

13.5 Timaru District Holdings Limited and Venture Timaru Limited Director Fees**Author:** Alesia Cahill, Executive Support Manager**Authoriser:** Stephen Doran, Group Manager Corporate and Communications

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons
Plain English Reason:	To protect a person's privacy, including the privacy of deceased persons.

Recommendation

That Council approves the Directors' fees for Timaru District Holdings Limited and Venture Timaru Limited be increased to the following amounts with effect from 1 July 2024 (backdated):

Timaru District Holdings Limited

- Board member: \$38,183
- Deputy Chair: \$47,728
- Chair: \$65,456

Venture Timaru

- Board member: \$10,909
- Deputy Chair: \$10,909
- Chair: \$16,364

Purpose of Report

- 1 The purpose of this report is to present, for Council's consideration and decision, an increase of in the directors' fees for Timaru District Holdings Limited (TDHL) and Venture Timaru (VT) with effect from 1 July 2024 (to be backdated).

Assessment of Significance

- 2 This matter is of low significance in terms of Council's Significance and Engagement Policy as it does not affect levels of service, strategic assets or rates. It is acknowledged the payment of directors' fees to the directors of Council Controlled Organisations (CCOs) is a matter of public interest as it involves the expenditure of public funds.

Background

- 3 There are 4 Independent Directors and 1 Elected Member Director on the Board of TDHL. The Chairperson currently is paid \$60,000, Deputy Chairperson \$43,750 and Directors \$35,000 a total of \$208,750. Directors' fees were last reviewed in August 2020.

- 4 There are 4 Independent Directors and 2 Elected Member Directors on the Board of Venture Timaru Limited. The Chairperson currently is paid \$15,000, Deputy Chairperson and Directors are paid \$10,000 each, a total of \$65,000. Directors' fees were last reviewed in August 2020.
- 5 A recommendation went to Council on 8 August 2023 to increase Directors' fees by 2.2%, however the motion was left on the table, meaning no increase was given in 2023.
- 6 Council has a Governance Remuneration, Allowances and Expenses Policy (Policy) which states in respect of directors' fees:

Council recognises that remuneration of directors to COs or appointed external members to committees or subcommittees is a matter of public interest. [refer cl 6.8, page 4]
- 7 For this reason the Policy states that remuneration and any changes, will require Council's approval and that it 'will be based on the nature of the organisation, committee, or subcommittee, the market rates for comparable positions, and any specific process for determining remuneration specified in the organisation's constitution.' [refer cl 6.9, pages 4-5]

Discussion

- 8 To ensure transparency and equity in considering a review of directors' fees an independent snapshot of the TDHL and VT fees prepared by the Institute of Directors (IoD) was prepared in 2023 (refer attachment 1 and 2). Broadly, the snapshot reports that the 12-month fee movement for directors of CCOs is an increase of 2.2% (2023).
- 9 Officers believe, if Council decides to increase the directors' fees, it is in line with the policy to apply the IoD's movement for CCOs of 2.2% per annum from the previous rise in 2020.
- 10 For TDHL this would mean a total fee increase for the 2024/25 financial year of \$12,617. This equals an increase of \$5,456 for the Chair, \$3,978 for the Deputy Chair and \$3,183 each for the other Directors.
- 11 This would mean the Chair was paid \$65,456, the Deputy Chair \$47,728 and board members \$38,183, a total of \$227,733.
- 12 For VT this would mean a total fee increase for the 2024/25 financial year of \$5,909 if the council resolves to have a board consisting of six members. This equals an increase of \$1,364 for the Chair, \$909 for the Deputy Chair and \$909 each for the other 4 Directors.
- 13 This would mean the chair was paid \$16,364 and the deputy chair and other board members were paid \$10,909, a total of \$70,909.
- 14 A fees tailored review can be carried out by a provider of remuneration information such as the IoD or Strategic Pay. This is a formal independent and in-depth benchmarking review providing appropriate fee range recommendations to Council. The process is to benchmark the organisation, in this instance TDHL and VT, against a range of variables, including the organisation type, size and its operating industry. Organisations such as the IoD and Strategic Pay hold extensive survey data and fee trend information and supplement this knowledge with further research into other sources of fee information. A tailored review includes a detailed analysis of the duties, time commitments and complexity of the board roles and is enhanced with further advice and governance updates.
- 15 An update of the current fees snapshot could be commissioned from IoD, which would cost around \$3,000 for both organisations.

- 16 Directors' fees should be reviewed on a regular cyclical basis to ensure fairness for both the directors and the community who pay the fees. Appropriate remuneration is important to ensure that people with the requisite skills offer themselves for appointment. Equally, the community requires assurance that it is paying a fair and appropriate level of remuneration to the governing body of the Council's CCOs. An independent review by an organisation with recognised competency is the appropriate mechanism for balancing the competing requirements and interests of the different parties.

