

# DirectorFees



## Director Fees Snapshot Buller District Council

MAY 2024



**Governance** services

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*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 Buller District Council 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 director's 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 2023-24 survey includes information about 3,951 New Zealand directorships, covering a wide cross-section of 1,695 organisations. 56% of our surveyed members hold non-executive (independent) positions and our benchmarking focusses on those roles.

The IoD has reviewed our survey data to find suitable comparators to Buller District Council in a variety of criteria (see pages 8 - 9). 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 2023-24 IoD directors' fees survey found that 66% of directors are paid a fixed fee, with only 3% paid a 'per meeting rate' and 2% a combination of the two.

Director's 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 or a committee 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, judgement, 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
- 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.

### 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 and capacity 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 2023/24 survey, chair premiums range between x1.3 and x2.1.

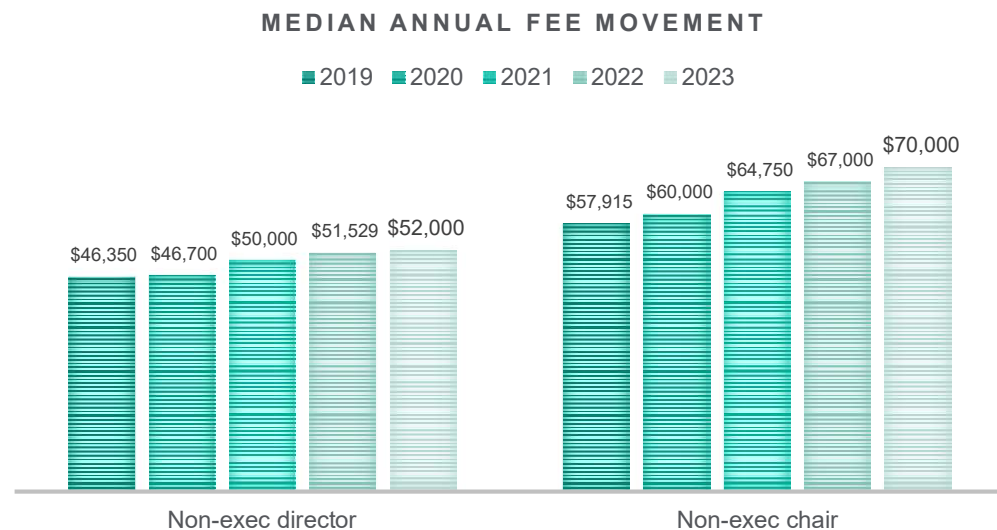
We generally recommend a loading of between x1.1 and x1.2 for committee chairs and from x1.25 for a deputy or vice chair, (inclusive of additional committee roles).

### 3 General trends: IoD directors' fees report

The key principle of a benchmarking exercise is to ensure that the fees Buller District Council 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 2023-24 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.

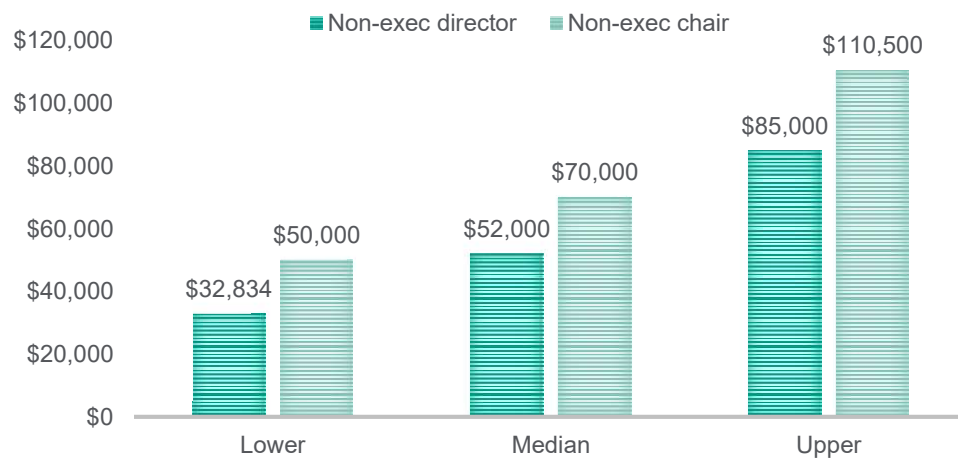


In the last 12 months, the median fee received by non-executive directors has increased by 0.9%, compared to a 3.1% movement in 2022. Non-executive chair fees have increased by 4.5%, compared to a 3.5% movement in 2022.

