

Board of Directors Study
Australia and New Zealand

2008



 KORN/FERRY INTERNATIONAL

 **egan**associates

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ABOUT KORN/FERRY INTERNATIONAL

Since its establishment in 1969, Korn/Ferry International (NYSE:KFY) has been a leader and innovator in executive recruitment, evolving to become the world's premier provider of executive talent management solutions. With more than 90 offices in 39 countries, Korn/Ferry delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent.

Leadership, it has been said, is the single most important contributing factor to an organisation's success. In today's business environment, maintaining strong governance is no longer optional. At Korn/Ferry International, we have been placing CEOs and Directors for over 30 years - a responsibility we do not take lightly. Recognising that the business community faces many more challenges in attracting, developing and retaining "best-in-class" senior managers today than possibly ever before, Korn/Ferry has expanded its services from Board and C level recruitment to outsourced recruiting, management assessment, and even executive coaching and development.

Expanding the talent pool of CEOs and Directors is imperative. Finding qualified individuals and developing them to serve in this new environment requires insight, creativity and sensitivity, which Korn/Ferry's CEO & Board Services practice delivers. This dedicated team of seasoned consultants leverages their experience in organisational leadership and governance to conduct hundreds of Director-level engagements every year, tapping talent from every corner of the globe.

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ABOUT EGAN ASSOCIATES

Egan Associates is Australia's and New Zealand's pre-eminent senior executive and board remuneration consulting organisation. Established in 1989, Egan Associates has continuing relationships with some of the largest organisations in the region. John Egan has well developed long term affiliations with leaders in both the public and private sectors.

Egan Associates maintains a comprehensive Director and senior executive remuneration database for Australia and New Zealand and draws on international resources where necessary. Our clients extend across the breadth of the market, from leading public companies, those preparing for listing, private and international corporations, government and related corporatised entities, as well as innovative enterprises. We provide advice and viable solutions on CEO, Executive and Non-Executive Director reward, cash incentive programs and equity plans, as well as strategic and corporate governance issues embracing guidance on the content and preparation of company remuneration reports for shareholder review as well as attesting to the reasonableness of CEO and Executive Director reward arrangements.

The company is retained by leading corporate entities as an advisor to their Chief Executive and/or Board on strategic remuneration challenges. These challenges include the structure of CEO pay and service agreements including contemporary termination provisions, unlatching payments for external appointees, and performance aligned "at risk" remuneration plans.

Details of our services can be reviewed on the company's website.

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PREFACE

The 2008 Board of Directors Study – Australia and New Zealand, published by Korn/Ferry International, in partnership with Egan Associates, comments on Board structure and the compensation of Directors.

The Study presents insight into the changing structure of emoluments for Boards and contrasts this with executive remuneration. It includes editorial comment on the challenging environment for Non-Executive Directors in the current global setting.

The challenges that Australian and New Zealand companies and their boards face as a consequence of the global financial crisis are yet to be clearly revealed. There will certainly be pressure from shareholders, regulators and governments to closely examine many of the existing remuneration arrangements of executives and review their efficacy. Recent shareholder voting patterns reflect concern where pay has not mirrored performance.

The Rudd Labor Government in Australia has signalled its intention to review executive remuneration policies and has flagged possible intervention. This will put increased pressure on Board Remuneration Committees to respond with, and in particular engage in, a comprehensive review of their executive remuneration policies and reward outcomes.

Our view is that without direct investment in financial institutions, the Australian and New Zealand Governments are unlikely to follow the legislative action foreshadowed in the United States and Europe including the United Kingdom, aimed at mitigating their investment risk. International precedent will, however, sharpen the focus of shareholders and regulators, which in time will increase the level of board stewardship of executive remuneration and reward policies generally.

Korn/Ferry International and Egan Associates are actively involved in responding to the issues that have been raised by shareholders, government, regulators and clients.

Our 2008 Board of Directors Study has been published at a crucial point in this debate. We trust you find it informative and that it assists your Board in its consideration of these important issues.



Gary Reidy
Managing Director, Australasia
Korn/Ferry International



John Egan
Chairman
Egan Associates

INTRODUCTION

Recruiting Non Executive Directors in 2008

One of the most common questions we are asked by prospective Non-Executive Director (“NED”) candidates is:

“Why should I risk my reputation for such a high risk/low reward proposition?”

The poser of the question is generally a former CEO, CFO or senior executive who is looking for new challenges to replace the 24/7 pressures of a senior executive role. In the past, this person invariably accepted the invitation to join the Board of two or three blue-chip publicly-listed companies as a matter of course. Today, that choice is no longer automatic and many senior NED prospects are avoiding the opportunity altogether in favour of less risky and potentially more rewarding lifestyle friendly pursuits.

It would be too easy to blame this change of heart on the global financial crisis which has had such a devastating effect on so many formerly financially secure companies and their Directors in the past 12 months. But this change of attitude has been brewing for years. These are some of the reasons:

- Complaints that NEDs spend too much time on compliance and regulatory issues and not enough time on the business and its strategy. This can lead to people complaining that board work is boring, repetitive and unfulfilling from a value add perspective.
- The perception that NED remuneration has failed to keep pace with executive remuneration and that it has failed to reflect the increased workload and potential liability that is now the lot of a public company Director.
- The reputational and financial risk of being associated with a failed company.

“Why should I risk my reputation for forty or fifty thousand dollars - after tax?” is a question often asked by prospective Directors.

The NED remuneration issue also extends to the remuneration of NEDs for Board committees. The role of the Audit/Audit-Risk Committee in most publicly listed companies has grown significantly in recent years. Some Audit Committees meet for longer periods than the Board, and yet many companies do not adequately remunerate NEDs for the time they spend on these committees and the responsibility they assume.

It is too easy for shareholder activists to criticise NEDs for being “overpaid” for attending eight or ten meetings a year and in the same breath expect them to take responsibility for the company’s performance and/or lack of performance of its executives.

There is no doubt that NEDs will be expected to spend more time on their Board duties in the future than in the past and they will be expected to have more in-depth knowledge of their company’s business than ever before. NEDs are also seeking more independent advice for Boards before important decisions are made. This trend manifests itself in the way NED candidates do their own due diligence on companies that are interviewing them for NED positions. It is no longer a “one way” conversation and the NED selection process is becoming more like the executive selection process than in the past.

This is not a bad thing. Boards are selecting NEDs with a specific skill set in mind to ensure that the Board has “all bases covered”. For example, bank Boards are ensuring that they not only have NEDs with experience in the various areas of banking and financial services but also in risk, marketing, IT and so on to ensure the Board is able to question and challenge management as well as make its own contribution to the company’s strategy.

This welcome trend has elevated the role of Korn/Ferry International in the Board search area and we have responded accordingly by enhancing our research capacity and our NED selection process. The year 2008 has produced new challenges for Boards, and NEDs are working harder than ever before. Therefore, the workload, remuneration, education and capability of NEDs will require more scrutiny and constant reassessment than in the past if Boards are to respond to their changing role.

We are foreshadowing that in the future, Chairmen and NEDs will accept fewer roles than in the past but that they will be better remunerated and will achieve greater job satisfaction for those roles.