Options and Preferred Option

- 17 Broadly, there are two options open to Council:
- 18 Option one is for Council to approve the increase at the IoD 12 month movement rate of 2.2%, or some other increased percentage. The advantage of using the IoD 12 month movement rate is that it is independently assessed and reflects the movement for CCOs.
- 19 The second option open to Council is to decline any increase in the directors' fees, and leave the fees as they are or to instruct Officers to undertake further research for alternative director fee arrangements. In addition to the issues of equity noted above, given the relatively modest amount involved it is not an efficient use of resources to undertake further research on what should be paid as directors' fees.

Relevant Legislation, Council Policy and Plans

- 20 When preparing the report regard has been had to the:
- (i) The Local Government Act 2002
 - (ii) The Companies Act 1993
 - (iii) The Governance Remuneration, Allowances and Expenses Policy.

Financial and Funding Implications

- 21 The Director Fees are funded from TDHL's budget, which is derived from returns from their investments. Venture Timaru's Director Fees are funded from the VT budget, provided by Timaru District Council.

Other Considerations

- 22 Officers are not aware of any other considerations.

Attachments

1. **TDHL Director Fees Snapshot**
2. **Venture Timaru : Directors Fees Snapshot June 2023**

DirectorFees



Timaru District Holdings Director Fees Snapshot

APRIL 2023



iod.org.nz

The IoD's Director Fee SnapShot is intended to provide an overview of benchmark fee comparisons relevant to the client organisation. It does not include fee recommendations or the in-depth analyses of fees and hours that is included in our Director Fee tailored service. This report has been prepared as guidance for the board of Timaru District Holdings and is not intended to be exhaustive. It should not be used or relied upon by any other organisation other than the one it has been prepared for. The IoD believes the information it provides about comparable entities is accurate at the time it is provided but it relies on remuneration data provided by its members and on other publicly-available sources of information. The IoD provides no warranty (either expressed or implied) in relation to the completeness, accuracy or currency of any information provided about any comparator or third party organisation, and cannot be held liable for the consequences of any actions taken or not taken on the basis of such information.

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1 Setting board fees

Introduction

The depth and complexity of directors' duties are well known and growing. Given this, along with increased regulatory compliance and the personal risk that New Zealand directors face in their roles, setting director fees at the right level is essential.

Organisations need to attract progressive and effective directors who go beyond compliance, who aspire to meet the highest standards and are rewarded appropriately for their expertise and commitment.

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

Benchmarking

Benchmarking is a good way to identify appropriate fee levels for directors. It is important to review benchmarks across a wide range of relevant criteria.

The IoD commissions an annual survey, which collects fee data from its members and New Zealand organisations, and that survey data forms the basis of the analyses in this report. Our 2022-23 survey includes information about over 2,200 New Zealand directorships, covering a wide cross-section of over 1,400 organisations. 79% of our surveyed members hold non-executive (independent) positions and our benchmarking focusses on these roles.

The IoD has reviewed our survey data to find suitable comparators to Timaru District Holdings in a variety of criteria (see pages 9 and 10). We provide data showing the level of remuneration for directors and chairs and the hours of work associated with the remuneration levels. We also provide overall fee movements for non-executive roles, as well as the annual fee movement in the organisation's comparator industry sector.

Overall approach to setting fees

REMUNERATION OF DIRECTORS SHOULD BE TRANSPARENT,
FAIR AND REASONABLE.

There is no 'right' or 'wrong' when it comes to setting fees because there are a multitude of factors that can influence remuneration levels. Ideally fees should be set by taking into account the individual circumstances of each organisation and the broader market context.

Generally the IoD recommends fixed fees, set annually at a level that reflects the commitment and skills your board requires and the level of liability and personal risk involved with the appointment. An overall fixed fee allows for

occasional heavy workloads and takes on board the fact that director liability does not vary in relation to the number of meetings. A fixed fee approach also creates the expectation that a director will devote appropriate time to the organisation. The 2022-23 IoD directors' fees survey found that 80% of directors are paid a fixed fee, with only 3% paid a 'per meeting rate' and 3% a combination of the two.

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

Before reaching a final decision with respect to fee levels, you should consider where your organisation sees itself within the market in terms of the level of remuneration it pays (e.g. lower, median, upper quartile). In addition, consider factors such as complexity of role/operating environment, risk and liability, beneficiary expectations, your own view on appropriate levels of gratuity, as well as ensuring a level of remuneration that will attract and retain appropriate candidates.

2 Directors' fees and the role of the board

General

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

The IoD's publication *The Four Pillars of Governance Best Practice* emphasises that the key role of a board is to add value to their organisations through four key governance functions:

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

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

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

An elected board must still ensure remuneration levels are sufficient to attract the appropriate people to stand for election and to support elected individuals to perform their duties to the highest standards.

