12
Industry Specific	9	2	3	6
Environment	8	2	2	4
Management	6	2	4	8
Planning	6	2	1	2
Restructure	4	1	2	4
Review	3	1	0	0
Marketing	1	0	0	0
Investment & Property	1	0	0	0
Resources	1	0	0	0

## New Zealand Companies

### Non-Executive Chairmen Fees in New Zealand Leading Companies Ranked by Revenue and Industry

The analysis of New Zealand companies has been compiled in New Zealand dollars.

Table 11 highlights the fees paid to Chairmen in the Total Sample. The average fee for a Non-executive Chairman stood at NZ\$61,782. The variance, having regard to scale, was from NZ\$48,145 among companies with annual revenues of Less than \$200 million and NZ\$135,377 for those companies with revenues Up to \$5 billion.

Industries are categorised using the New Zealand Stock Exchange Industry Listings of Issuer Type and Sector. In relation to specific sector analysis (Table 12), the highest paid Chairmen where the sample was adequate were in the Energy sector and the least well paid in Investment companies. Because of the paucity of sample sizes by some industry categories, it is more difficult to form any independent conclusions.

**Table 11: Non-Executive Chairmen Fees in New Zealand Leading Companies by Revenue**

	75th Percentile NZ\$	Median NZ\$	25th Percentile NZ\$	Average NZ\$	Sample #
Total Sample	69,983	54,981	41,542	61,782	68
Revenue Ranges					
Less than \$200 million	64,391	44,504	30,374	48,145	42
\$200 - \$500 million	83,083	68,340	50,624	72,560	17
\$500 million - \$2 billion	112,857	84,670	70,042	89,905	6
\$2 - \$5 billion				135,377	3

**Table 12: Non-Executive Chairmen Fees in New Zealand Leading Companies by Industry**

	75th Percentile NZ\$	Median NZ\$	25th Percentile NZ\$	Average NZ\$	Sample #
NZ Economic Sectors					
Agriculture & Fishing	66,029	50,369	29,614	60,091	5
Building				103,131	3
Consumer	55,375	50,619	40,624	48,540	9
Energy	124,860	69,771	66,205	118,117	7
Finance & Other Services	68,157	66,488	46,803	64,626	9
Food				49,387	1
Forestry				85,197	1
Intermed & Durables	66,555	41,542	40,648	48,213	8
Investment	46,349	27,792	21,142	35,633	7
Leisure & Tourism				160,685	2
Media & Communications				178,540	3
Ports	66,467	64,354	46,527	58,124	5
Transport	112,007	80,697	62,198	93,507	4
Property				37,967	2

## Non-Executive Directors' Fees in New Zealand Leading Companies Ranked by Revenue and Industry

Fees paid to Non-Executive Directors across our entire sample (Table 13) stood on average at NZ\$45,162 and at the median NZ\$35,265. Across the revenue sample, on average directors serving on Boards of companies with Less than \$200 million in revenue were paid NZ\$33,736, whereas those on the largest companies on average were paid NZ\$94,373.

Across industry sectors the highest paid directors served in the Media & Communications Sector, with the least well paid being in the Consumer, Intermed & Durables, and Ports.

**Table 13: Non-Executive Directors' Fees in New Zealand Leading Companies by Revenue**

	75th Percentile NZ\$	Median NZ\$	25th Percentile NZ\$	Average NZ\$	Sample #
Total Sample	49,858	35,265	24,625	45,162	432
Revenue Ranges					
Less than \$200 million	41,696	29,022	19,261	33,736	226
\$200 - \$500 million	49,051	39,189	30,006	45,347	122
\$500 million - \$2 billion	78,688	47,783	26,577	68,139	60
\$2 - \$5 billion	98,315	66,888	61,388	94,373	24

**Table 14: Non-Executive Directors' Fees in New Zealand Leading Companies by Industry**

	75th Percentile NZ\$	Median NZ\$	25th Percentile NZ\$	Average NZ\$	Sample #
NZ Economic Sectors					
Agriculture & Fishing	26,465	26,275	20,537	26,571	30
Building	63,213	58,999	45,706	59,458	17
Consumer	45,146	33,746	22,940	35,190	52
Energy	59,943	41,933	25,558	55,470	51
Finance & Other Services	66,488	38,338	29,961	54,451	53
Food	34,748	29,367	9,112	24,433	7
Forestry				70,042	3
Intermed & Durables	41,542	35,049	20,771	36,611	38
Investment	47,800	24,625	13,360	27,967	34
Leisure & Tourism	57,413	49,858	42,382	51,650	11
Media & Communications	102,469	36,938	32,684	75,550	25
Mining	24,148	23,886	23,886	21,252	5
Ports	36,445	29,079	19,016	31,261	33
Transport	61,014	36,422	33,247	55,039	28
Textiles & Apparel	66,467	25,154	24,930	44,985	9
Property				34,948	3

## Non-Executive Directors by Age

The age of directors ranged from 38 to 79 years, and the average across all revenue ranges was 58 (Table 15).