EDITORIAL COMMENT

While we continue to observe year-on-year growth in Non-Executive Directors' fees, we also note that in an environment marked by considerable challenges associated with frequent profit downgrade announcements and a 15% or greater decline in shareholder wealth that the demand on Boards is anything but diminishing. A number of Boards would have been more focused on ensuring their company survived than maximising shareholder returns in recent months.

Over the past 12 months we have observed an increased focus by many Boards on risk management in its widest sense. In that context, we have seen an elaboration in Annual Reports and Remuneration Reports of the explanation of the strengthening of committee obligations on Boards, for either their Audit Committees or separate committees dealing with governance and risk.

Notably, in both Australia and New Zealand, a higher than normal turnover of senior executives and indeed, the "changing of the guard" of many chief executives over the past 12 months, has clearly demanded a significant amount of engagement by Non-Executive Directors in not only addressing succession planning internally but also engaging with external advisors in increasing their company's bench strength.

Outside these obvious challenges we observed that the proxy advisors and institutional investors in the last reporting season increased their focus on a number of Remuneration Reports. This was due to a lack of transparency in relation to incentive payments, whether cash or equity, and in a number of cases commentators rejected proposals either put to shareholders or foreshadowed to be put to shareholders with inadequate explanation.

In the current climate we believe that Board Remuneration Committees and their Chairs will become more active in understanding the metrics that support payments under annual incentive plans or the release of equity under long term incentive plans. This will help to ensure that payments reflect superior performance rather than "more of the same".

In the current environment, with well over 100 companies in those surveyed reporting profit downgrades, the work of Board Remuneration Committees in managing growth in fixed remuneration and incentive payments will become more focused. Boards have the challenging commercial responsibility of ensuring that management are appropriately rewarded in accordance with the company's performance and market challenges in parallel with ensuring that the management team are focused, motivated and not disadvantaged having regard to the prevailing capital market's volatility.

Many Directors who serve on a number of Boards would be observing different challenges in varying industry sectors, with the Construction, Energy, Infrastructure and Resources sectors showing a more robust performance in relation to both profitability and growth than many other sectors which have become challenged by either international economic circumstance or the tightening of the domestic economy.

Also during the past 12 months many Boards have needed to address either the outcome of their own passive policy support for investment in company shares or initiatives taken by management by way of significant investment in their own company's equity, in anticipation of a continued bullish market. Boards have had to address the question of materiality of executive debt, exposure to margin calls and the impact that these circumstances may have had upon the financial stability of an executive team in a difficult market.

One of the significant challenges arising from this situation is how Boards manage the fine line between prying into their executives' financial circumstances and ensuring that the executive team is not unduly distracted as a result of their own personal investment and financial pressures in a more challenged environment.

Running in parallel with these changes is the continuing renewal of Board membership, either as a result of governance protocols providing for Directors not to serve more than three terms, age limits or other challenges having regard to their changing workload.

While we anticipate that there may be some pressure on senior executive reward in the coming 24 months, we do not anticipate a wholesale reduction in executive reward levels, particularly fixed remuneration.

However, we do anticipate that there will be a pause in the rate of increase that has been enjoyed by executive teams over recent years.

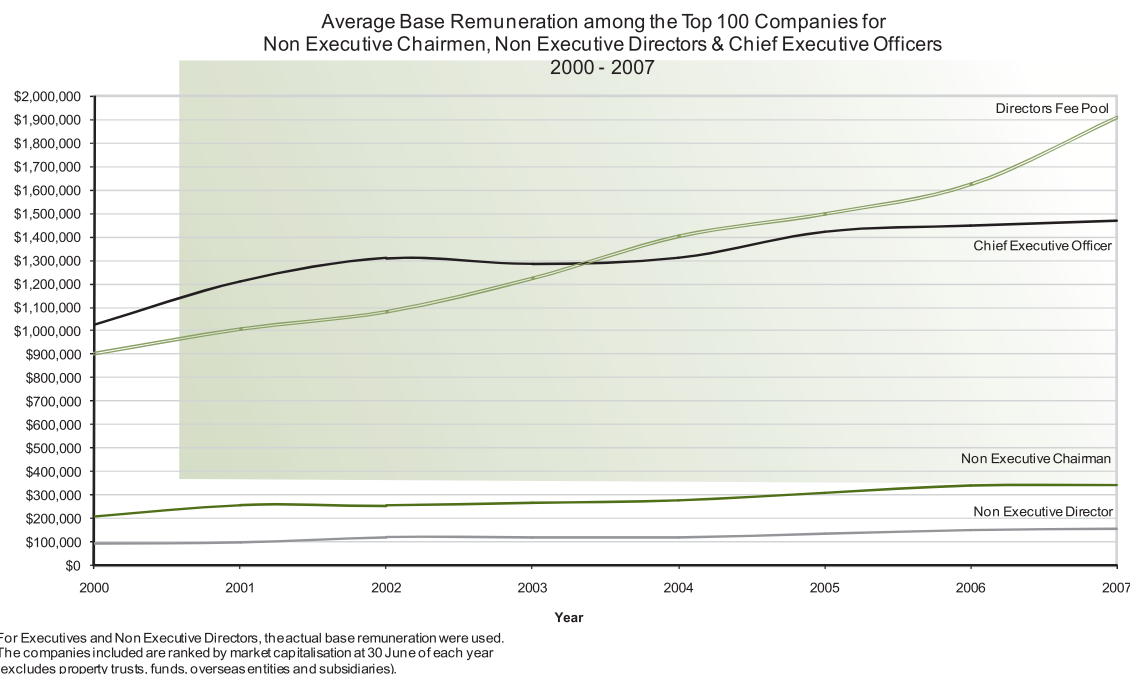
In parallel with that, it would be our general assessment that many Directors are not compensated adequately for the load which they carry, the risks that they face and the increasing demand placed on them during the present challenging economic cycle. What we have observed over the past decade is that the gap in reward for a Chairman and that of a Chief Executive Officer has continued to widen, both in percentage or ratio terms, as well as in absolute terms. While the accountability is clearly different, the role of Chairman and Non-Executive Director has become more onerous which is not universally reflected in their compensation.

The chart below provides information on the average level of reward for Chairmen and Non-Executive Directors since the turn of the century, compared to the average base remuneration of an ASX100 CEO and the average fee pool available for all Directors in stewarding the company.

The crossover of fee pools in the 2004 financial year arises from the closure of many retirement plans for Non-Executive Directors with the substitution of cash for the long established defined benefit retirement arrangements. These fee pool statistics reflect the most recent approvals at annual general meetings and overstate the drawings of Non-Executive Directors, as most fee pools are only adjusted on a biennial and triennial basis.

The data reveals that the entire Board's annual fee pool approximates the base remuneration of a Chief Executive Officer. Among the ASX100 companies, base remuneration of a CEO represents less than 30% of the potential reward available given the significant opportunities which CEOs have to earn performance based reward, either through equity grants or their participation in annual cash based bonus or incentive programs.

The above observation of CEO reward has not been derived on a mark to market basis, which would reveal considerable variation in CEO reward from many times base remuneration at the end of a three year cycle, to no return where performance hurdles have not been met.



It is clearly acknowledged in this context, however, that the burden on Chief Executives and their executive teams has increased significantly, particularly with the increased internationalisation of many businesses and they have been progressively compensated through “at risk” reward, a component of compensation not generally available to Non-Executive Directors of leading Australian or New Zealand companies.

