

Board of Directors' Study 2009

by John Egan

In 2009 Egan Associates once more collaborated with Korn Ferry to produce the Australia and New Zealand Board of Directors' Study. Egan Associates provide the data and analysis for this widely regarded report.

Since the research was conducted boards of the majority of the region's leading companies have faced shareholders in circumstances of either declining or flat profits, declining market capitalisation arising from the global financial crisis and accordingly, in the majority of cases did not seek shareholder approval for an uplift in their fees in the proportions that we have observed over the past decade.

Notwithstanding this circumstance of declining profits and declining market capitalisation, year on year revenues among the leading companies in both Australia and New Zealand grew on average by more than 15% over the prior twelve months.

Of particular interest subsequent to the conduct of our research has been the uplift in fee levels paid to chairmen and non-executive directors in New Zealand where directors' emoluments generally have been lower than fees prevailing in Australia, particularly when coupled with the addition of the mandatory superannuation guarantee payments to non-executive directors serving on boards of Australian companies.

Our most recent research reveals only a modest uplift to non-executive directors' fees in Australia when compared to the underlying annual movement over the past decade in the order of 7% to 9%, exclusive of the bubble which arose in the early part of the last decade arising from the closure of the defined benefit retirement plans for Australian based non-executive directors.

Our recent New Zealand research (NZX 50) reveals an uplift in chairmen and non-executive directors' fees of greater than 10%, as revealed in shareholder disclosures in the final quarter of 2009.

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