

Board Composition and Non-Executive Director Pay in the Top 200 Companies: 2012



This study was commissioned by the Australian Council of Superannuation Investors and prepared by Ownership Matters Pty Ltd.



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The Australian Council of Superannuation Investors ("ACSI") provides independent research and advice to superannuation funds on the environmental, social and corporate governance risks of companies in which they invest.

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Foreword

I am pleased to present ACSI's 12th annual research report into board composition and non-executive director pay in Australia's largest listed companies. Over time, this longitudinal research has provided a detailed insight into the pool of directors and new board appointments across these boards.

Investors continue to rely on boards to safeguard their ownership interests and provide effective oversight of management. Through a long-term commitment to evidence based research, ACSI and its member superannation funds have tracked the changing size, shape, age and tenure of non-executive directors in Australia's top companies.

As you will read, this year's study has found that S&P/ASX 200 boards are becoming more diverse, a little greyer over time and there is an increasing number of directors being selected from outside the current talent pool. The positive trend in the results is that S&P/ASX 100 companies are looking beyond the 'usual suspects' and making appointments from a more diverse pool of candidates. This result matches ACSI's long held expectation that boards seek to appoint skilled candidates from a broader talent pool.

In 2012, women finally broke the '100 in the 100' barrier - there are now 105 women, occupying 144 roles, on the boards of Australia's Top 100 companies. One in four of all new directors appointed in 2012 were also female, with the result that women now hold just over 18 per cent of all ASX 100 board seats - the highest level since ACSI began its research. ACSI is pleased to see this improvement in gender diversity on S&P/ASX100 boards, but there is clearly still work to be done.

This study also marks the first year in which the research provides analysis of the backgrounds of new directors appointed to S&P/ASX 200 boards. By capturing this information we hope, over time, to provide our members with an insight into trends in board appointments, as well as greater detail on the backgrounds, competencies and skills of non-executive directors in the S&P/ASX 200.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ann Byrne', with a stylized flourish at the end.

Ann Byrne
Chief Executive Officer

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1. Executive Summary

Methodology

The 2012 study contains entities in the S&P/ASX 200 Index as at 30 June 2012. The following criteria must also be met by an entity to be included in the sample:

- The company must be incorporated in Australia.¹
- The company was a trading entity.
- The entity consists of Australian domiciled trusts but submits directors for election or ratification – this category includes Dexus Property Group and APA.
- The company had an AGM following its 2012 financial year.

As in prior years, board composition is based on board membership as at the date of the ACSI report prepared ahead of the relevant annual meeting. Data was collected from 2012 annual reports, notices of annual general meetings and ASX announcements. Most entities within the sample had financial years ending 30 June and for the remainder, most had financial years ending 31 March, 30 September or 31 December.²

Included in the sample were 94 Top 100 companies (2011: 87) and 86 ASX 101–200 companies (2011: 88).

Summary findings

This study provides an overview of the composition of S&P/ASX 100 and S&P/ASX 101–200 company boards, including director roles, independence, gender, remuneration, tenure, and age. It also provides comparison data based on the 11 prior studies commissioned by ACSI reviewing board composition and pay in the Top 100, and the 2011 study which included information on S&P/ASX 101–200 boards.

The key findings from the 2012 study are as follows:

- The number of women serving on Top 100 company boards rose to its highest level in the history of the ACSI study, with women accounting for 15.8 per cent of all Top 100 directors (2011: 15.4 per cent) and 18.1 per cent of all board seats (2011: 17.7 per cent). The rate of increase slowed considerably in 2012 relative to 2011, although 2012 was the fourth consecutive year the proportion of women among Top 100 directors increased.
- This reiterates that while gender diversity is improving, the rate of change remains slow across the Top 100 and even slower among companies in the S&P ASX 101–200. Women account for less than 10 per cent of all individuals serving as directors of ASX 101–200 companies, and these women held 9.9 per cent of all ASX 101–200 board seats, a slight improvement over 2011. More than half of ASX 101-200 boards again had no female directors in 2012.

¹ The study does not include a listed Australian entity where no directors are elected by securityholders, DUET Group, which includes an Australian company but where all directors are elected by the external managers AMP and Macquarie using 'special shares'. At the same time as its 2012 AGM, DUET securityholders approved an internalisation of management and in the future its directors, now elected by securityholders, will be included in the sample.

² One company, Sigma Pharmaceuticals, had a year end of 31 January 2012.

- For the seventh consecutive year, the average age of Top 100 non-executive directors increased, in 2012 from 61 to 62.9, the highest recorded in the 12 years of ACSI's Top 100 study. Female directors remain considerably younger than male directors, with the average female Top 100 non-executive director at 57.6 years old, nearly seven years younger than the average male. In the ASX 101-200 cohort the average female non-executive director was 55.7 years old, compared to 64.4 for the average male.
- For the first time, this year's study includes an analysis by background of new entrants to the S&P/ASX 200 director gene pool. Of the 70 individuals appointed to a Top 100 company board for the first time in 2012, 17 were women. Of the 55 new non-executive directors in the Top 100, 14 were current executives elsewhere, six were substantial shareholder representatives, 23 were former executives, seven were former lawyers and accounting firm partners, three were former politicians and two were former public servants.
- Among the 23 executive director appointments in 2012, none filled a vacancy created by an executive departing to take up a role at another company - again reiterating how seldom senior Australian executives are poached by other employers. Of the 23 appointments, nine were to replace executives who had been terminated and 11 replaced executives who retired. The other three cases involved either the promotion to the board of executives serving at the company, or the replacement of an executive director (usually a CEO) by another executive director.
- Since 2008 the proportion of Top 100 board seats held by independent directors has steadily increased, from just under two-thirds of all board seats to almost three-quarters in 2012. This is in stark contrast with the independence of boards in the S&P/ASX 101-200, where just over half of all board roles in the ASX 101-200 sample, or 56 per cent, were independent in 2012, although this was a substantial increase from 49 per cent in 2011.
- Average pay received by non-executive chairs across the ASX 200 fell in 2012, by 3.5 per cent for non-executive chairs in the Top 100 and by 11.2 per cent for those in the ASX 101-200. While directors of ASX 101-200 companies received a modest fee increase of 3.7 per cent in 2012, the average fees for their non-executive director counterparts in the Top 100 were flat. The average fee received by a non-executive director in the Top 100 was \$218,434, compared with \$134,981 in the ASX 101-200. The average fee received by a non-executive chairperson in the Top 100 was \$481,415 compared with \$225,534 in the ASX 101-200. Two non-executive chairs received fees in excess of \$1 million in 2012 - Rio Tinto's Jan Du Plessis on \$1.288 million and his opposite number at BHP Billiton, Jac Nasser, \$1.154 million. Both men also received more than \$1 million in 2011.
- Eight directors received more than \$1 million from multiple non-executive roles in the 2012 sample: Kevin McCann (\$1.68 million), Michael Chaney (\$1.5 million) Lindsay Maxsted (\$1.41 million), Catherine Livingstone (\$1.26 million), Brian Schwartz (\$1.24 million), Nora Scheinkestel (\$1.10 million), Brian Jamieson (\$1.07 million) and Garry Hounsell (\$1.02 million).