The role of the chair

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

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

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

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation. In our 2022/23 survey, chair premiums vary with the lowest being x1.03 and the highest being x1.98.

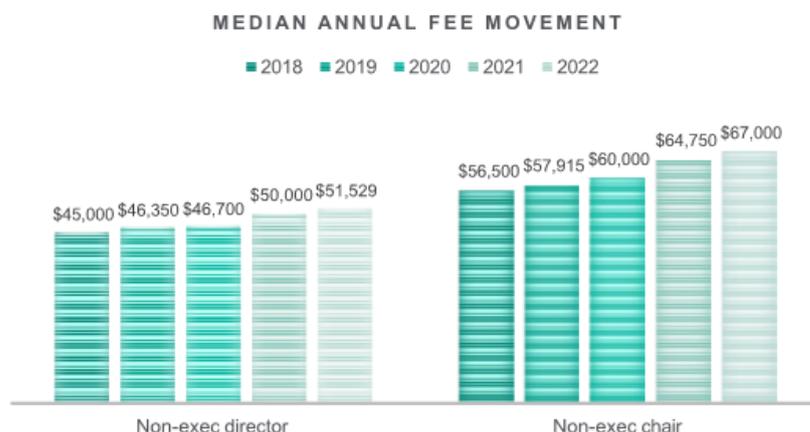
We generally recommend a loading of between x1.1 and x1.2 for committee chairs and from x1.25 for a deputy or vice chair.

3 General trends: IoD directors’ fees report

The key principle of a benchmarking exercise is to ensure that the fees Timaru District Holdings pays its board are relative to the market and take into account the remuneration levels provided to directors in New Zealand. The fees should reflect the added value directors bring to the organisation and adequately compensate them for their time, effort and skill level.

Median annual fee movements (non-executive roles)

Our latest and most comprehensive data on the remuneration of New Zealand directors is the 2022-23 IoD Directors’ Fees Report. The following graph shows the median annual fee movement across the entire survey data, which includes New Zealand organisations of all types and sizes and across all industries.



The 5-year movement of fees is approximately 14.5% for non-executive directors and 18.6% for non-executive chairs.

In the last 12 months, the median fee received by non-executive directors has increased by 3.1%, compared to a 7.1% movement in 2021. Non-executive chair fees have increased by 3.5%, compared to a 7.9% movement in 2021.

Overall survey quartiles

2022 non-executive chair and director remuneration

The lower, median and upper quartiles for non-executive director remuneration in the most recent survey are \$35,000, \$51,529 and \$77,063 and for non-executive chairs, they are \$45,000, \$67,000 and \$100,900 respectively across the whole survey sample. The survey incorporates a very wide sample of organisations from NFPs to NZX listed companies.



Other relevant fee movement data

OUR FEE DATA USES THE ANZSIC (AUSTRALIAN AND NEW ZEALAND STANDARD INDUSTRIAL CLASSIFICATION) GROUPS

FEE CATEGORY	12 MONTH FEE MOVEMENT
Council Controlled Organisation	+ 2.2%
Banking, financial and insurance services	+ 10.3%
Electricity, gas, water and waste	+ 5.9%
Property and real estate services	+ 2.1%
Transport, postal and warehousing	+ 4.3%

4 Comparator fee benchmarking

Director remuneration - comparator breakdown

The graph below shows director fee data relevant to Timaru District Holdings based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Timaru District Holdings current director fee aligns to the lower quartile against the comparator fee categories.



Chair remuneration - comparator breakdown

This graph shows chair fee data relevant to Timaru District Holdings based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Timaru District Holdings current chair fee aligns to the medium quartile against the comparator fee categories.

NOTE: THE IOD'S DATA FOR DIRECTOR ROLES IS CONSIDERABLY DEEPER THAN FOR CHAIRS; THEREFORE OUR METHODOLOGY PLACES A HIGHER RELIANCE ON DIRECTOR DATA AS A BASIS FOR ESTIMATING FEES FOR ALL BOARD MEMBERS.



5 Time commitments

The roles and responsibilities of board members have expanded over recent years. Directors are reporting that they need to spend an increasing number of hours keeping up to date with an ever-changing business and operating environment.

Directors are paid for the expertise and skills they bring to the boardroom rather than for the specific time invested in the role. However, the hours devoted to the organisations' governance may provide an indication of the complexity of the roles, the level of involvement required, and is one of the considerations that can help to inform the decision on the appropriate level of fees.

The table below shows the time commitments for director and chair roles within comparator organisations. These hours include board meetings, committee attendance and other governance duties.