## Overall survey quartiles

### 2023 non-executive chair and director remuneration

The lower, median and upper quartiles for non-executive director remuneration in the most recent survey are \$32,834, \$52,000 and \$85,000 and for non-executive chairs, they are \$50,000, \$70,000 and \$110,500 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

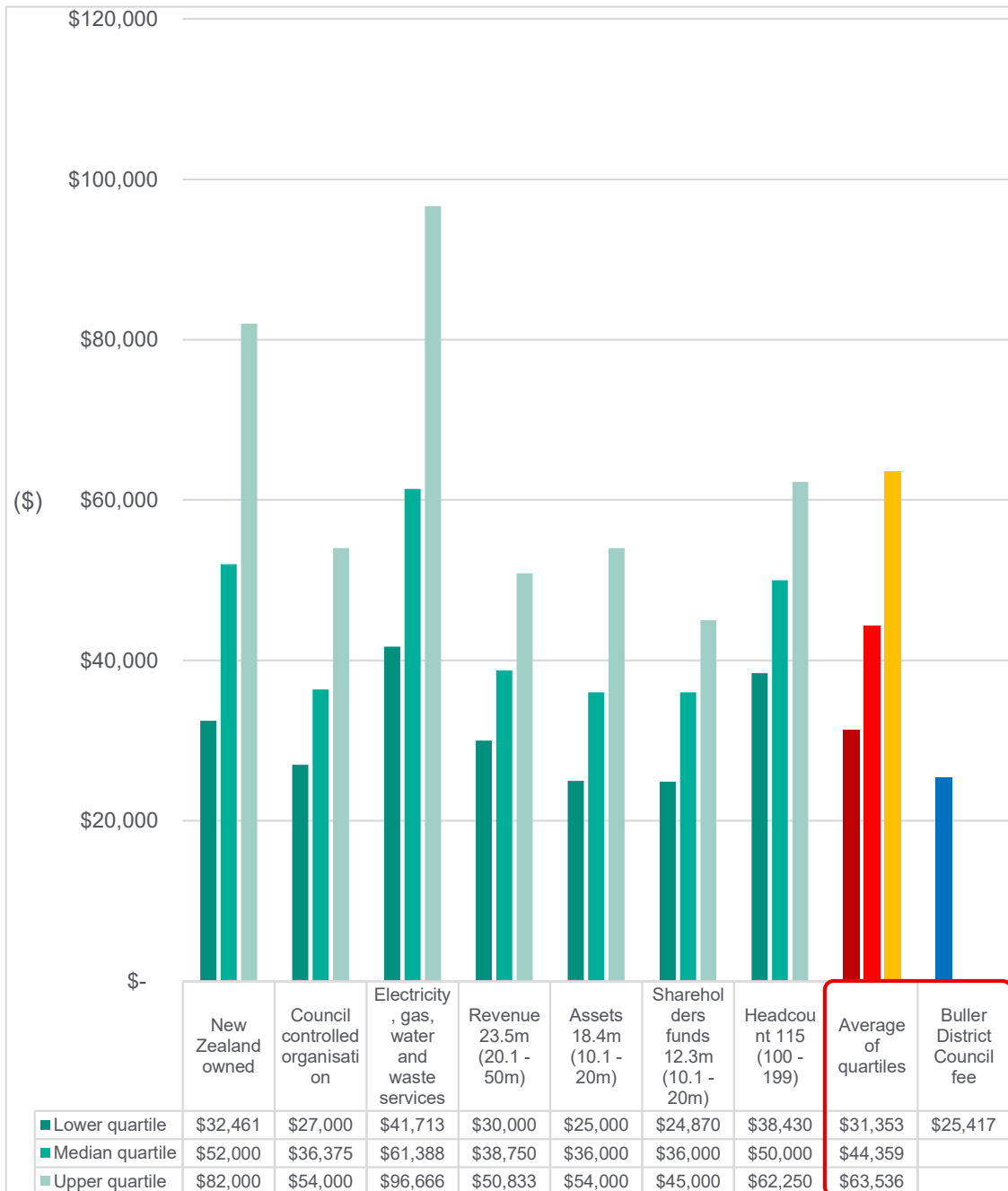
OUR FEE DATA USES THE ANZSIC (AUSTRALIAN AND NEW ZEALAND STANDARD INDUSTRIAL CLASSIFICATION) GROUPS