2. Introduction

2.1 Aggregate board statistics: Top 100 and ASX 101-200

For the Top 100, the 94 company sample included:

- 666 individuals (up from 605 in 2011) holding
- 797 board seats.

The ASX 101–200 sample had:

- 519 individuals holding
- 537 board seats.

The larger size of Top 100 boards relative to ASX 101–200 boards is, as in 2011, readily apparent: Top 100 company boards averaged 8.5 members (marginally higher than the 8.4 members in 2011 but below the level of 8.8 of 2008) while ASX 101–200 boards had an average of 6.2 members (unchanged from 2011).

The most common board size in the Top 100 was nine members (up from eight in 2010 and 2011), accounting for 29 per cent of all sample boards. The most common board size among the ASX 101-200 was seven, accounting for 23 of the 86 sample companies. The largest boards in 2012 were those of BHP Billiton and Westfield Group, both with 13 members. Rio Tinto, which had been the largest board in 2010 and 2011 with 14 members, reduced to 12 members due to retirements. The largest board among the ASX 101–200 peer group was again Seven Group which had 12 members. The only other company outside the Top 100 with more than nine members was Ten Network Holdings with 11 directors.

The smallest Top 100 board consisted of five members. By contrast, in the ASX 101-200, nine companies had boards with fewer than five members - three with only three members: Acrux Limited, Fleetwood Corporation and Ramelius Resources.

| Number of directors | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|--------------------------|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|
| Board size – 2012 | 0 | 0 | 4 | 6 | 16 | 23 | 27 | 5 | 6 | 5 | 2 | 0 | 0 | 0 | 0 |
| Board size – 2011 | 0 | 1 | 5 | 7 | 12 | 30 | 12 | 7 | 6 | 4 | 2 | 1 | 0 | 0 | 0 |
| Board size – 2010 | 1 | 0 | 2 | 12 | 16 | 22 | 15 | 9 | 6 | 2 | 2 | 1 | 0 | 0 | 0 |
| Board size – 2009 | 0 | 1 | 3 | 7 | 13 | 24 | 16 | 10 | 7 | 1 | 0 | 2 | 0 | 1 | 0 |
| Board size - 2008 | 0 | 3 | 4 | 5 | 13 | 16 | 14 | 15 | 6 | 5 | 2 | 2 | 1 | 0 | 1 |

Table 2.1: Top 100 board sizes 2008 to 2012

| Number of directors | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|--------------------------|---|---|----|----|----|----|---|----|----|----|
| Board size – 2012 | 3 | 6 | 20 | 19 | 23 | 11 | 2 | 0 | 1 | 1 |
| Board size – 2011 | 0 | 6 | 23 | 17 | 30 | 6 | 5 | 0 | 0 | 1 |

Table 2.2: ASX 100 – 200 board sizes in 2012

2.2 Executive and Non-Executive Directors

The proportion of board seats held by non-executive directors on Top 100 company boards fell slightly in 2012 to 83.4 per cent from 83.9 per cent in 2011. A similar but slightly lower proportion of board seats were held by non-executive directors among the ASX 101–200 sample, where non-executive directors accounted for 79.3 per cent of all board seats, a slightly higher proportion than the 78.4 per cent in 2011.

Top 100 boards with the highest proportion of seats held by executive directors were Harvey Norman and Sonic Healthcare. For the ASX 101–200 sample, Seven Group Holdings, Linc Energy, Integra Mining and Energy World Corporation had the highest executive director count. For all these companies, executive directors accounted for half of all board seats (Sonic Healthcare, Harvey Norman and Seven Group also had half of their board seats held by executive directors in 2011). A further 12 companies across the S&P/ASX 200 had between 40 per cent and 43 per cent of their board seats taken by executive directors. At all of the other 174 sample companies, across the S&P/ASX 200, non-executive directors held a majority of board seats.

There were five companies in the ASX 101–200 without an executive director on the board: Fleetwood Corporation, where two former executives are on the board but the CEO is not, Macquarie Atlas Roads and Australian Infrastructure Fund (which are both externally managed³), Mount Gibson Iron and Southern Cross Media. All companies in the Top 100, had at least one executive director on the board.

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|-------|-------|
| Average | 77.1% | 77.4% | 79.0% | 79.6% | 81.2% | 80.2% | 81.2% | 81.8% | 82.9% | 83.7% | 83.9% | 83.4% |
| Minimum | N/A | 30.0% | 22.2% | 28.6% | 37.5% | 37.5% | 37.5% | 37.5% | 42.9% | 50.0% | 50.0% | 50.0% |
| Maximum | N/A | 92.3% | 91.7% | 92.3% | 92.3% | 92.3% | 100% | 100% | 100% | 100% ⁴ | 91.7% | 92.0% |

Table 2.3: Top 100 proportion of board seats held by non-executive directors

³ An executive of the external manager, John Roberts, served on the Macquarie Atlas (MQA) board but was not described as an executive director. MQA and Australian Infrastructure Fund (AIX) both had two boards, in MQA's case an Australian and Bermudan company board and in AIX's case one for the responsible entity of the trust within AIX (external manager) and one for the company within AIX elected by securityholders. The board of the company within AIX and the Australian company within MQA have been included in the sample.