In start-up companies, smaller resources and science/technology based enterprises, founding Directors will often receive an interest in the company's equity by way of the issue of options. This is not a mechanism widely applied among leading companies where not only is there a lack of leverage associated with performance, but increasingly a mandatory obligation on Directors to allocate a proportion of their fees to acquire shares in the company on whose board they serve.

We observe in our consulting practice that in a modest number of small market cap companies, Directors may be issued with a significant number of options at either pre IPO or at IPO prices. Over a period of two or three years these can lead to supplemental compensation in excess of \$1,000,000, albeit that their annual fees are modest having regard to their time commitment and the uncertainties facing start-ups or those enterprises with prospective mineable resources spread across the world.

We observe two circumstances arising from this situation. In the smaller market cap companies Directors, along with their executives, share the uncertainty of the company's future, though if shareholders prosper so do Non-Executive Directors. As these small businesses mature and become established many Directors have an expectation that the options or rights which they received in the early stages of the company's development would continue to be allocated, providing them with annual rewards which are two or three times that of their counterpart Directors in organisations of comparable scale.

Equally, emerging companies with global aspirations require Directors with significant sector experience and international networks, who are capable of building world class management teams while creating the necessary infrastructure and jurisdiction support to ensure that the enterprise's great ideas and/or discoveries are not stillborn. In these settings, an annual fee of say \$50,000 would not adequately compensate appropriately skilled Directors, whereas a significant "at risk" reward will often attract successful individuals to become part of a "new future".

Wrestling with the varied challenges of matching reward to the organisation's needs and persuading proxy advisors and/or media commentators on its appropriateness will remain a priority for Boards well into the future.

Feedback from many substantial listed public companies in Australia and New Zealand reveals that the work in committees of Boards is becoming increasingly onerous and time consuming. Examination of the emoluments of Chairmen of Board Audit, Risk & Compliance Committees, particularly where the above activities are integrated in a single committee, reveals that the time commitment of Chairmen leading these committees is broadly equivalent to their time commitment as a Board member outside their committee engagements, though compensation for it approximates between 20% and 30%.

On some Boards time commitment may be equally onerous in other committees which are either industry specific or established for a particular purpose where the Chairman holds the view that a significant area of Board governance should be addressed by a committee rather than the entire Board. In recent times it has equally been observed that when a company is either pursuing M&A activities or responding to M&A activities that the demand on Directors is substantial and during a defined period of time, which can often extend beyond six months, the engagement of Directors entails a doubling of their normal commitment.

There are varying views in relation to managing this circumstance and treating Non-Executive Directors equitably. In the event of a takeover, management is normally handsomely rewarded through the crystallisation of equity holdings or in certain settings, where their positions become redundant, separation settlements are also generous. Non-Executive Directors in a similar circumstance do not receive a termination benefit and generally do not hold performance tensioned equity where a further benefit arises should there be no continuity of their service on the new entity Board.

INFORMATION AND INTERPRETATION

The data for the 2008 Board of Directors Study – Australia and New Zealand has been compiled by Egan Associates from an analysis of published information from annual reports of leading companies in Australia and New Zealand released prior to December 2007.

This Study has adopted the same format and data gathering methods as in our previous studies. The number of Australian companies included in this study is 300, while the number of New Zealand companies remains at 50.

For this 2008 Study, the revenue ranges and market capitalisation ranges for Australian companies continue to reflect those adopted in prior years, though the constituents in these groups of companies will vary in accordance with individual corporate circumstances, as will the constituents in ranked companies, reflecting a significant uplift in value of companies in the resources sector in particular.

Revenue and Market Capitalisation Ranges

2008

Greater than \$10 billion

\$5 - \$10 billion

\$2 - \$5 billion

\$500 million - \$2 billion

\$200 - \$500 million

Less than \$200 million

Revenue and Market Capitalisation Ranks

2008

Top 50 Companies

Second 50 Companies

Top 100 Companies

Top 100 - 200 Companies

Top 200 - 300 Companies

The fees analysis includes base or retainer fees, committee fees, disclosed SGC contributions and other benefits, though excludes disclosed retirement benefit accruals.

Market Capitalisation is determined as at 30 June 2008 with a 22 day smoothing applied.

Profile of Participating Organisations

The list of 350 organisations, 300 Australian and 50 New Zealand companies from which data has been drawn is appended. The analysis is restricted to the Top 300 Australian and Top 50 New Zealand Companies by market capitalisation as at 30 June 2008 with 22 day smoothing applied, and excludes Property Trusts, Funds, overseas-based companies and subsidiaries.

Australian Leading Companies

	Average A\$	Count #
Market Capitalisation ¹ : Top 300 companies	3,764,684,255	300
Market Capitalisation ¹ : Top 50 companies	17,637,583,120	50
Operating Revenue: Top 300 companies	2,200,174,771	300
Operating Revenue: Top 50 companies	9,117,031,332	50
Total Assets: Top 300 companies	10,169,043,245	300
Total Assets: Top 50 companies	54,521,050,054	50
Operating Profit: Top 300 companies	362,138,885	300
Operating Profit: Top 50 companies	1,771,963,943	50

1. Market Capitalisation as at 30 June 2008

New Zealand Leading Companies

	Average NZ\$	Count #
Market Capitalisation ¹ : Top 50 Companies	900,518,662	50
Operating Revenue: Top 50 companies	724,202,274	50
Total Assets: Top 50 companies	1,154,983,663	50
Operating Profit: Top 50 companies	88,975,038	50

1. Market Capitalisation as at 30 June 2008

AUSTRALIAN COMPANIES: NON-EXECUTIVE CHAIRMEN AND NON-EXECUTIVE DIRECTORS FEES

Australian Leading Companies by Revenue

Non-Executive Chairman fees have been analysed according to company size, that is by revenue and market capitalisation. Of the top 300 Australian companies, 243 had a Non-Executive Chairman.

Table 1 reveals that the average fee payable to a Chairman stood at \$208,196, at the median \$152,998 and at the 75th percentile \$278,334.

Non-Executive Directors' fees among the top 300 companies on average stood at \$111,624, at the median \$93,633 and at the 75th percentile \$145,000.

The average fee payable to a Non-Executive Chairman varied according to organisation scale. Among those companies with revenues of less than \$200 million the Chairman's fee on average stood at \$109,775, whereas among companies with revenues greater than \$10 billion, the fee was \$611,989. The variance in median Chairman's fees among the smallest companies stood at \$95,920, whereas among the largest in revenue terms stood at \$593,000. At the 75th percentile the variance was from \$136,250 to \$665,000.

In grouping companies within revenue clusters, taking the Top 50, Second 50, Top 100, then those companies ranked in revenue terms between the Top 100 and 200 and the Top 200 and 300 reveals similar dispersion in relation to fees payable to both Chairmen and Non-Executive Directors. The highest paid Non-Executive Directors, including Chairmen, being in companies with the most substantial revenues and the least well paid being in those organisations ranked below the ASX Top 200.