Table 16 shows that the average age by industry varied from 48 to 67.

**Table 15: Age of Directors in New Zealand Leading Companies by Revenue**

	75th Percentile	Median	25th Percentile	Average	Sample #
Revenue Ranges					
Less than \$200 million	63	59	54	58	58
\$200 - \$500 million	66	59	51	58	36
\$500 million - \$2 billion	63	57	53	58	24
\$2 - \$5 billion	63	57	56	58	17

**Table 16: Age of Directors in New Zealand Leading Companies by Industry**

	75th Percentile	Median	25th Percentile	Average	Sample #
NZ Economic Sectors					
Agriculture & Fishing				48	3
Building	62	59	56	58	12
Consumer	65	59	51	58	15
Energy	73	60	47	60	4
Finance & Other Services	61	59	53	57	24
Forestry	62	56	55	57	5
Intermed & Durables	65	61	54	59	23
Investment	61	57	52	57	7
Leisure & Tourism				62	3
Media & Communications	64	57	53	59	10
Mining	61	56	53	58	4
Ports	66	64	59	64	8
Transport	66	64	58	63	6
Textiles & Apparel				59	1
Property				67	1

## Appendix

### List of Organisations Surveyed – Australian Companies

ABB Grain Limited	Australian Gas Light Company	Carlton Investments Limited
ABC Learning Centres Limited	Australian Leisure & Hospitality Group Limited	Cedar Woods Properties Limited
Aberdeen Leaders Limited	Australian Pharmaceutical Industries Limited	Cellestis Limited
Adcorp Australia Limited	Australian Pipeline Trust	Centamin Egypt Limited
Adelaide Bank Limited	Australian Postal Corporation	Centennial Coal Company Limited
Adsteam Marine Limited	Australian Stock Exchange Limited	Central Equity Limited
Advent III Private Equity Limited	Australian United Investment Company Limited	Centro Properties Group
Aeris Technologies Ltd	Australian Worldwide Exploration NL	Centro Properties Limited
ALE Property Group	Auto Group Limited	Century Australia Investments Limited
Alesco Corporation Limited	AV Jennings Homes Limited	Challenger Beston Wine Trust
Alinta Limited	AWB Limited	Challenger Financial Services Group
Altium Limited	AXA Asia Pacific Holdings Limited	Charter Pacific Corporation Limited
Alumina Limited	B Digital Limited	Chemeq Limited
Amalgamated Holdings Limited	Bank of Queensland Limited	Choiseul Investments Limited
Amtcor Limited	Barwon Region Water Authority	City Pacific Limited
Ammtec Limited	Baxter Group Limited	Clough Limited
AMP Limited	Baycorp Advantage Limited	Coates Hire Limited
Angus & Coote (Holdings) Limited	BeMax Resources NL	Cochlear Limited
Ansell Limited	Bendigo Bank Limited	Cockatoo Ridge Wines Ltd
Antares Energy Limited	Bendigo Mining Limited	Codan Limited
APN News and Media Limited	Benitec Limited	Coles Myer Limited
ARB Corporation Limited	Berklee Limited	Colorado Group Limited
ARC Energy Limited	BHP Billiton Limited	Commander Communications Limited
Argo Investments Limited	Billabong International Limited	Commonwealth Bank of Australia
Aristocrat Leisure Limited	Blackmores Limited	Computershare Limited
Arrow Pharmaceuticals Limited	Bluescope Steel Limited	Consolidated Minerals Limited
Astron Limited	Bolnisi Gold NL	Corporate Express Australia Limited
Ausdrill Limited	Bonlac Foods Limited	Count Financial Limited
Ausmelt Limited	Boom Logistics Limited	Coventry Group Limited
Auspine Limited	Boral Limited	CPI Group Limited
Austal Limited	Brambles Industries Limited	Crane Group Limited
Austereo Group Limited	Brazin Limited	Croesus Mining NL
Austin Group Limited	BreakFree Limited	CSL Limited
Austpac Resources NL	Brickworks Limited	CSR Limited
Austral Coal Limited	Burns Philp and Company Limited	CVC Limited
Australand Property Group	Cabcharge Australia Limited	Dairy Australia Limited
Australia and New Zealand Banking Group Limited	Caltex Australia Limited	Danks Holdings Limited
Australian Agricultural Company Limited	Campbell Brothers Limited	Data#3 Limited
		David Jones Limited