⁴ In 2010, three boards had no executive directors, all of which also had no executive directors in 2009: Intoll, formerly part of MIG, which was acquired shortly after its 2010 AGM; West Australian Newspapers (now Seven West Media Group) and Spark Infrastructure (SKI). SKI internalised its management at its 2011 AGM.

| | 2011 | 2012 |
|----------------|-------|-------|
| Average | 78.4% | 79.3% |
| Minimum | 50% | 50% |
| Maximum | 100% | 100% |

Table 2.4: ASX 101 - 200 proportion of board seats held by non-executive directors

Only 48 companies, 26 of them in the Top 100, had more than one executive director on the board. Of those, 35 had two executive directors, and the remainder was made up of:

- Nine with three executive directors (Rio Tinto, Westfield Group, Crown, Aurora Oil and Gas and Perseus Mining from the Top 100, and ASX 101–200 companies Energy World Corp, Cardno, Mineral Deposits and Integra Mining).
- Two Top 100 companies with four executive directors (Sonic Healthcare and Primary Health Care).
- One with five executive directors (Harvey Norman).
- One with six executive directors (Seven Group).

2.3 Proportion of board seats held by Independent Directors

The study, as in past years, classifies directors based on the ACSI Guidelines' criteria for board independence. These largely mirror the independence guidelines of the ASX Corporate Governance Council, but are more explicit and more stringent.⁵ There is a unanimous recommendation across the major governance groups in Australia – those of ACSI, the Financial Services Council (formerly IFSA) and the ASX Council – for boards to be majority independent (and, in the case of the ASX Council's guidelines, for companies to explain why when they do not have a majority of independent directors).

As noted in prior year studies, most Top 100 companies have structured their boards to be majority independent. In 2012, directors defined as independent by ACSI continued to hold a clear majority of board seats in the Top 100 companies. The proportion of non-executive directorships held by independent directors increased from 72.8 per cent of all directorships (and 84.1 per cent of non-executive board seats) to 73.4 per cent of all directorships (and 88 per cent of non-executive roles) in 2012. Since 2008 the proportion of Top 100 board seats held by independent directors has steadily increased, from just under two-thirds of all board seats to close to three-quarters.

⁵ The current ACSI Guidelines are available at <http://acsi.org.au/images/stories/ACSIDocuments/2013%20ACSI%20Guidelines.pdf>. The independence criteria are on pp. 14-15.

| Year | Number of directorships | Number of non-executive directorships | Proportion of independent directors |
|------|-------------------------|---------------------------------------|-------------------------------------------------|
| 2012 | 797 | 665 (83.4%) | 88.0% (73.4% of all directorships) |
| 2011 | 727 | 610 (83.9%) | 86.7% (72.8% of all directorships) |
| 2010 | 728 | 609 (83.7%) | 84.1% (70.3% of all directorships) |
| 2009 | 721 | 598 (82.9%) | 83.3% (69.1% of all directorships) |
| 2008 | 769 | 629 (81.8%) | 80.1% (65.5% of all directorships) |
| 2007 | 757 | 615 (81.2%) | 80.7% (65.5% of all directorships) |
| 2006 | 781 | 626 (80.2%) | 80.5% (64.5% of all directorships) |
| 2005 | 775 | 629 (81.2%) | 80.0% (64.9% of all directorships) ⁶ |
| 2004 | 724 | 576 (79.6%) | 63.4% (50.4% of all directorships) |
| 2003 | 655 | 516 (79.0%) | 65.1% (51.3% of all directorships) |
| 2002 | 687 | 532 (77.4%) | 62.6% (48.5% of all directorships) |

Table 2.5: Top 100 proportion of board seats held by independent non-executive directors

Independent NEDs made up a far greater proportion of the Top 100 sample than the ASX 101–200 sample. Independent non-executive directors accounted for just over half of all board roles in the ASX 101–200 sample or 56 per cent, and 70 per cent of all NED roles. This is an improvement on 2011, where independent non-executive directors accounted for 49 per cent of all board roles in the ASX 101-200 sample and 62 per cent of all NED roles.

| Year | Number of directorships | Number of non-executive directorships | Proportion of independent non-executive directors |
|------|-------------------------|---------------------------------------|---------------------------------------------------|
| 2012 | 537 | 426 (79.3%) | 70.2% (55.7% of all directorships) |
| 2011 | 556 | 436 (78.5%) | 62.2% (48.7% of all directorships) |

Table 2.6: ASX 101–200 proportion of board seats held by independent non-executive directors

⁶ The rise in the proportion of board seats held by independent directors between 2004 and 2005 was driven by a change to ACSI's definitions of director independence. Prior to 2005, ACSI classified all directors with more than nine years' service on a board as affiliated and from 2005 only those directors who had spent more than 20 years on a board were considered affiliated (the change in definition was effective from the second edition of the ACSI Guidelines, released in 2005).

The study is based on the classification by ACSI of directors, which can differ from that of the company. For example, Woodside in its 2012 annual report classifies as independent former Shell executive Christopher Haynes, who retired in 2011, despite Shell owning 23 per cent of the company’s shares and having nominated Haynes to the board. ACSI classified Haynes as affiliated.⁷ These cases illustrate that the ASX Council’s guidelines on assessing director independence, unlike the rules of foreign stock exchanges such as the NYSE, allow for considerable exercise of judgement by company boards when assessing director independence.

2.4 Reasons for classifying Non-Executive Directors as affiliated

This section describes why ACSI classified as affiliated – that is, not independent - 207 non-executive directors across the S&P/ASX 200 company sample.⁸ The classification relates to a board seat, rather than an individual director, as several individuals in the sample were independent directors on one board yet considered affiliated on another. Across both the Top 100 and the ASX 101–200, as shown by Figures 1 & 2 below, the most common reason why a director was classified as affiliated was because of a connection with a substantial shareholder – either as principal, an employee, director or consultant. This accounted for 45 per cent of the affiliated non-executive directors in the Top 100 and 46 per cent in the ASX 101–200 sample. Directors associated with substantial shareholders made up a higher proportion of the Top 100 affiliated non-executive director sample to prior years – in 2011, this group accounted for 40 per cent of all affiliated non-executive directors in the Top 100 and in 2010, 41 per cent.