Table 1: Non-Executive Chairmen and Non-Executive Directors' Fees in Australian Leading Companies by Revenue

	75th Percentile A\$	Median A\$	25th Percentile A\$	Average A\$	Sample #
Total Sample					
Chairman	278,334	152,998	100,000	208,196	243
Non-Executive Director	145,000	93,633	65,000	111,624	969
Revenue Ranges Greater than \$10 billion					
Chairman	665,000	593,000	497,360	611,989	13
Non-Executive Director	270,279	241,908	219,675	252,526	68
Revenue Ranges \$5 - \$10 billion					
Chairman	445,400	390,151	341,011	395,240	13
Non-Executive Director	188,000	163,326	145,854	170,730	68
Revenue Ranges \$2 - \$5 billion					
Chairman	370,080	311,050	258,925	311,775	30
Non-Executive Director	162,427	132,465	118,750	142,902	154
Revenue Ranges \$500 million - \$2 billion					
Chairman	255,269	197,252	147,840	219,689	62
Non-Executive Director	128,567	99,000	83,112	109,618	279
Revenue Ranges \$200 - \$500 million					
Chairman	147,029	110,000	88,004	129,821	40
Non-Executive Director	82,550	65,000	54,750	70,641	131
Revenue Ranges Less than \$200 million					
Chairman	136,250	95,920	71,410	109,775	85
Non-Executive Director	81,050	60,410	45,000	65,198	269
Revenue Ranked Top 50 Companies					
Chairman	540,418	392,610	314,304	432,241	44
Non-Executive Director	237,199	168,000	136,585	187,351	231
Revenue Ranked Second 50 Companies					
Chairman	300,000	236,052	147,616	245,396	41
Non-Executive Director	144,532	111,000	87,597	117,558	199
Revenue Ranked Top 100 Companies					
Chairman	425,587	316,100	225,001	342,116	85
Non-Executive Director	185,053	144,163	109,000	155,051	430
Revenue Ranked Top 100 - 200 Companies					
Chairman	196,416	145,000	106,778	162,444	86
Non-Executive Director	98,050	80,000	61,761	86,422	323
Revenue Ranked Top 200 - 300 Companies					
Chairman	132,345	89,494	65,400	104,744	72
Non-Executive Director	76,675	56,464	43,248	62,859	216

NB: Non-Executive Directors exclude Chairmen

Non-Executive Chairmen and Non-Executive Director Fees in Australian Companies by Market Capitalisation

Australia's largest companies by market capitalisation reveal an average Chairman's fee of \$497,108, at the median \$484,365 and at the 75th percentile \$573,686. For those companies with a market capitalisation between \$200 and \$500 million the average Chairman's fee stood at \$116,480, at the median \$102,188 and at the 75th percentile \$144,360.

Among the ASX Top 50 the Chairman's average fee stood at \$420,795, at the median \$404,716 and at the 75th percentile \$529,340. Among those companies ranked in the ASX 200 to 300 the average Chairman's fee stood at \$115,602, at the median \$99,129 and at the 75th percentile \$144,253.

For Non-Executive Directors the average fee for a Director serving on a company with a market capitalisation in excess of \$10 billion stood at \$212,576, at the median \$200,799 and at the 75th percentile \$245,000. For those Directors serving on boards with a market capitalisation between \$200 and \$500 million the average fee was \$68,460, at the median \$64,750 and at the 75th percentile \$81,750.

In the most populous group, that is those with a market capitalisation between \$500 million and \$2 billion, the average Director's fee stood at \$92,382, at the median \$87,589 and at the 75th percentile \$109,000.

Among the ASX Top 50 the average Director's fee stood at \$187,092, at the median \$171,000 and at the 75th percentile \$234,216. Among those companies ranked between 200 and 300 on the ASX the average Director's fee was \$67,978, at the median \$62,250 and at the 75th percentile \$80,364.

Table 2: Non-Executive Chairmen and Non-Executive Directors' Fees in Australian Leading Companies by Market Capitalisation

		75th Percentile A\$	Median A\$	25th Percentile A\$	Average A\$	Sample #
Total Sample						
	Chairman	278,334	152,998	100,000	208,196	243
	Non-Executive Director	145,000	93,633	65,000	111,624	969
Market Capitalisation Ranges Greater than \$10 billion						
	Chairman	573,686	484,365	395,000	497,108	21
	Non-Executive Director	245,000	200,799	163,151	212,576	109
Market Capitalisation Ranges \$5 - \$10 billion						
	Chairman	442,934	376,908	327,911	394,166	17
	Non-Executive Director	189,359	159,908	145,208	173,719	87
Market Capitalisation Ranges \$2 - \$5 billion						
	Chairman	341,814	262,475	161,198	266,464	35
	Non-Executive Director	154,000	119,900	90,000	126,662	157
Market Capitalisation Ranges \$500 million - \$2 billion						
	Chairman	203,012	150,547	115,733	169,859	81
	Non-Executive Director	109,000	87,589	70,320	92,382	327
Market Capitalisation Ranges \$200 - \$500 million						
	Chairman	144,360	102,188	75,000	116,480	89
	Non-Executive Director	81,750	64,750	50,894	68,460	289
Market Capitalisation Ranked Top 50 Companies						
	Chairman	529,340	404,716	304,193	420,795	46
	Non-Executive Director	234,216	171,000	146,000	187,092	227
Market Capitalisation Ranked Second 50 Companies						
	Chairman	316,100	235,000	187,000	250,758	37
	Non-Executive Director	144,228	109,000	86,093	120,022	182
Market Capitalisation Ranked Top 100 Companies						
	Chairman	437,679	327,911	226,067	344,996	83
	Non-Executive Director	192,686	149,900	109,000	157,247	409
Market Capitalisation Ranked Top 100 - 200 Companies						
	Chairman	192,113	145,519	109,090	158,860	80
	Non-Executive Director	103,745	84,191	65,400	86,752	308
Market Capitalisation Ranked Top 200 - 300 Companies						
	Chairman	144,253	99,129	75,000	115,602	80
	Non-Executive Director	80,364	62,250	50,041	67,978	252

NB: Non-Executive Directors exclude Chairmen

BOARD DEMOGRAPHICS

Board Composition - Executive v Non-Executive Directors

This 2008 Study, in common with our analysis over past years, shows strong support for there being a majority of Non-Executive Directors serving on the boards of Australia's leading companies.

Chart 1 shows that the composition of the board for the Total Sample is 74.1% Non-Executive Directors and 25.9% Executive Directors and the Top 50 sample shows that the boards comprise 80.4% Non-Executive Directors and 19.6% Executive Directors.

Chart 2 shows that the proportion of Non-Executive Directors is 81.6% for companies with revenue greater than \$10 billion and 67.9% for companies with revenue less than \$200 million. In general terms, the proportion of Non-Executive Directors increases according to company size.

When analysed by GICS Sector (Chart 3), Telecommunication Services has the highest proportion of Non-Executive Directors (88.2%) whereas Information Technology has the lowest proportion of Non-Executive Directors serving on their boards (70.4%).