	NON-EXECUTIVE DIRECTOR			NON-EXECUTIVE CHAIR		
	LOWER QUARTILE HRS	MEDIAN QUARTILE HRS	UPPER QUARTILE HRS	LOWER QUARTILE HRS	MEDIAN QUARTILE HRS	UPPER QUARTILE HRS
New Zealand Owned	71	111	175	88	150	250
Council Controlled Organisation	104	136	198	150	204	309
Banking, financial and insurance services	60	104	188	142	201	255
Electricity, gas, water and waste	87	160	222	203	302	371
Property and real estate services	57	105	157	72	118	172
Transport, postal and warehousing	73	116	206	96	139	203
Revenue \$17.5m (10.1 - 20m)	72	101	124	108	170	281
Total assets \$174m (100.1-200m)	86	120	162	145	192	246
Shareholder funds \$149m (100.1-200m)	91	139	195	141	293	359
Head count 2.5 (less than 20)	47	78	124	77	117	190
Average of quartiles	75	117	175	122	189	264

NOTE: SEE [APPENDIX 2](#) FOR A USEFUL TABLE ON WHICH TO MAP YOUR ORGANISATIONS DIRECTOR AND CHAIR HOURS TO COMPARE TO THE INFORMATION ABOVE.

6 Director hourly fees

The following table provides an analysis of hourly fee rates for directors in comparator data bands. As can be seen, hourly fees vary across industries, organisation types and sizes.

In some circumstances, hourly fees or 'per meeting' rates can be useful alternative fee structures to an annual fixed fee. For example in an environment where meetings numbers are relatively stable or when time commitments are low.

However, when meeting numbers or time commitments fluctuate significantly, it can make it difficult to track governance fees or to set an annual budget for board fees.

NON-EXECUTIVE DIRECTOR			
	LOWER QUARTILE HOURLY FEES (\$)	MEDIAN QUARTILE HOURLY FEES (\$)	UPPER QUARTILE HOURLY FEES (\$)
New Zealand Owned	176	310	500
Council Controlled Organisation	157	284	366
Banking, financial and insurance services	240	396	539
Electricity, gas, water and waste	242	345	458
Property and real estate services	398	555	735
Transport, postal and warehousing	224	343	517
Revenue \$17.5m (10.1 - 20m)	203	347	533
Total assets \$174m (100.1- 200m)	208	352	459
Shareholder funds \$149m (100.1- 200m)	325	427	570
Head count 2.5 (less than 20)	171	290	526
AVERAGE HOURLY FEES	234	365	520

Ongoing fee review policy

Because of movements in the market and other factors, such as inflation and CPI, fees are not static. They should be assessed for market appropriateness regularly. We encourage a discipline to update the benchmark data regularly. Best practice would be to review director fees annually, and it should be no longer than 3 years. This should identify if the fees remain competitive or if the fee gap is widening. A significant fee gap against benchmark may indicate the need for a fee adjustment.

Transparency of fee decisions

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

Appendix 1 - Board size considerations

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

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

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

It is not really possible or practical to specify an ideal and optimal number for all boards. What every board needs to do is to achieve the right balance to suit the circumstances and requirements of the company and the board itself. Capable directors are valuable resources and on occasion both large and small boards suffer for lack of a uniform spread of excellent and capable directors. Ideally, a board should not be so large as to make a uniform level of capability difficult nor should it be too small that capability gaps are evident.

Average number of directors

(FROM THE 2022-23 IOD DIRECTORS' FEES REPORT)

Board size for comparator organisation type

ORGANISATION TYPE	LOWER QUARTILE	MEDIAN QUARTILE	UPPER QUARTILE	AVERAGE
Council Controlled Organisation	5	6	8	6

Appendix 2 – Table to map chair and director time commitments

ACTIVITY	NUMBER	TIME IN HOURS	PREP TIME (HOURS)	HOURS PER ANNUM (ESTIMATE)
Board meetings				
• Sub-committee: (e.g Audit and Risk)				
• Sub-committee:				
• Sub-committee: (etc)				
Other director time commitments	<i>e.g. stakeholder meetings, conferences, administration</i>			
Average annual hours for director	<i>Total director hours is the sum of the above rows</i>			
Chair – other time commitments	<i>e.g. meetings with CEO, functions, conferences, stakeholder meetings, administration</i>			
Average annual hours for chair	<i>Total chair hours is the sum of 'average annual hours for director' plus additional chair time commitments</i>			

Appendix 3 – IoD Services for boards

We will help you build a better board

We can help you strengthen the capabilities of your existing board with board evaluations, in-house training, director recruitment and fee advice.

*Evaluated
your board
lately?*

If you are seeking an impartial and independent review of your boards performance, our evaluations are tailored to your needs. Contact us today and discuss how you can get the most out of your next **board evaluation**.

*Want training
for your whole
board?*

We can organise a tailored **in-house training** programme for your whole board and, if desired, your senior executive team. Please contact us and we can talk through some options with you.

*Need to fill a
vacancy at the
board table?*

We can help you find prospective board members who will complement your organisation's needs and your current board composition through our **board appointments** and **director vacancies** services. Please contact us to discuss further.