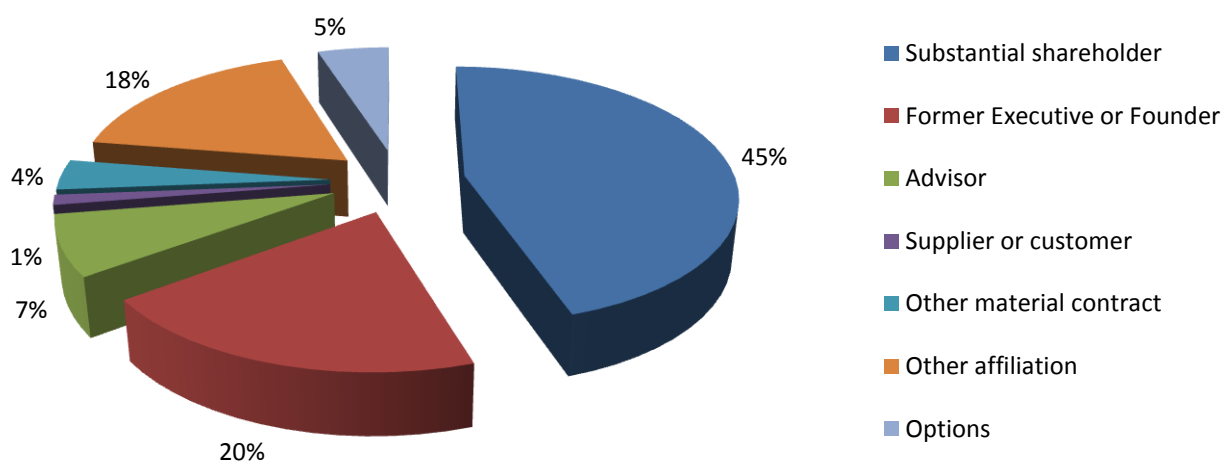


Figure 1: Top 100 - reasons why affiliated director classified as affiliated in 2012

⁷ Woodside Petroleum Limited, 2012 annual report, pp. 37, 41.

⁸ Of the 665 Top 100 non-executive board seats in the Top 100 sample, 80 were held by an affiliated director, while of the 426 non-executive board seats in ASX 101 – 200 sample, 127 were held by an affiliated non-executive director.

Former executives and founders accounted for a higher proportion of Top 100 affiliated directors in 2012, increasing from 12 per cent to 20 per cent. This group represented 13 per cent of the ASX 101–200 sample (9 per cent in 2011).

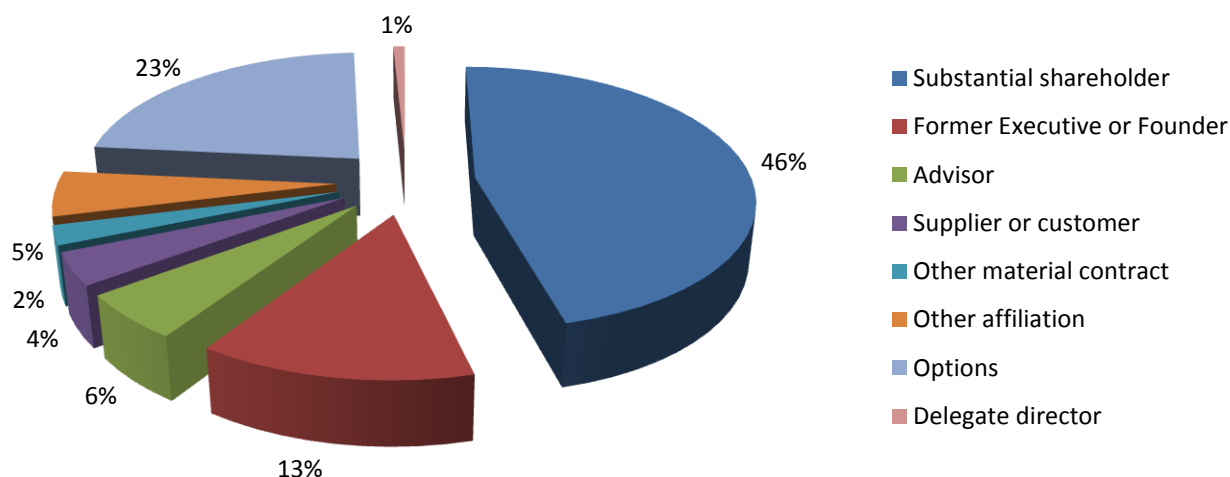


Figure 2: ASX 101–200 companies - reasons why affiliated director classified as affiliated

A major point of difference between the Top 100 and ASX 101–200 was again the proportion of directors classified by ACSI as affiliated on the basis that they hold options on similar terms to those held by executives. This group accounted for 23 per cent of the ASX 101–200 affiliates but just 5 per cent of the Top 100 affiliates, indicating the high number of developing resource companies included in the ASX 101–200. These, often cash-poor, companies frequently make substantial option allocations to non-executive directors as part of their remuneration arrangements.

2.5 Board composition by gender

Although an increasing number of women have been appointed to Top 100 boards since 2008, the rate of appointments slowed in 2012. The longer term rise in female appointments appears to be the result of efforts by the Australian Institute of Company Directors and the ASX, announced in 2009, to increase their representation on company boards.⁹ Despite improvements in female board representation among the largest companies listed on ASX in the past four years, women continue to hold less than 20 per cent of Top 100 board seats and still make up less than one-sixth of all individuals serving as Top 100 company directors. For the first time, however, there were more than 100 women serving on Top 100 company boards: 105 women holding 144 board seats, up from 93 women holding 129 board seats in 2011.

The number of women holding Top 100 board seats increased only slightly in 2012, after a substantial increase in 2011. The proportion of female directors among the individuals serving on Top 100 boards rose from 15.4 per cent to 15.9 per cent in 2012, and the percentage of Top 100 board seats occupied by women rose from 17.7 per cent to 18.2 per cent.