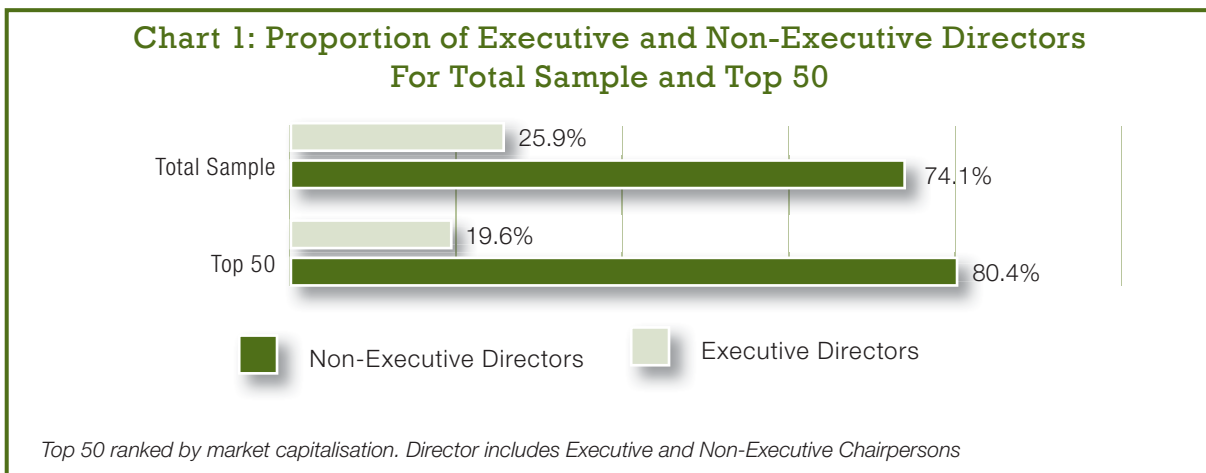
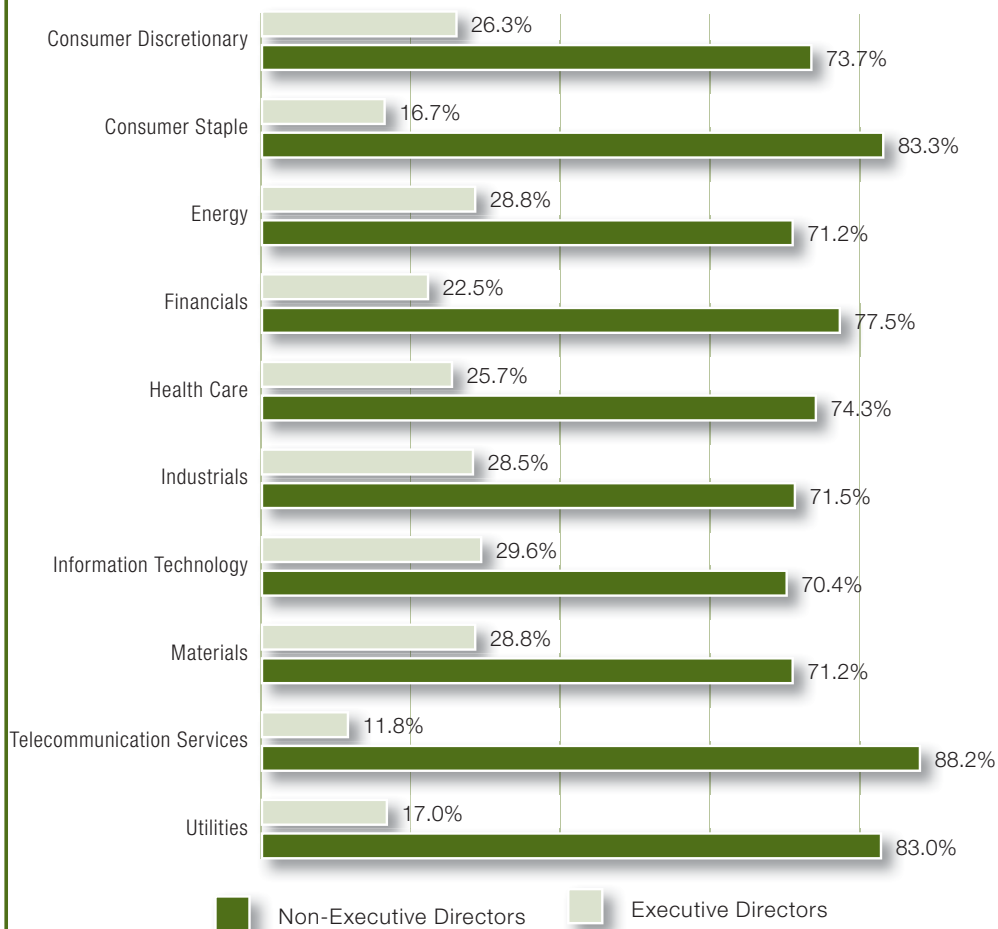


Chart 2: Proportion of Executive and Non-Executive Directors by Revenue



Top 50 ranked by market capitalisation. Director includes Executive and Non-Executive Chairpersons

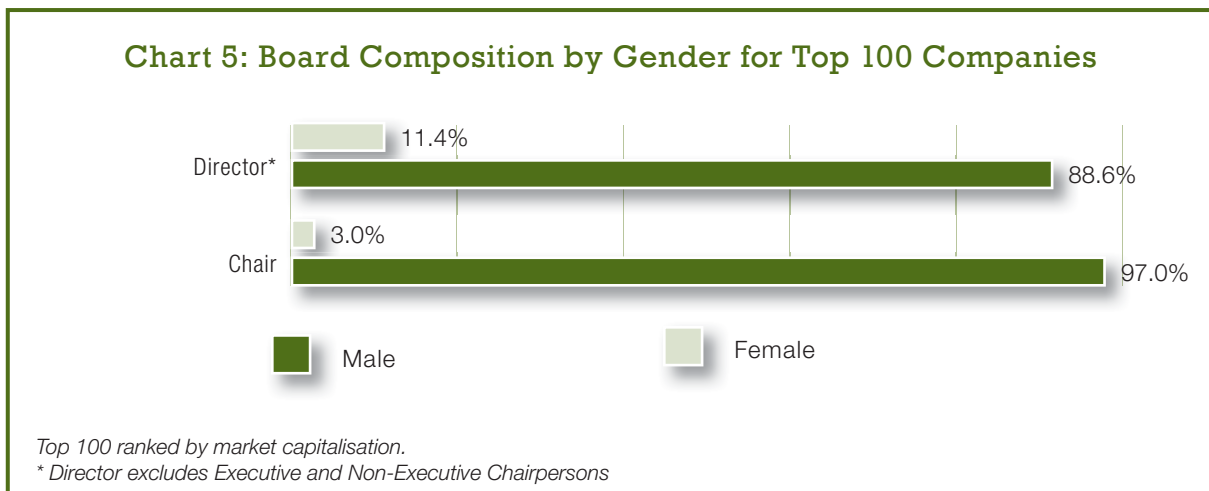
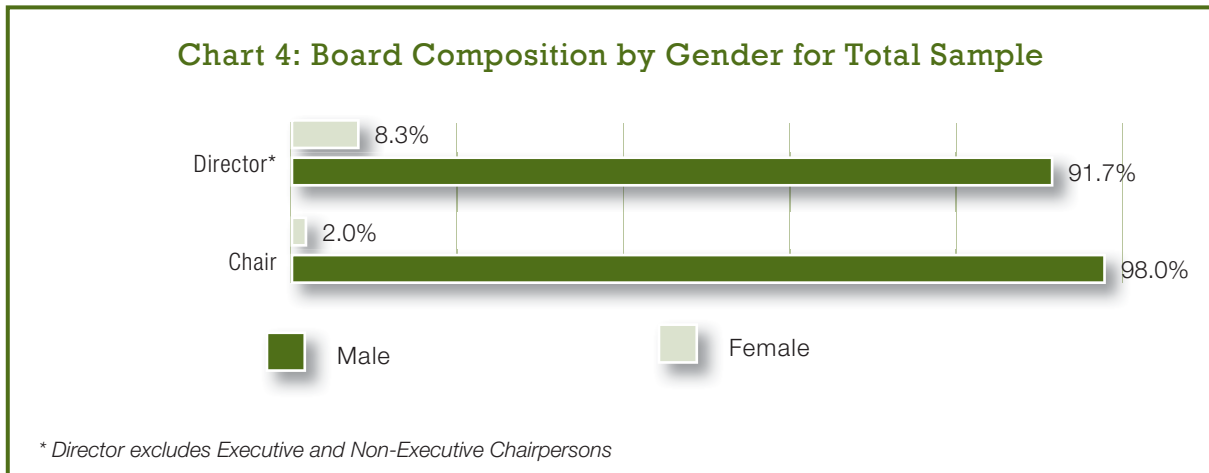
Chart 3: Proportion of Executive and Non-Executive Directors by GICS Sector