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DCA Group Limited	Healthscope Limited	Macquarie Goodman Management Limited
Dioro Exploration NL	Hills Industries Limited	Macquarie Infrastructure Group
Diversified United Investment Limited	Hills Motorway Group	MaxiTRANS Industries Limited
Dominion Mining Limited	Hospitals Contribution Fund of Australia	Mayne Group Limited
Downer EDI Limited	Housewares International Limited	McGuigan Simeon Wines Limited
Dwyka Diamonds Limited	Hunter Hall International Limited	McMillan Shakespeare Limited
Elders Rural Bank Limited	iiNet Limited	McPhersons Limited
Electro Optic Systems Holdings Limited	Iluka Resources Limited	Metabolic Pharmaceuticals Limited
Energy Developments Limited	IMB Ltd	Metcash Trading Limited
Energy Resources of Australia Limited	IMF (Australia) Limited	Miller's Retail Limited
EnergyAustralia	Infomedia Limited	Milton Corporation Limited
Envestra Limited	Insurance Australia Group Limited	Minara Resources Limited
Equigold NL	Integral Energy	Mincor Resources NL
ERG Australia Limited	Integrated Group Limited	Mirvac Group Limited
ETRADE Australia Limited	Integrated Tree Cropping Limited	Monadelphous Group Limited
Excel Coal Limited	Investa Property Group	Mosaic Oil NL
Fantastic Holdings Limited	Investor Group Limited	Mount Gibson Iron Limited
Felix Resources Limited	IOOF Holdings Limited	Namoi Cotton Co-operative Ltd
FKP Limited	James Fielding Group	National Australia Bank Limited
Fleetwood Corporation Limited	James Hardie Industries Limited	National Can Industries Limited
Flight Centre Limited	JB Hi-Fi Limited	National Foods Limited
Foodland Associated Limited	Jervois Mining Limited	National Hire Group Limited
Fortescue Metals Group Limited	John Fairfax Holdings Limited	New Hope Corporation Limited
Foster's Group Limited	John Shearer (Holdings) Limited	Newcastle Permanent Building Society Ltd
Futuris Corporation Limited	Jubilee Mines NL	Newcrest Mining Group
Gallery Gold Limited	Just Group Limited	Newhaven Hotels Limited
GasNet Australia Group	K&S Corporation Limited	News Corporation Limited
Gazal Corporation Limited	Kagara Zinc Limited	Norwood Abbey Limited
Genetic Technologies Limited	Kimberley Diamond Company NL	Novogen Limited
Global Petroleum Limited	Kingsgate Consolidated Limited	Nufarm Limited
Globe International Limited	Legalco Limited	Nylex Limited
GrainCorp Limited	Leighton Holdings Limited	OAMPS Limited
Grand Hotel Group	Lend Lease Corporation Limited	Occupational & Medical Innovations Limited
GRD Limited	Life Therapeutics Limited	Oceana Gold Limited
Great Southern Plantations Limited	Lion Nathan Limited	OFM Investment Group Limited
Gribbles Group Limited (The)	Lion Selection Group Limited	OneSteel Limited
GUD Holdings Limited	Macarthur Coal Limited	Onyx Property Group
Gunns Limited	Macmahon Holdings Limited	OptiScan Imaging Limited
GWA International Limited	Macquarie Bank Limited	Orbital Corporation Limited
Hardman Resources Limited	Macquarie Communications Infrastructure Group	Orica Limited
Harvey Norman Holdings Limited	Macquarie Goodman Industrial Trust	Origin Energy Limited