⁹ Australian Institute of Company Directors, 'Media release: AICD Takes Action On Board Diversity', 24 November 2009. ASX Corporate Governance Council, 'Media release: New ASX Corporate Governance Council Recommendations on Diversity', 7 December 2009.

| Year | Female directors as proportion of Top 100 pool | Proportion of Top 100 board seats held by women |
|------|------------------------------------------------|-------------------------------------------------|
| 2012 | 15.8% | 18.1% |
| 2011 | 15.4% | 17.7% |
| 2010 | 12.2% | 13.5% |
| 2009 | 11.1% | 12.1% |
| 2008 | 10.1% | 11.1% |
| 2007 | 10.4% | 12.4% |
| 2006 | 11.0% | 12.6% |
| 2005 | 9.2% | 11.1% |
| 2004 | 9.3% | 11.0% |
| 2003 | 9.3% | 11.1% |
| 2002 | 9.0% | 10.5% |
| 2001 | 8.0% | 9.2% |
| 2000 | 7.2% | 8.3% |

Table 2.7: Top 100 - women on boards 2000 to 2012

The proportion of women represented on ASX 101–200 boards is much lower than within the Top 100. In the 2012 sample there were just 50 women, or less than 10 per cent of all individuals serving as directors of ASX 101–200 companies – and these women held 9.9 per cent of all ASX 101–200 board seats.

| Year | Female directors as proportion of 101-200 pool | Proportion of 101-200 board seats held by women |
|------|------------------------------------------------|-------------------------------------------------|
| 2012 | 9.6% (50/519) | 9.9% (53/537) |
| 2011 | 8.5% (45/527) | 9.0% (50/556) |

Table 2.8: ASX 101–200 - women on boards 2012

| Year | Female directors as proportion of Top 200 pool | Proportion of Top 200 board seats held by women |
|------|------------------------------------------------|-------------------------------------------------|
| 2012 | 13.1% | 14.8% |
| 2011 | 11.8% | 14.0% |

Table 2.9: ASX 200 - women on boards 2012

The distribution of female directors across S&P/ASX 200 boards was as follows:

- No boards had four female directors in 2012. In 2011, Westpac and Pacific Brands had boards which included four women.
- Eleven companies had three women on their board at the snapshot date, up from seven in 2011 and only three in 2010. Nine of these companies were in the Top 100 (AMP, QBE Insurance, Macquarie, Commonwealth Bank, Qantas, Bendigo & Adelaide Bank, Downer EDI, Telstra and Westpac), and two were in the ASX 101-200 (Billabong and Ten Network).
- There were 39 of the Top 100 companies with two female directors in 2012 (2011: 32; 2010: 25; 2009: 21; 2008: 20) but only seven ASX 101–200 companies with two female directors (2011: 6).
- A further 39 Top 100 companies had only a single female director in the 2012 sample (2011: 40; 2010: 39; 2009: 36), compared with 33 in the ASX 101–200 companies (at Cabcharge, the company's first female director resigned at the 2012 AGM after retiring from executive duties and joining the board in December 2011).
- Seven Top 100 companies in the 2012 sample still had no female directors, the same as in 2011. This is, though, an improvement on earlier years. In 2009, 25 companies had no female directors and in 2010, 21 companies had no female directors.
- More than half of the ASX 101–200 sample - 44 of the 86 boards in the sample - had no female directors. That was, however, a marginal improvement on last year's 47 of 88.

The increase in the number of women serving on Top 100 company boards in recent years is yet to result in a substantial increase in representation in leadership roles. In the Top 100, there were again five companies with a female chairperson: Caltex's Elizabeth Bryan, Telstra's Catherine Livingstone, QBE's Belinda Hutchinson, Tabcorp's Paula Dwyer, and a new entrant, Barbara Jeremiah at Boart Longyear. CSL chair Elizabeth Alexander retired from the board after the 2011 AGM.

Across the 132 executive directors in the Top 100, the number of women was also almost unchanged from 2011. Of the five female executive directors in the 2012 sample, four were in the 2011 sample - Westpac CEO Gail Kelly, Kay Page at Harvey Norman, Sydney Airport's Kerrie Mather and Origin Energy executive director Karen Moses. The new addition was Graincorp's Alison Watkins, who was included in the ASX 101-200 sample in 2011. There were again two female executive directors in the ASX 101–200 in 2012, both new appointments – Billabong's Launa Inman and Coalspur's Gill Winckler. The other female executive director in 2011, Pacific Brands' Sue Morphet, resigned in September 2012.

2.6 Professional Non-Executive Directors

The 2012 study has retained the definition of a 'professional non-executive director (NED)' used in prior studies: an individual holding more than one board seat in the sample group. The 170 professional NEDs across the entire sample held 28.6 per cent of all board seats across the S&P/ASX 200 – that is, less than a fifth of the non-executive directors in the sample held more than a quarter of the non-executive board roles. There was also again overlap between the Top 100 and the ASX 101–200 samples although it was also apparent that professional NEDs in the S&P/ASX 200 are more common in the Top 100.

| Year | Number of non-executive directorships | Proportion of non-executive directorships held by professional NEDs |
|------|---------------------------------------|---------------------------------------------------------------------|
| 2012 | 665 | 33.4%, held by 100 individuals |
| 2011 | 610 | 30.3%, held by 98 individuals |
| 2010 | 609 | 38.6%, held by 105 individuals |
| 2009 | 598 | 40.6% held by 109 individuals |
| 2008 | 629 | 40.6% held by 111 individuals |
| 2007 | 615 | 43.5% held by 114 individuals |
| 2006 | 626 | 45.1% held by 123 individuals |
| 2005 | 629 | 42.8% held by 117 individuals |
| 2004 | 576 | 39.4% held by 99 individuals. |
| 2003 | 516 | 36.6% held by 99 individuals |
| 2002 | 532 | 37.8% held by 85 individuals |
| 2001 | 536 | 30.6% held by 72 individuals |

Table 2.10: Concentration of Top 100 directorships among professional NEDs

The proportion of Top 100 board seats held by professional NEDs increased to 33.4 per cent from 30.3 per cent in 2011, increasing the level of professional non-executive director concentration in the Top 100, albeit from 2011's record low.

| Year | Number of non-executive directorships | Proportion of non-executive directorships held by professional NEDs |
|------|---------------------------------------|---------------------------------------------------------------------|
| 2012 | 426 | 8.4%, held by 18 individuals |
| 2011 | 436 | 12.8% held by 27 individuals |

Table 2.11: Concentration of ASX 101 - 200 directorships among professional NEDs

| Year | Number of non-executive directorships | Proportion of non-executive directorships held by professional NEDs |
|------|---------------------------------------|---------------------------------------------------------------------|
| 2012 | 1,091 | 34.9%, held by 170 individuals |
| 2011 | 1,046 | 36.5% held by 169 individuals |