Top 50 ranked by market capitalisation. Director includes Executive and Non-Executive Chairpersons

Board Composition – By Gender All Directors (Executive and Non-Executive)

Charts 4 and 5 show that men hold the overwhelming majority of Director positions. It should also be noted that 98% of Chairmen are males, a figure similar to the ASX Top 100 where 97% of Chairmen are men. For Director roles, within our Total Sample women occupied 8.3% of board positions, and among the ASX Top 100 companies, 11.4% of Directors were women.



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

Board size is analysed according to Revenue and then by GICS sector, adopting the following seven categories:

- less than 4 Directors;
- 4 to 5;
- 6 to 7;
- 8 to 9;
- 10 to 11;
- 12 to 13;
- greater than 13.

As in previous years, the average board size across our Total Sample stood at 7 and for the ASX Top 50 companies the number was 9.

Table 7 displays the number of Directors serving on the boards of the Total Sample (300 companies) and those for the Top 50 companies ranked by revenue. Further analysis is provided on companies by industry sector.

Most (86%) of the Total Sample have between 4 and 9 Directors and 11% have boards with 10 or more Directors. Only 3% of the Total Sample have fewer than 4 Directors, all of which are on boards of companies with less than \$200 million in annual revenues and are predominantly in the Materials and Energy sectors.

Among the Top 50 ASX listed companies only one board has less than 6 Directors and 86% have between 6 and 11 Directors, with 12% having more than 11 Directors.

Indicatively, if revenue is a guide to company scale, larger companies have greater numbers of Directors than do smaller companies. As the data indicates, 70% to 80% of companies with revenues of less than \$500 million have 7 or fewer Directors, whereas among companies in the largest revenue bands the majority of companies have 8 or more Directors.

The industry sector data contains companies of varying size within each GICS category. Variations in the data are partly impacted by sample size. For example, 100% of Telecommunications boards have between 8 and 9 Directors based on a sample of only 2, while 90% of boards within the Information Technology sector have less than 7 Directors based on a sample of 9.

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	Directors	Directors	Directors	Directors	Directors	Directors	Directors	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#
Total Sample	10	3%	91	30%	96	32%	69	23%	24	8%	9	3%	1	0%	300
Top 50 Companies	0	0%	1	2%	10	20%	20	40%	13	26%	6	12%	0	0%	50
Revenue Ranges															
Greater than \$10 billion	0	0%	0	0%	1	7%	6	43%	3	21%	4	29%	0	0%	14
\$5 - \$10 billion	0	0%	1	7%	3	20%	5	33%	5	33%	1	7%	0	0%	15
\$2 - \$5 billion	0	0%	1	3%	6	17%	19	54%	7	20%	2	6%	0	0%	35
\$500 million - \$2 billion	0	0%	12	16%	32	44%	19	26%	7	10%	2	3%	1	1%	73
\$200 - \$500 million	1	2%	18	39%	17	37%	9	20%	1	2%	0	0%	0	0%	46
Less than \$200 million	9	8%	59	50%	37	32%	11	9%	1	1%	0	0%	0	0%	117
GICS Sector															
Consumer Discretionary	0	0%	10	26%	14	37%	8	21%	3	8%	2	5%	1	3%	38
Consumer Staple	0	0%	0	0%	4	27%	3	20%	8	53%	0	0%	0	0%	15
Energy	4	11%	16	43%	10	27%	6	16%	1	3%	0	0%	0	0%	37
Financials	1	2%	7	14%	15	29%	19	37%	6	12%	3	6%	0	0%	51
Health Care	0	0%	2	13%	8	53%	5	33%	0	0%	0	0%	0	0%	15
Industrials	0	0%	14	29%	18	37%	11	22%	3	6%	3	6%	0	0%	49
Information Technology	0	0%	5	56%	3	33%	0	0%	1	11%	0	0%	0	0%	9
Materials	5	6%	37	47%	22	28%	11	14%	2	3%	1	1%	0	0%	78
Telecommunication Services	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%	0	0%	2
Utilities	0	0%	0	0%	2	33%	4	67%	0	0%	0	0%	0	0%	6

Age - All Directors (Executive and Non-Executive)

It should be noted that not all Directors in the sample disclosed their age.

For all Directors across the Total Sample, ages range from 31 to 86, with the average age 58 years and the median 59 years (Table 8).

For Non-Executive Directors, ages range from 31 to 86, with the average at 59 and for Executive Directors, ages range from 31 to 80 years, with the average at 53.

Among the Top 50 companies ranked by Revenue, the average age of all Directors is 59 years.

With regard to the analysis by GICS sector (Table 9), the average age of all Directors is 57 years within Information Technology, and for all other sectors is either 57 or 58 years, with the exception of Telecommunications Services with an average age of 53.

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

	75th Percentile	Median	25th Percentile	Average	Sample #
Total Sample	64	59	53	58	1,531
Revenue Ranked					
Top 50 Companies	64	60	54	59	417
Second 50 Companies	64	59	53	58	318
Top 100 Companies	64	60	53	59	735
Top 100 - 200 Companies	63	58	54	58	480
Top 200 - 300 Companies	62	56	49	55	316

Table 9: Age of Directors in Australian Leading Companies by GICS Sector

	75th Percentile	Median	25th Percentile	Average	Sample #
Total Sample	64	59	53	58	1,531
GICS Sector					
Consumer Discretionary	65	59	52	58	205
Consumer Staple	63	60	53	58	113
Energy	61	58	52	57	133
Financials	63	58	52	57	315
Health Care	64	59	53	58	77
Industrials	64	59	53	58	274
Information Technology	62	57	51	57	33
Materials	64	60	53	58	325
Telecommunication	60	56	51	53	17
Services	60	56	51	53	17
Utilities	64	60	52	59	39

BOARD COMMITTEES

Committees have been grouped according to similarity of function. Our analysis shows that companies use a variety of titles for committees as noted in Table 10.

Distribution of Committee Types

Table 10 shows that 95% of the Total Sample and 100% of the Top 50 have an Audit Committee, and 88% of the Total Sample and 98% of the Top 50 have a Remuneration Committee. With regard to Nomination committees, 31% of the Total Sample and 52% of the Top 50 have this committee.