*Are you
paying fair
fees for
your board of
directors?*

We can provide independent analysis to ensure your fee level is at an appropriate level based on your organisations type, size and sector. Using this service demonstrates a robust and transparent approach to setting fee levels. If you need advice in setting the level of your **director fees** please give us a call.

For further information, please contact our Governance Services team

Phone: 0800 846 369

Email: GovernanceServices@iod.org.nz

Web: iod.org.nz/ServicesforBoards



Appendix 4 – Understanding the data measures

LOWER QUARTILE	This represents the point at which, when ranked from the lowest value to the highest value, 25% of the sample is lower and 75% of the sample is higher. The Lower Quartile is also known as the 25th percentile.
MEDIAN	When data is ranked from the lowest value to the highest value, the median represents the middle point of the data. At the median, 50% of the sample is lower and 50% of the sample is higher. The median is also known as the 50th percentile.
UPPER QUARTILE	This represents the point at which, when ranked from the lowest value to the highest value, 75% of the sample is lower and 25% of the sample is higher. The Upper Quartile is also known as the 75th percentile.
AVERAGE	Indicates the average value of remuneration or benefit in any given sample. The average is calculated by adding the numbers in a sample and then dividing by the count of the sample.

iod.org.nz

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DirectorFees



Venture Timaru Director Fees Snapshot

MAY 2023



iod.org.nz

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

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

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

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation. In our 2022/23 survey, chair premiums vary with the lowest being x1.03 and the highest being x1.98.

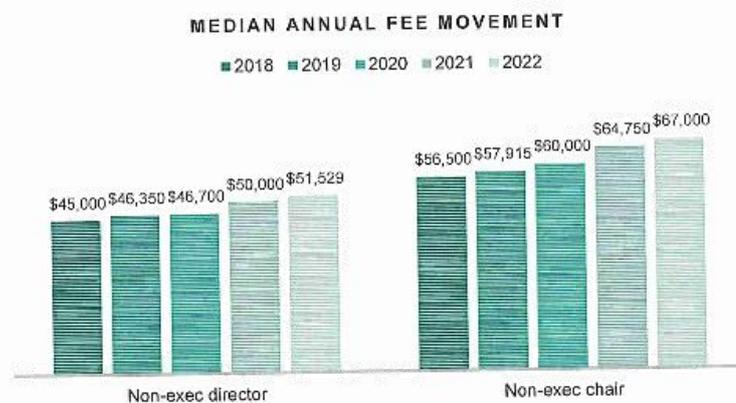
We generally recommend a loading of between x1.1 and x1.2 for committee chairs and from x1.25 for a deputy or vice chair.

3 General trends: IoD directors' fees report

The key principle of a benchmarking exercise is to ensure that the fees Venture Timaru pays its board are relative to the market and take into account the remuneration levels provided to directors in New Zealand. The fees should reflect the added value directors bring to the organisation and adequately compensate them for their time, effort and skill level.

Median annual fee movements (non-executive roles)

Our latest and most comprehensive data on the remuneration of New Zealand directors is the 2022-23 IoD Directors' Fees Report. The following graph shows the median annual fee movement across the entire survey data, which includes New Zealand organisations of all types and sizes and across all industries.



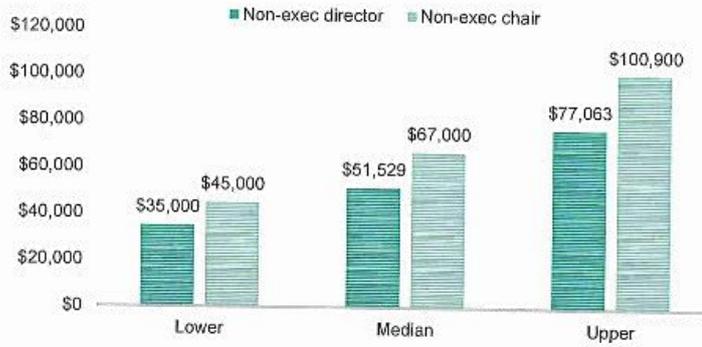
The 5-year movement of fees is approximately 14.5% for non-executive directors and 18.6% for non-executive chairs.

In the last 12 months, the median fee received by non-executive directors has increased by 3.1%, compared to a 7.1% movement in 2021. Non-executive chair fees have increased by 3.5%, compared to a 7.9% movement in 2021.

Overall survey quartiles

2022 non-executive chair and director remuneration

The lower, median and upper quartiles for non-executive director remuneration in the most recent survey are \$35,000, \$51,529 and \$77,063 and for non-executive chairs, they are \$45,000, \$67,000 and \$100,900 respectively across the whole survey sample. The survey incorporates a very wide sample of organisations from NFPs to NZX listed companies.