Table 2.12: Concentration of ASX 200 directorships among professional NEDs

The 2012 results also confirm the findings of prior ACSI studies that women are more likely than men to be professional NEDs (as distinct from directors of one Top 200 company) . Of the 878 persons holding non-executive director roles at S&P/ASX 200 company boards in the 2012 sample:

- 707 held just one non-executive board seat at an ASX 200 company. This included 84 of the women in the sample (52 per cent of all female directors) and 623 of the men (or 60 per cent of all male directors in the sample).
- 137 held two board seats, including 33 women (21.3 per cent of female non-executive directors) and 104 men (10.1 per cent of all men).
- 27 held three board seats, including eight women (5.2 per cent of women) and 19 men (2 per cent of men).
- Six people held four board seats, two of which were men and four of which were women.
- One man, Garry Hounsell, held five board seats (four in the Top 100 and one in the ASX 101–200).¹⁰

2.7 New entrants to the S&P/ASX 200 director pool

The 2012 study for the first time includes an analysis not only of the new entrants to the Top 100 and ASX 101–200 director pools but also an analysis of the backgrounds of these directors. It also includes analysis of executive director appointments during the sample period, including the circumstances of new appointments and whether appointments were internal or external. Collecting this data on an annual basis will allow ACSI to build on earlier research on competition for executive talent at ASX listed companies and the likelihood of senior executives being ‘poached’ or departing voluntarily to other roles.¹¹

Top S&P/ASX 100

In the Top 100 There were 108 new appointments in the 2012 study (i.e. there were 108 board seats filled during the sample year). Of these, 73 were filled by 70 individuals who had not previously been Top 100 directors. Three of the ‘new’ directors were appointed to two Top 100 board roles during the sample year:

- Ian Morrice (MTS and MYR), a former retailing executive.
- Kerry Sanderson (DOW and AGO), a former Western Australian public servant.
- Doug McTaggart (UGL & SUN), a former Queensland public servant.

This group of new entrants includes directors like Jane Harvey (DJS) and Ryan Stokes (SWM) who had previously been directors of ASX 101-200 entities. The number of new appointments was up substantially from 92 in 2011 with the largely increase due to changes in non-executive director ranks – there were 91 non-executive appointments in 2012, up from the 71 of 2011 that had included 45 new entrants to the non-executive director pool.

¹⁰ Hounsell was chairperson of PanAust and a non-executive director of Qantas, Orica, Treasury Wine Estates and Dulux.

¹¹ See ACSI, ‘War for talent? Evidence from Top 50 Australian companies on the competition for executive talent’, 2009, available at http://acsi.org.au/images/stories/ACSIDocuments/war_for_talent_research_report_acsi_version.pdf.

Of the 73 new entrant board seats, 15 were executive positions (this does not include Metcash where Ian Morrice was appointed as a NED and later became CEO, or Echo Entertainment where John Redmond started as a NED and then became CEO).

Of the 70 new entrants, 17 were female. Six of the 70 were also substantial shareholder reps (CTX – 2, including one woman; LEI – 1; AWC – 1; FMG – 1; SWM – 1). Of the other 64, 14 were current executives at other companies:

- Two were private equity executives, including one woman.
- One woman was a current funds management executive.
- Another three individuals were current banking & finance executives, including two women.
- There were two property executives (including one woman).
- One was a logistics executive.
- There was one female publishing executive.
- Another current executive with a general executive background who was presently head of human resources and communications, Newcrest's Debra Stirling, joined the Federation Centres board.
- There were two law firm partners, Atlas Iron's Geoffrey Simpson and experienced US company director, Robert Denham, who joined the UGL board.
- A single alcohol executive, US spirits executive Michael Cheek, joined the Treasury Wine Estates board (of the new appointments to Top 100 boards, Treasury Wine Estates accounted for four, two of whom were new entrants, the other being former retailing executive Ed Chan).

Of the other 35 new 'NEDs' who were not current executives:

- Six were former accounting firm partners, including two women.
- Four had backgrounds in banking, finance or insurance and all were men.
- There were four former retailing executives including one woman; this group included Morrice, Chan and Woolworths' director Christine Cross.
- Another three were former transport & logistics executives, including one woman.
- Another three were formerly energy executives, including one woman.
- There were three former politicians, including one woman (Helen Coonan, who joined the Crown board) and a former PNG politician who joined the Oil Search board.
- There was one former lawyer.
- Two men were former engineering executives.
- There were two former mining executives, including one woman.
- There were two individuals with general business backgrounds, including one woman.
- Two public servants (one female, Sanderson and one male, McTaggart).
- There was one former (male) property executive.
- One man with a background in agribusiness.
- One former gaming executive, John Redmond at Echo.

The 35 board seats filled by 'incumbents' were filled by 30 individuals of whom six were women. The 'multiples' were:

- Ian Smith, the former CEO of Newcrest, joined the Transurban board as a NED and Orica as CEO.
- Former NAB executive director Michael Ullmer was appointed to the Lend Lease and Woolworths boards.
- The newly appointed ASX CEO, Elmer Funke Kupper, also rejoined the Tabcorp board during 2012 after a brief hiatus following his resignation as CEO on Tabcorp's demerger.
- The chairperson of Tabcorp, Paula Dwyer, joined the boards of ANZ and Leighton.
- Steve Gregg, chairperson of Goodman Fielder (which was a Top 100 company when he was appointed), joined the Tabcorp and Challenger boards.

Of these 35, the two executive appointments were at ASX and Orica.