“Other” includes Review; Conduct; Industry Specific; Marketing; Management; Planning; Strategy; Special Board Meetings; Resources and Restructure committees, as well as infrequently occurring committees such as Donations and Conduct. For the Total Sample 23% have an “Other” committee and for the Top 50, 54%.

Table 10: Distribution of Core Committees

Committee	Total Sample	Total Sample	Top 50	Top 50
	#	%	#	%
Audit ¹	285	95%	50	100%
Corporate Governance	17	6%	5	10%
Nomination ²	93	31%	26	52%
Occupational Health & Safety ³	32	11%	10	20%
Other ⁴	70	23%	27	54%
Remuneration ⁵	263	88%	49	98%
Risk ⁶	59	20%	22	44%

Analysis of committee structures is complicated by the variety of nomenclatures of committees and by the fact that companies adopt a variety of groupings of functions of committees. In some companies, the audit committee is carried out by the whole board.

- 1 Could include: stand alone Audit Committee, Audit & Compliance, Audit Compliance & Risk; Audit & Risk.
- 2 Stand alone Nomination Committee.
- 3 Could include: stand alone OH/S Committee, OH/S & Environment; stand alone Environment Committee.
- 4 All other committee types.
- 5 Could include: stand alone Remuneration Committee, Remuneration & Nomination; Governance; and Remuneration & HR.
- 6 Includes: stand alone Risk Committee; Finance; and Risk & Investment.

NEW ZEALAND COMPANIES

Non-Executive Chairmen and Non-Executive Directors Fees in New Zealand Leading Companies Ranked by Market Capitalisation

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

Table 11 highlights the fees paid to Non-Executive Chairmen among leading New Zealand companies. It will be noted that the average fee stood at NZ\$108,631, at the median, NZ\$86,500 and at the 75th percentile \$135,625.

Three New Zealand companies had a market capitalisation in excess of \$2 billion. The average Chairman's fee in this group stood at NZ\$297,451.

Fees paid to Non-Executive Directors in New Zealand's Top 50 companies on average stood at NZ\$63,472, at the median NZ\$51,500 and at the 75th percentile NZ\$82,000.

As in Australia, Directors' fees were highest among larger companies by market capitalisation and in the smallest group those with a market capitalisation of less than NZ\$200 million, Non-Executive Directors' fees on average stood at NZ\$41,242, at the median NZ\$40,000 and at the 75th percentile NZ\$50,000.

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					
Chairman	135,625	86,500	69,673	108,631	44
Non-Executive Director	82,000	51,500	40,000	63,472	208
Revenue Ranges Greater than \$2 billion					
Chairman				297,451	3
Non-Executive Director	135,000	127,500	107,145	123,916	15
Revenue Ranges \$500 million - \$2 billion					
Chairman	165,000	135,000	109,313	139,044	12
Non-Executive Director	95,489	77,700	63,125	84,389	62
Revenue Ranges \$200 - \$500 million					
Chairman	101,500	85,000	70,000	90,925	11
Non-Executive Director	60,992	50,000	38,000	54,868	52
Revenue Ranges Less than \$200 million					
Chairman	83,000	70,317	48,642	67,707	18
Non-Executive Director	50,000	40,000	33,000	41,242	79

We observe that the issues raised in the editorial have relevance in both New Zealand and Australia, though given the relative difference in scale below the Top 10 companies in New Zealand and the Australian counterpart companies our observation is that Non-Executive Director fee levels and those of CEOs in New Zealand are lower than in Australia, particularly with CEOs and their senior executive team at risk reward which has not attained the same leveraged proportions.

We are, however, increasingly observing that leading companies in both countries are attracting Directors from both sides of the Tasman and other international settings. This serves to both strengthen the experience base of the board and in particular, industry or jurisdictional experience in markets of critical importance to the company.

Age - All Directors (Executive and Non-Executive)

It should be noted that not all Directors in the sample disclosed their age.

For all Directors and Non-Executive Directors across the Total Sample, ages range from 39 to 81 with the average of 59 years.

For Executive Directors, ages range from 46 to 69 years, with the average at 55 (Table 13).

Table 13: Age of Directors in New Zealand Leading Companies by Revenue

	75th Percentile	Median	25th Percentile	Average	Sample #
Revenue Ranges					
Greater than \$5 billion	65	61	58	61	9
\$2 - \$5 billion				58	2
\$500 million - \$2 billion	65	59	55	60	36
\$200 - \$500 million	65	59	52	58	27
Less than \$200 million	65	57	54	58	22

APPENDIX

List of Organisations Surveyed – Australian Companies

Abacus Property Group
ABB Grain Limited
ABC Learning Centres Limited
Adelaide Brighton Limited
Aditya Birla Minerals Limited
Admiralty Resources NL
AED Oil Limited
Aevum Limited
AGL Energy Limited
AJ Lucas Group Limited
ALE Property Group
Alesco Corporation Limited
Alliance Resources Limited
Allied Gold Limited
Alumina Limited
Amalgamated Holdings Limited
Ancor Limited
AMP Limited
Andean Resources Limited
Ansell Limited
Anzon Australia Limited
AP Eagers Limited
APA Group
Apex Minerals NL
APN News & Media Limited
Aquila Resources Limited
Arana Therapeutics Limited
ARB Corporation Limited
ARC Energy Limited
Aristocrat Leisure Limited
Arrow Energy Limited
Aspen Group Limited
ASX Limited
Atlas Iron Limited
Ausdrill Limited
Ausenco Limited
Austal Limited
Austar United Communications Limited
Austereo Group Limited
Australand Property Group
Australasian Resources Limited
Australia and New Zealand Banking Group Limited
Australian Agricultural Company Limited
Australian Pharmaceutical Industries Limited
Australian Wealth Management Limited
Australian Worldwide Exploration NL
Automotive Holdings Group Limited
Avoca Resources Limited
AWB Limited
AXA Asia Pacific Holdings Limited
Babcock & Brown Communities Group
Babcock & Brown Limited
Bank of Queensland Limited
Bannerman Resources
Beach Petroleum Limited
Becton Property Group
Bemax Resources Limited
Bendigo and Adelaide Bank Limited
BHP Billiton Limited
Billabong International Limited
Blackmores Limited
BlueScope Steel Limited
Boart Longyear Limited
Boral Limited
Bradken Limited
Brambles Limited
Brickworks Limited
Brockman Resources Limited
Cabcharge Australia Limited
Caltex Australia Limited
Campbell Brothers Limited
Cardno Limited
Carnarvon Petroleum Limited
Cellestis Limited
Centamin Egypt Limited
Centennial Coal Company Limited
Centro Properties Group
CGA Mining Limited
Challenger Financial Services Group
Clough Limited
Coca-Cola Amatil Limited
Cochlear Limited
Cockatoo Coal Limited
Coffey International Limited
Commonwealth Bank of Australia
Compass Resources NL
Computershare Limited
ConnectEast Group
Consolidated Media Holdings Limited
Copperco Limited
Corporate Express Australia Limited
Count Financial Limited
Country Road Limited
Crane Group Limited
Cromwell Group
CSL Limited
CSR Limited
David Jones Limited
Deep Yellow Limited
Devine Limited
Dexus Property Group
Dominion Mining Limited
Dominos Pizza Enterprises Limited
Downer EDI Limited
Eastern Star Gas Limited
Emeco Holdings Limited
Energy Developments Limited