Other relevant fee movement data

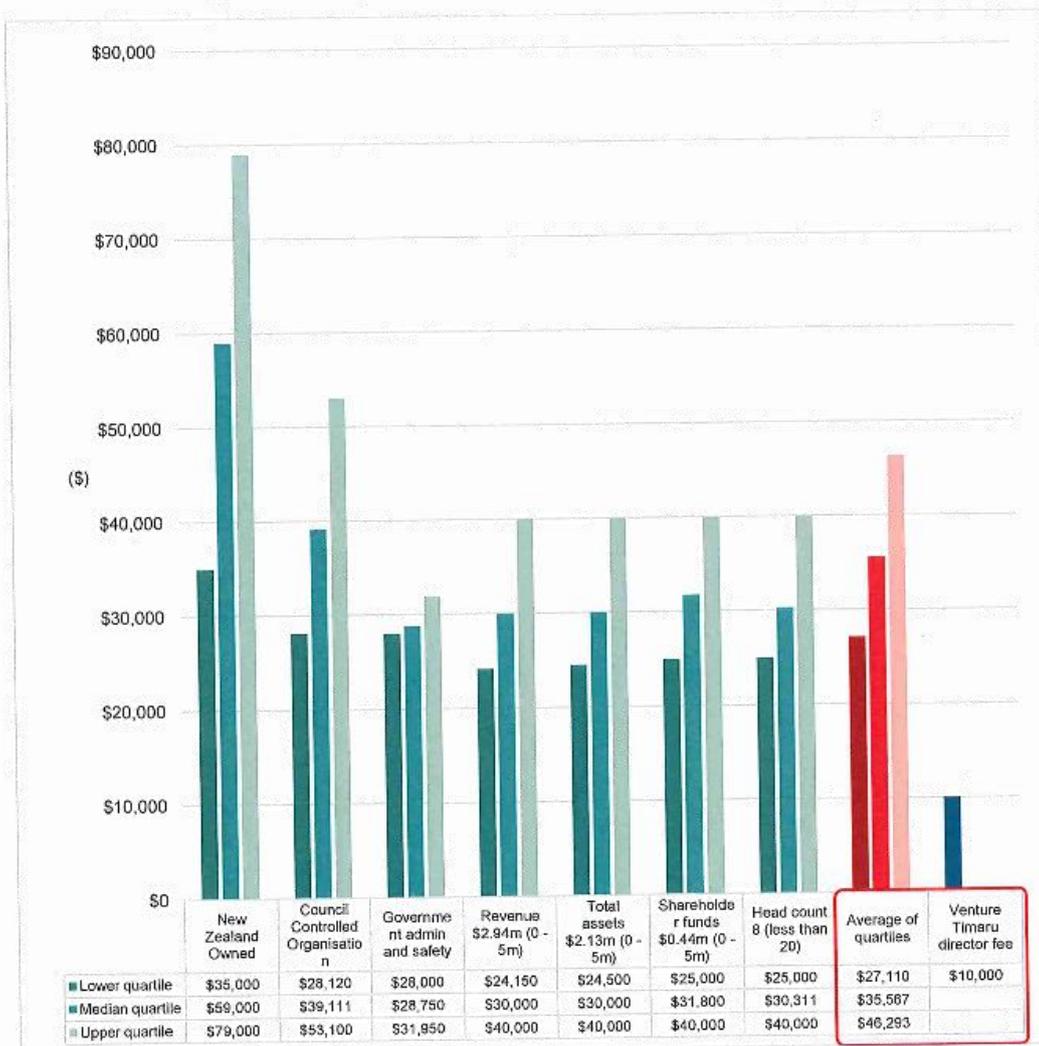
OUR FEE DATA USES THE ANZSIC (AUSTRALIAN AND NEW ZEALAND STANDARD INDUSTRIAL CLASSIFICATION) GROUPS

FEE CATEGORY	12 MONTH FEE MOVEMENT
Council Controlled Organisation	+ 2.2%
Government admin and safety	0.0%