Of the 17 executive director appointments made during the sample period:

- A total of 10 were made to replace CEOs who had retired. Of these 10, six were internal appointments – at CBA, QBE, Toll, Challenger, Spark Infrastructure and Atlas Iron. The four companies where retiring CEOs were replaced by external candidates were ASX, Orica, Transurban (where the retiring CEO, Chris Lynch, has now become CFO and an executive director at Rio Tinto, changing from his non-executive role at the mining company) and Federation Centres (where the CEO who oversaw the restructuring of the Centro entities, Robert Tsenin, departed post-restructure and was replaced by Steven Sewell). In the case of Transurban and Federation Centres the new CEOs were 'poached' – TCL's Scott Charlton from Lend Lease and Sewell from managing the Charter Hall Retail REIT.
- Another three appointments were classified as promotions: This included Newcrest's new finance director Gerard Bond, who joined Newcrest from BHP Billiton and replaced former finance director Greg Robinson (who had in turn replaced Ian Smith as CEO in July 2011). In the other two cases, at Atlas Iron and JB Hi-Fi, current executives were appointed to the board.
- The other four appointments were made to replace executives who were apparently terminated, and in all but one case were external appointments: Dexus CEO Darren Steinberg, who replaced Victor Hoog Antink and joined the group from CBA's property fund division; Boart Longyear CEO Richard O'Brien who retired from Newmont and replaced Craig Kipp (following a period where a non-executive director acted as interim CEO), and Mirvac finance director Greg Dyer (himself terminated from Mirvac in April 2013, eight months after joining the group) who joined Mirvac from Mulpha to replace the former CFO. The one internal appointment was at Boral, where the former head of Boral's US business, Mike Kane, was appointed to replace Mark Selway.

A majority of the new executive director appointments during the sample period were internal and in no case was the appointment made to replace an executive director who had resigned to take up another role. Of the eight external appointments, five involved an executive being 'poached' from another employer and three involved the appointment of retired, or retiring, executives.

As ACSI has noted in other research work, classifying the reasons behind executive departures is often difficult as companies usually disclose all executives as retiring or resigning voluntarily. Classifications require a case-by-case assessment, taking into account whether termination provisions of contracts were triggered by the departure as well as the circumstances and announcements around each executive departure.

S&P/ASX 101-200

The number of new appointments to the ASX 101–200 director pool was again lower than in the Top 100, reflecting in part smaller board sizes. There were 50 new appointments in 2012, down from 72 in 2011, with 44 new non-executive appointments (2011: 64). No individual was appointed to more than one ASX 101-200 board during the sample period in 2012. Of the 50 directors, four of the six executive directors and 29 of the 44 non-executive appointments involved people who had not previously been directors of an S&P/ASX 200 company (the executive director sample does not include Transfield Services' CEO Graeme Hunt who was appointed to the TSE board as a non-executive director before becoming interim and then permanent CEO). There were two women among the ranks of executive director appointments and seven among the new entrants to the sample.

Of the 29 new entrants to non-executive roles, three were current executives and all of these were male: A law firm partner who joined the FKP board, a biotechnology executive who joined the Acrux board and an Endeavour Mining executive who joined the Ausdrill board. Another six appointments, all involving men, involved representatives of substantial shareholders joining boards at Transfield Services, Mt Gibson Iron, Sandfire, Transpacifc, CuDeco and Mesoblast.

The backgrounds of the 20 new entrants to the non-executive sample who were not current executives or substantial shareholder representatives was varied:

- There were three former accounting firm partners, two of whom were female.
- There were three former mining executives, including one woman.
- There were two directors with backgrounds in the finance and banking industries, including one woman.
- There were also two former manufacturing executives, both male.
- Former Woodside executive Eve Howell, who was also a new entrant to the Top 100 sample during 2012 at Downer EDI, was appointed to the board of Mermaid Marine.
- There was one former advertising executive, one former engineering executive, a former CFO, a former general executive, a former management consultant and a former property executive, all male.
- There was also a lawyer, Cabcharge's former company secretary Sharon Doyle, who as noted above became the first woman to join the company's board before retiring at the 2012 AGM.
- There were also two appointments with unusual backgrounds in a large listed company environment – a family member of TPG executive chairperson David Teoh joined the company's board during the sample period while former Australian rugby union captain John Eales joined the Flight Centre board.

The 15 non-executive positions filled by incumbents (10 men, five women) included 11 individuals (three women) who were former or current directors of Top 100 companies including former ASX CEO Tony d'Aloisio (Iress), Hunt at Transfield (who was Lihir Gold's last CEO; Hunt also joined the AGL Energy board as a non-executive during 2012 and is included in the data above) and the CEO of Newcrest Mining until 2001, Russell Barwick, who was one of four new appointments at Mt Gibson Iron.

Of the six new executive director appointments in the ASX 101-200 during the sample period:

- All, bar one, were made to replace CEOs who were terminated. Of these two were internal appointments, Geoff Lloyd who replaced Chris Ryan at Perpetual and Ross Carroll who replaced Nick Bowen at Macmahon Holdings. Of the three external appointments, two involved executives who were at the time of their appointment not in full-time roles – Launa Inman at Billabong, who had recently ceased being head of Target, and former Foster's CEO John Pollaers who replaced Sue Morphet at Pacific Brands. There was only one executive director 'poached' during the period, Ten's CEO James Warburton who was poached from Seven West Media, but has since left Ten.
- The other new executive director appointment was Gill Winckler at Coalspur. Winckler replaced Gene Wusaty, who from information available appeared to voluntarily depart the company, although not to another executive role. Winckler joined Coalspur from BHP Billiton.

2.8 Incidence of Executive Directors holding multiple directorships

There were 10 individuals who served as executive directors on one sample board and as a non-executive director on another. In the Top 100, these directors were:

- Peter Allen (finance director at Westfield Group and a non-executive director of Westfield Retail Trust).
- John Bevan (chief executive of Alumina and a non-executive director of Ansell).
- John Mullen (chief executive of Asciano and a director of Telstra).
- Michael Cameron (chief executive at GPT and non-executive director at Suncorp).
- Elmer Funke Kupper (chief executive at ASX and non-executive director at Tabcorp).
- Sam Walsh (chief executive of Rio and a non-executive director of Seven West Media).
- Steven Lowy (joint CEO at Westfield and director at Westfield Retail Trust).
- Ian Smith (chief executive of Orica and non-executive director of Transurban).
- Alison Watkins (chief executive of Graincorp and non-executive director of ANZ).

The only case in the ASX101-200 was the CEO of Gindalbie Metals, Timothy Netscher, who was a non-executive director at Industree, which was acquired by GE and delisted in December 2012.

3. Board Leadership

The ACSI Guidelines recommend that boards have an independent chairperson and also emphasise that the roles of CEO and chairperson ought not to be combined.