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Oxiana Limited	Roma Petroleum NL	Troy Resources N L
Pacific Brands Limited	Rural Press Limited	Trust Company of Australia Limited
Pacific Hydro Limited	Ruralco Holdings Limited	Unilife Medical Solutions Limited
Pacific Mining Limited	SAI Global Limited	UNiTAB Limited
Pacifica Group Limited	Santos Limited	United Group Limited
Paladin Resources Ltd	Schaffer Corporation Limited	Unwired Group Limited
Pan Pacific Petroleum NL	SDI Limited	Unwired Group Limited
PaperlinX Limited	Select Harvests Limited	Valad Property Group
Patrick Corporation Limited	Servcorp Limited	Ventracor Limited
Peptech Limited	Seven Network Limited	Villa World Limited
Perilya Limited	SFE Corporation Limited	Village Life Ltd
Perpetual Trustees Australia Limited	Sigma Company Limited	Village Roadshow Limited
Perseverance Corporation Limited	Sims Group Limited	Vision Systems Limited
Plaspak Group Limited	Skilled Group Limited	Volante Group Limited
Platinum Capital Limited	Smorgon Steel Group Limited	WAM Capital Limited
PMP Limited	SMS Management & Technology Limited	Washington H Soul Pattinson and Company Limited
Portman Limited	Sonic Healthcare Limited	Water Corporation
Premier Investments Limited	Southcorp Limited	Watpac Limited
Premium Investors Limited	Southern Cross Broadcasting (Australia) Limited	Wattyl Limited
Primary Health Care Limited	SP Telemedia Limited	Wesfarmers Limited
Prime Television Limited	Spotless Group Limited	West Australian Newspapers Holdings Limited
Pro Medicus Limited	St George Bank Limited	Westfield Group
Programmed Maintenance Services Limited	Stanwell Corporation Limited	Westpac Banking Corporation
Promina Group Limited	Stockland Corporation Limited	Wide Bay Australia Ltd
Prophecy International Holdings Limited	Suncorp-Metway Limited	WMC Resources Limited
pSivida Limited	Sunland Group Limited	Woodside Petroleum Limited
Publishing and Broadcasting Limited	Super Cheap Auto Group Limited	Woolworths Limited
Qantas Airways Limited	Sydney Gas Ltd	WorleyParsons Limited
QBE Insurance Group	TABCORP Holdings Limited	WridgWays Australia Limited
QPSX Limited	Technology One Limited	York Group Limited
Ramsay Health Care Limited	Telstra Corporation Limited	
realestate.com.au Limited	Ten Network Holdings Limited	
Rebel Sport Limited	Thakral Holdings Limited	
Record Investments Limited	The Multiplex Group	
Redflex Holdings Limited	Ticor Limited	
Reece Australia Limited	Timbercorp Limited	
Repco Corporation Limited	Toll Holdings Limited	
Resolute Mining Limited	Transfield Services Limited	
Ridley Corporation Limited	Transurban Group Limited	
Rinker Group Limited	Treasury Group Limited	
Rio Tinto Limited	Triako Resources Limited	



## List of Organisations Surveyed – New Zealand Companies

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A2 Corporation Limited	Independent Newspapers Limited	Salmat Limited
Abano Healthcare Group Limited	Infratil Limited	Sanford Limited
Affco Holdings Limited	Lyttelton Port Company Limited	Sealegs Corporation Limited
Air New Zealand Limited	Mainfreight Limited	Skellmax Industries Limited
Auckland International Airport Limited	Metlifecare Limited	Sky Network Television Limited
BIL International Limited	Michael Hill International Ltd	SKYCITY Entertainment Group Limited
Briscoe Group Limited	Mooring Systems Limited	South Port New Zealand Limited
Cadmus Technology Limited	Mowbray Collectables Limited	Steel & Tube Holdings Limited
CanWest MediaWorks NZ Limited	Mr Chips Holdings Limited	Taylors Group Limited
Capital Properties New Zealand Limited	Natural Gas Corporation Holdings Limited	Telecom Corporation of New Zealand
Carter Holt Harvey Limited	New Zealand Exchange Limited	Tenon Limited
Cavalier Corporation Limited	New Zealand Oil & Gas Limited	The New Zealand Refining Company Limited
Contact Energy Limited	New Zealand Wool Services International Limited	The Warehouse Group Limited
Cue Energy Resources Limited	NGC Holdings Limited	Toll NZ Limited
EBOS Group Limited	Nuplex Industries Limited	Tourism Holdings Limited
Feltex Carpets Limited	Owens Group Limited	Tower Limited
Finzsoft Solutions Limited	Pacific Retail Group Limited	Trans Tasman Properties Limited
Fisher and Paykel Appliances Holdings Limited	Port of Tauranga Limited	TrustPower Limited
Fisher and Paykel Healthcare Limited	Ports of Auckland Limited	Turners & Growers Group
Fletcher Building Limited	Powerco Limited New Zealand	Turners Auctions Limited
Freightways Express Limited	Provenco Group Limited	Urbus Properties Limited
Genesis Research & Development Corporation Limited	Pumpkin Patch Limited	Vertex Group Holdings Limited
Hallenstein Glasson Holdings Ltd	Pyne Gould Corporation Limited	Wakefield Hospital Limited
Hellaby Holdings Limited	Pyne Gould Guinness Limited Group	Waste Management NZ Limited
Heritage Gold NZ Limited	Renaissance Corporation Limited	Wellington Drive Technologies Limited
Hirequip New Zealand Limited	Restaurant Brands New Zealand Ltd	Wrightson Limited
	Rubicon Limited	