4 Comparator fee benchmarking

Director remuneration - comparator breakdown

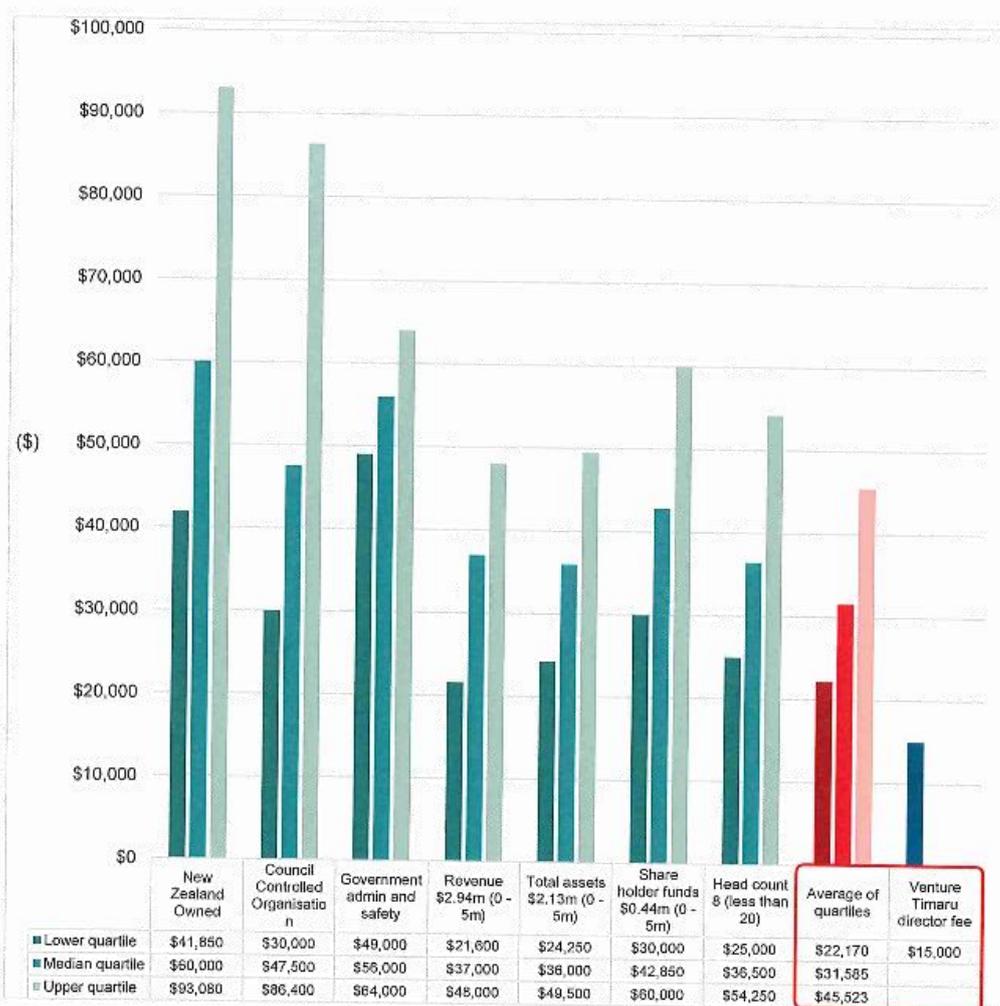
The graph below shows director fee data relevant to Venture Timaru based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Venture Timaru current director fee aligns to the lower quartile against the comparator fee categories.



Chair remuneration - comparator breakdown

This graph shows chair fee data relevant to Venture Timaru based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Venture Timaru current chair fee aligns to the lower quartile against the comparator fee categories.

NOTE: THE IOD'S DATA FOR DIRECTOR ROLES IS CONSIDERABLY DEEPER THAN FOR CHAIRS; THEREFORE OUR METHODOLOGY PLACES A HIGHER RELIANCE ON DIRECTOR DATA AS A BASIS FOR ESTIMATING FEES FOR ALL BOARD MEMBERS.



5 Time commitments

The roles and responsibilities of board members have expanded over recent years. Directors are reporting that they need to spend an increasing number of hours keeping up to date with an ever-changing business and operating environment.

Directors are paid for the expertise and skills they bring to the boardroom rather than for the specific time invested in the role. However, the hours devoted to the organisations' governance may provide an indication of the complexity of the roles, the level of involvement required, and is one of the considerations that can help to inform the decision on the appropriate level of fees.

The table below shows the time commitments for director and chair roles within comparator organisations. These hours include board meetings, committee attendance and other governance duties.

	NON-EXECUTIVE DIRECTOR			NON-EXECUTIVE CHAIR		
	LOWER QUANTILE HRS	MEDIAN QUANTILE HRS	UPPER QUANTILE HRS	LOWER QUANTILE HRS	MEDIAN QUANTILE HRS	UPPER QUANTILE HRS
New Zealand Owned	71	111	175	88	150	250
Council Controlled Organisation	104	136	198	150	204	309
Government admin and safety	69	142	184	-	-	-
Revenue \$2.94m (0 - 5m)	45	76	121	72	113	180
Total assets \$2.13m (0 - 5m)	50	79	127	75	108	163
Shareholder funds \$0.44m (0 - 5m)	49	79	121	76	107	165
Head count 8 (less than 20)	47	78	124	77	117	190
Average of quartiles	62	100	150	90	133	210

NOTE: SEE APPENDIX 2 FOR A USEFUL TABLE ON WHICH TO MAP YOUR ORGANISATION'S DIRECTOR AND CHAIR HOURS TO COMPARE TO THE INFORMATION ABOVE.

6 Director hourly fees

The following table provides an analysis of hourly fee rates for directors in comparator data bands. As can be seen, hourly fees vary across industries, organisation types and sizes.

In some circumstances, hourly fees or 'per meeting' rates can be useful alternative fee structures to an annual fixed fee. For example in an environment where meetings numbers are relatively stable or when time commitments are low.