Energy Resources of Australia Limited
 Envestra Limited
 Extract Resources Ltd
 Fairfax Media Limited
 Fantastic Holdings Limited
 Felix Resources Limited
 FerrAus Limited
 FKP Property Group
 Fleetwood Corporation Limited
 Flight Centre Limited
 Flinders Mines Limited
 Fortescue Metals Group Limited
 Foster's Group Limited
 Futuris Corporation Limited
 Geodynamics Limited
 Gindalbie Metals Limited
 Giralia Resources NL
 Global Mining Investments Limited
 Gloucester Coal Limited
 Goodman Fielder Limited
 Goodman Group
 GPT Group
 GrainCorp Limited
 Great Southern Limited
 GUD Holdings Limited
 Gunns Limited
 GWA International Limited
 Harvey Norman Holdings Limited
 Hastie Group Limited
 Healthscope Limited
 Herald Resources Limited
 Hills Industries Limited
 Horizon Oil Limited
 Hunter Hall International Limited
 IBA Health Group Limited
 iiNet Limited
 Iluka Resources Limited
 Imdex Limited
 Incitec Pivot Limited
 Independence Group NL
 Independent Practitioner Network Limited
 Indophil Resources NL
 Industrea Limited
 Insurance Australia Group Limited
 InvoCare Limited
 IOOF Holdings Limited
 IRESS Market Technology Limited
 Jabiru Metals Limited
 JB Hi-Fi Limited
 Just Group Limited
 Kagara Limited
 Karoon Gas Australia Limited
 Kingsgate Consolidated Limited
 Leighton Holdings Limited
 Lend Lease Corporation Limited
 Linc Energy Limited
 Lion Nathan Limited
 Lion Selection Limited
 Lynas Corporation Limited
 MAC Services Group Limited (The)
 Macarthur Coal Limited
 Macmahon Holdings Limited
 Macquarie Group Limited
 Mantra Resources Limited
 Marion Energy Limited
 Melbourne IT Ltd
 Mermaid Marine Australia Limited
 Metals X Limited
 Metcash Limited
 Midwest Corporation Limited
 Minara Resources Limited
 Mincor Resources NL
 Mineral Deposits Limited
 Mineral Resources Limited
 MinTails Limited
 Mirabela Nickel Limited
 Mirvac Group Limited
 Molopo Australia Limited
 Moly Mines Limited
 Monadelphous Group Limited
 Mount Gibson Iron Limited
 MYOB Limited
 National Australia Bank Limited
 National Hire Group Limited
 Navitas Limited
 New Hope Corporation Limited
 Newcrest Mining Group
 Nexus Energy Limited
 NIB Holdings Limited
 Nido Petroleum Limited
 Nomad Building Solutions Limited
 NRW Holdings Limited
 Nufarm Limited
 Oakton Limited
 OneSteel Limited
 Orica Limited
 Origin Energy Limited
 Oz Minerals Limited
 Pacific Brands Limited
 Paladin Energy Limited
 Panaust Limited
 Panoramic Resources Limited
 PaperlinX Limited
 Peet Limited
 Perpetual Limited
 Pharmaxis Limited
 Photon Group Limited
 Platinum Australia Limited
 PMP Limited
 Portman Limited
 Primary Health Care Limited
 Prime Media Group Limited
 Programmed Maintenance Services Limited
 Qantas Airways Limited
 QBE Insurance Group
 Queensland Gas Company Limited

Ramsay Health Care Limited
realestate.com.au Limited
Red Hill Iron Limited
Redflex Holdings Limited
Reece Australia Limited
Reject Shop Limited (The)
Resolute Mining Limited
Ridley Corporation Limited
Riversdale Mining Limited
Roc Oil Company Limited
SAI Global Limited
Salmat Limited
Santos Limited
Sedgman Limited
SEEK Limited
Select Harvests Limited
Servcorp Limited
Seven Network Limited
Silex Systems Limited
Sims Group Limited
Sino Gold Mining Limited
Skilled Group Limited
SMS Management & Technology Limited
Sonic Healthcare Limited
SP AusNet
Spotless Group Limited
St Barbara Limited
St George Bank Limited
Stockland Corporation Limited
Straits Resources Limited
STW Communications Group Limited
Summit Resources Limited
Suncorp-Metway Limited
Sundance Resources Limited
Sunland Group Limited
Sunshine Gas Limited
Super Cheap Auto Group Limited
Sylvania Resources Limited
TABCORP Holdings Limited

Tap Oil Limited
Tassal Group Limited
Tatts Group Limited
Technology One Limited
Telstra Corporation Limited
Ten Network Holdings Limited
Terramin Australia Limited
Timbercorp Limited
Toll Holdings Limited
TOWER Australia Group Limited
Transfield Services Limited
Transpacific Industries Group Ltd
Transurban Group Limited
Treasury Group Limited
Trinity Group
Trust Company Limited
United Group Limited
United Minerals Corporation NL
Valad Property Group
Village Roadshow Limited
Virgin Blue Holdings Limited
Washington H Soul Pattinson and Company Limited
Watpac Limited
WDS Limited
Wesfarmers Limited
West Australian Newspapers Holdings Limited
Western Areas NL
Westfield Group
Westpac Banking Corporation
White Energy Company Limited
Whitehaven Coal
WHK Group Limited
Wide Bay Australia Ltd
Windimurra Vanadium Limited
Woodside Petroleum Limited
Woolworths Limited
WorleyParsons Limited
Wotif.com Holdings Pty Ltd

List of Organisations Surveyed – New Zealand Companies

Abano Healthcare Group Limited	Nuplex Industries Limited
AFFCO Holdings Limited	NZ Farming Systems Uruguay Limited
Air New Zealand Limited	PGG Wrightson Limited
Auckland International Airport Limited	Pike River Coal Limited
Briscoe Group Limited	Port of Tauranga Limited
Cavalier Corporation Limited	Property For Industry Limited
Colonial Motor Company Limited (The)	Pumpkin Patch Limited
Contact Energy Limited	Pyne Gould Corporation Limited
Delegat's Group Limited	Rakon Limited
EBOS Group Limited	Rubicon Limited
Fisher and Paykel Appliances Holdings Limited	Ryman Healthcare Ltd
Fisher and Paykel Healthcare Limited	Sanford Limited
Fletcher Building Limited	Skellerup Holdings Limited
Freightways Limited	Sky Network Television Limited
Hallenstein Glasson Holdings Ltd	SKYCITY Entertainment Group Limited
Infratil Limited NZ	Steel & Tube Holdings Limited
Lyttelton Port Company Limited	Telecom Corporation of New Zealand
Mainfreight Limited	Tourism Holdings Limited
Metlifecare Limited	Tower Limited
Michael Hill International Limited	TrustPower Limited
Millennium & Copthorne Hotels New Zealand Limited	Turners & Growers Group
New Zealand Exchange Limited	Vector Limited
New Zealand Oil & Gas Limited	Wakefield Health Limited
New Zealand Refining Company Limited (The)	Warehouse Group Limited (The)
Northland Port Corporation (NZ) Ltd	Wellington Drive Technologies Limited

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