| FEE CATEGORY                      | 12 MONTH FEE MOVEMENT |
|-----------------------------------|-----------------------|
| Council controlled organisation   | + 5.8%                |
| Electricity, gas, water and waste | + 9.2%                |

## 4 Comparator fee benchmarking

### Director remuneration - comparator breakdown

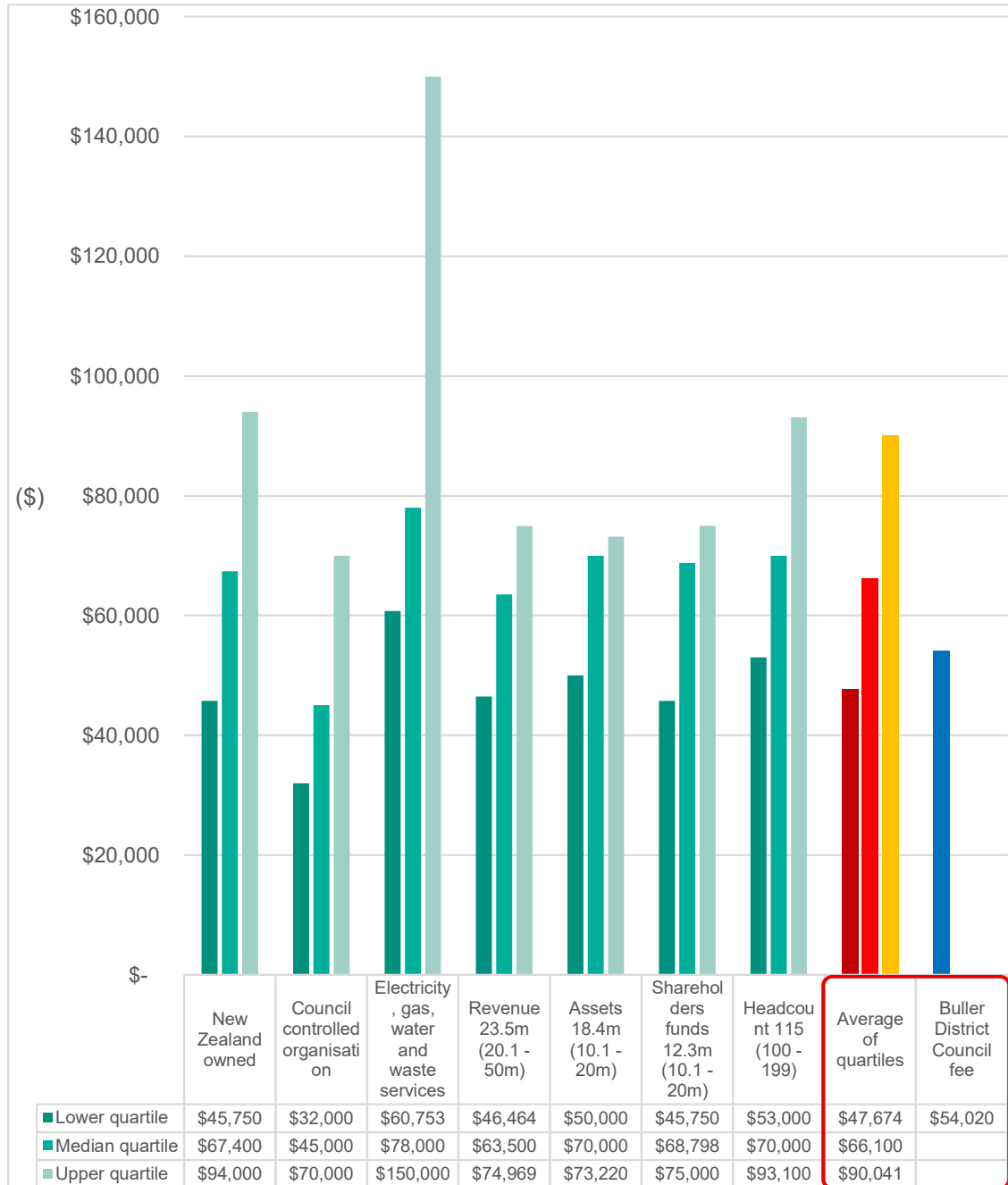
The graph below shows director fee data relevant to Buller District Council based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Buller District Council's current director fee aligns to the lower quartile against the comparator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