However, when meeting numbers or time commitments fluctuate significantly, it can make it difficult to track governance fees or to set an annual budget for board fees.

NON-EXECUTIVE DIRECTOR			
	LOWER QUANTILE HOURLY FEES (\$)	MEDIAN QUANTILE HOURLY FEES (\$)	UPPER QUANTILE HOURLY FEES (\$)
New Zealand Owned	176	310	500
Council Controlled Organisation	157	284	366
Government admin and safety	95	172	238
Revenue \$2.94m (0 - 5m)	176	252	526
Total assets \$2.13m (0 - 5m)	159	239	451
Shareholder funds \$0.44m (0 - 5m)	166	273	488
Head count 8 (less than 20)	171	290	526
AVERAGE HOURLY FEES	157	260	442

Ongoing fee review policy

Because of movements in the market and other factors, such as inflation and CPI, fees are not static. They should be assessed for market appropriateness regularly. We encourage a discipline to update the benchmark data regularly. Best practice would be to review director fees annually, and it should be no longer than 3 years. This should identify if the fees remain competitive or if the fee gap is widening. A significant fee gap against benchmark may indicate the need for a fee adjustment.

Transparency of fee decisions

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

Appendix 1 - Board size considerations

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

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

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

It is not really possible or practical to specify an ideal and optimal number for all boards. What every board needs to do is to achieve the right balance to suit the circumstances and requirements of the company and the board itself. Capable directors are valuable resources and on occasion both large and small boards suffer for lack of a uniform spread of excellent and capable directors. Ideally, a board should not be so large as to make a uniform level of capability difficult nor should it be too small that capability gaps are evident.

Average number of directors

(FROM THE 2022-23 IOD DIRECTORS' FEES REPORT)

Board size for comparator organisation type

ORGANISATION TYPE	LOWER QUARTILE	MEDIAN QUARTILE	UPPER QUARTILE	AVERAGE
Council Controlled Organisation	5	6	8	6

Appendix 2 – Table to map chair and director time commitments

ACTIVITY	NUMBER	TIME IN HOURS	PREP TIME (HOURS)	HOURS PER ANNUM (ESTIMATE)
Board meetings				
<ul style="list-style-type: none"> • Sub-committee: (e.g Audit and Risk) 				
<ul style="list-style-type: none"> • Sub-committee: 				
<ul style="list-style-type: none"> • Sub-committee: (etc) 				
Other director time commitments	<i>e.g. stakeholder meetings, conferences, administration</i>			
Average annual hours for director	<i>Total director hours is the sum of the above rows</i>			
Chair – other time commitments	<i>e.g. meetings with CEO, functions, conferences, stakeholder meetings, administration</i>			
Average annual hours for chair	<i>Total chair hours is the sum of 'average annual hours for director' plus additional chair time commitments</i>			

Appendix 3 – IoD Services for boards

We will help you build a better board

We can help you strengthen the capabilities of your existing board with board evaluations, in-house training, director recruitment and fee advice.

*Evaluated
your board
lately?*

If you are seeking an impartial and independent review of your boards performance, our evaluations are tailored to your needs. Contact us today and discuss how you can get the most out of your next **board evaluation**.

*Want training
for your whole
board?*

We can organise a tailored **in-house training** programme for your whole board and, if desired, your senior executive team. Please contact us and we can talk through some options with you.

*Need to fill a
vacancy at the
board table?*

We can help you find prospective board members who will complement your organisation's needs and your current board composition through our **board appointments** and **director vacancies** services. Please contact us to discuss further.

*Are you
paying fair
fees for
your board of
directors?*

We can provide independent analysis to ensure your fee level is at an appropriate level based on your organisations type, size and sector. Using this service demonstrates a robust and transparent approach to setting fee levels. If you need advice in setting the level of your **director fees** please give us a call.

For further information, please contact our Governance Services team

Phone: 0800 846 369

Email: GovernanceServices@iod.org.nz

Web: iod.org.nz/ServicesforBoards



Director Fee Snapshot – Venture Timaru May 2023

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Appendix 4 – Understanding the data measures

LOWER QUARTILE	This represents the point at which, when ranked from the lowest value to the highest value, 25% of the sample is lower and 75% of the sample is higher. The Lower Quartile is also known as the 25th percentile.
MEDIAN	When data is ranked from the lowest value to the highest value, the median represents the middle point of the data. At the median, 50% of the sample is lower and 50% of the sample is higher. The median is also known as the 50th percentile.
UPPER QUARTILE	This represents the point at which, when ranked from the lowest value to the highest value, 75% of the sample is lower and 25% of the sample is higher. The Upper Quartile is also known as the 75th percentile.
AVERAGE	Indicates the average value of remuneration or benefit in any given sample. The average is calculated by adding the numbers in a sample and then dividing by the count of the sample.

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