### Chair remuneration - comparator breakdown

This graph shows chair fee data relevant to Buller District Council based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey. It demonstrates that Buller District Council's 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 QUARTILE HRS     | MEDIAN QUARTILE HRS | UPPER QUARTILE HRS | LOWER QUARTILE HRS  | MEDIAN QUARTILE HRS | UPPER QUARTILE HRS |
| New Zealand owned                          | 90                     | 136                 | 200                | 115                 | 182                 | 258                |
| Council controlled organisation            | 96                     | 146                 | 216                | 130                 | 182                 | 213                |
| Electricity, gas, water and waste services | 95                     | 150                 | 208                | 130                 | 250                 | 401                |
| Revenue 23.5m (20.1 - 50m)                 | 90                     | 115                 | 181                | 113                 | 173                 | 241                |
| Assets 18.4m (10.1 - 20m)                  | 57                     | 92                  | 120                | 95                  | 177                 | 233                |
| Shareholders' funds 12.3m (10.1 - 20m)     | 83                     | 114                 | 183                | 90                  | 152                 | 226                |
| Headcount 115 (100 - 199)                  | 111                    | 138                 | 216                | 126                 | 174                 | 234                |
| <b>AVERAGE OF QUANTILES</b>                | <b>89</b>              | <b>127</b>          | <b>189</b>         | <b>114</b>          | <b>184</b>          | <b>258</b>         |

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 or for advisory board members.

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                          | 204                             | 306                              | 462                             |
| Council controlled organisation            | 201                             | 255                              | 343                             |
| Electricity, gas, water and waste services | 242                             | 352                              | 428                             |
| Revenue 23.5m (20.1 - 50m)                 | 206                             | 344                              | 443                             |
| Assets 18.4m (10.1 - 20m)                  | 251                             | 402                              | 506                             |
| Shareholders' funds 12.3m (10.1 - 20m)     | 213                             | 295                              | 438                             |
| Headcount 115 (100 - 199)                  | 195                             | 263                              | 386                             |
| <b>AVERAGE HOURLY FEES</b>                 | <b>216</b>                      | <b>317</b>                       | <b>429</b>                      |

## 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 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 organisation 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 2023-24 IOD DIRECTORS' FEES REPORT)

#### Board size for Council controlled organisations

| ORGANISATION TYPE                | LOWER QUARTILE | MEDIAN QUARTILE | UPPER QUARTILE | AVERAGE |
|----------------------------------|----------------|-----------------|----------------|---------|
| Council controlled organisations | 5              | 6               | 7              | 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"> <li>Sub-committee: (e.g Audit and Risk)</li> </ul> |                                                                                                                   |               |                   |                            |
| <ul style="list-style-type: none"> <li>Sub-committee:</li> </ul>                      |                                                                                                                   |               |                   |                            |
| <ul style="list-style-type: none"> <li>Sub-committee: <i>(etc)</i></li> </ul>         |                                                                                                                   |               |                   |                            |
| Other director time commitments                                                       | <i>e.g. stakeholder meetings, conferences, administration</i>                                                     |               |                   |                            |
| <b>Average annual hours for director</b>                                              | <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>                       |               |                   |                            |
| <b>Average annual hours for chair</b>                                                 | <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 board's 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](mailto:GovernanceServices@iod.org.nz)



Web: [iod.org.nz/ServicesforBoards](http://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.



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