Across the 94 sample companies in the Top 100 in 2012, 16 did not have an independent chairperson on ACSI's classification (12 of 87 in 2011). Of these 13 non-independent chairpersons:

- A total of five were executive: Crown's James Packer; Lynas Corporation's Nicholas Curtis (who has since retired from executive duties); Harvey Norman's Gerry Harvey; Monadelphous Group's Calogero Rubino and Aurora Oil and Gas's Jonathan Stewart. Harvey Norman, Crown, Monadelphous and Aurora all have an executive chairperson and a separate individual serving as CEO.
- In eight other cases the chairperson was classified as affiliated by both the company and ACSI: Computershare, Westfield, Atlas Iron, and Fortescue, where the chairperson is a former executive and founder; Sydney Airport and SP Ausnet Group (where the chairperson is associated with the largest securityholder) and Ramsay Healthcare and Seven West Media, where the chairperson is the largest shareholder.
- In three other cases the chair was an independent non-executive director on the company's classification but not that of ACSI. These cases were Bendigo & Adelaide Bank and Beach Energy, where the chairs had been directors for more than 20 years (the Beach Energy chairperson retired at the 2012 AGM), and Westfield Retail Trust, where the chair was appointed by external manager Westfield Group.¹²

In the ASX 101–200, non-independent chairpersons were far more common than in the Top 100. Of the 86 sample companies, 35 did not have an independent chairperson. Of these:

- Just over a third (13) were executive. In the case of Mineral Deposits and Seven there was a separate CEO. FKP noted in its 2012 annual report that its chair was acting as CEO as a temporary measure until a new CEO was appointed; the chairperson was also associated with the group's largest securityholder.
- Another nine (2011: 13) were classified as affiliated by the company. This was the case at APN News & Media, Australand, Iress, Western Areas, Medusa Mining, Southern Cross, Carsales, Coalspur Mines and Ten Network Holdings. In most cases the chairperson was either associated with a substantial shareholder and/or a former executive.
- In the remaining 13 (2011: 11) cases the chairperson was considered independent by the board but not by ACSI. This was the case at Gryphon Minerals, GWA, Discovery Metals, Mesoblast, Beadell Resources, Gindalbie Metals, Linc Energy, M2 Telecommunications, Mount Gibson Iron, Qube Logistics, Sundance Resources, Transfield Services and Bathurst Resources. In most cases the difference in classification was due to directors holding options or associations with a substantial shareholder.

¹² Warburton was reclassified as independent under ACSI's guidelines after the ratification by securityholders of his appointment to the board by Westfield in May 2013.

4. Director Age

The 2012 study found relatively small differences in the ages of the Top 100 and ASX 101–200 director pools. The average male executive director in the Top 100 was 54.8, the oldest age recorded in the history of the study and up from 53.9 years in 2011 compared with 59.4 for the average ASX 101–200 male executive director.

Non-executive directors continued to be about eight years older than executive directors, reflecting the number of retired executives in the non-executive director cohort, with the average non-executive director of a Top 100 company being 62.9 – again, the oldest age recorded in the 12 years of the ACSI study - and for an ASX 101-200 company, 63.4.

Female non-executive directors were also generally younger than male non-executive directors – almost seven years younger among both the Top 100 non-executive director pool (57.6 years to 64.1 years) and almost nine years younger in the ASX 101–200 group (55.7 to 64.4). Consistent with the ageing of the Top 100 director pool, the average age of female and male executive and non-executive directors was the oldest in the history of the sample.

| Executive Directors | | | | | | | | | | | | |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|--------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Men | 51.5 | 51.5 | 51.3 | 52.2 | 53.5 | 53.3 | 52.8 | 54.0 | 53.4 | 53.4 | 53.9 | 54.8 |
| Women | 46.5 | 47.0 | 46.3 | 49.2 | 50.0 | 51.0 | 52.5 | 53.6 | 53.3 | 52.0 | 53.0 | 57.3 ¹³ |
| Combined | 51.4 | 51.3 | 51.3 | 53.1 | 53.4 | 53.3 | 52.8 | 54.0 | 53.4 | 53.4 | 53.8 | 54.9 |

| Non-Executive Directors | | | | | | | | | | | | |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|-------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Men | 59.5 | 59.5 | 59.8 | 60.4 | 60.4 | 61.0 | 61.2 | 61.2 | 61.3 | 61.8 | 62.3 | 64.1 |
| Women | 51.4 | 51.5 | 52.1 | 53.3 | 53.2 | 53.6 | 54.2 | 55.4 | 54.5 | 55.0 | 55.4 | 57.6 |
| Combined | 58.6 | 58.9 | 58.7 | 59.8 | 59.3 | 59.8 | 60.0 | 60.4 | 60.5 | 60.8 | 61.0 | 62.9 |

Table 4.1: Top 100 director ages 2001 – 2012

¹³ Sample of two.

| Executive Directors | | |
|---------------------|--------------------|-------------------|
| | 2011 | 2012 |
| Men | 56.3 | 59.4 |
| Women | 48.0 ¹⁴ | N/A ¹⁵ |

| Non-Executive Directors | | |
|-------------------------|------|------|
| | 2011 | 2012 |
| Men | 61.9 | 64.4 |
| Women | 54.9 | 55.7 |
| Combined | 61.1 | 63.4 |

Table 4.2: ASX 101–200 director ages in 2012

| Executive Directors | | |
|---------------------|------|--------------------|
| | 2011 | 2012 |
| Men | 54.9 | 56.7 |
| Women | 51.8 | 57.3 ¹⁶ |

| Non-Executive Directors | | |
|-------------------------|------|------|
| | 2011 | 2012 |
| Men | 62.1 | 64.3 |
| Women | 55.3 | 57.3 |
| Combined | 61.1 | 63.2 |

Table 4.3: ASX 200 director ages in 2012

The relatively narrow age range of the male and female director sample across the S&P/ASX 200 is illustrated in Figures 3 – 5 below. As in prior years, a majority of male non-executive directors are between 60 and 69, and most female non-executive directors (and male executive directors) are between the ages of 50 and 59. Men or women under the age of 40 or over the age of 75 make up only a very small percentage of the overall director pool. As in 2011, the age of more than 40 per cent of the individuals in the sample was not available and there is no requirement for Australian companies to disclose director ages (much better data on director age was available from Top 100 companies).

¹⁴ Sample of one.

¹⁵ No age data available for the two female non-executive directors in the ASX101-200.

¹⁶ Sample of two.

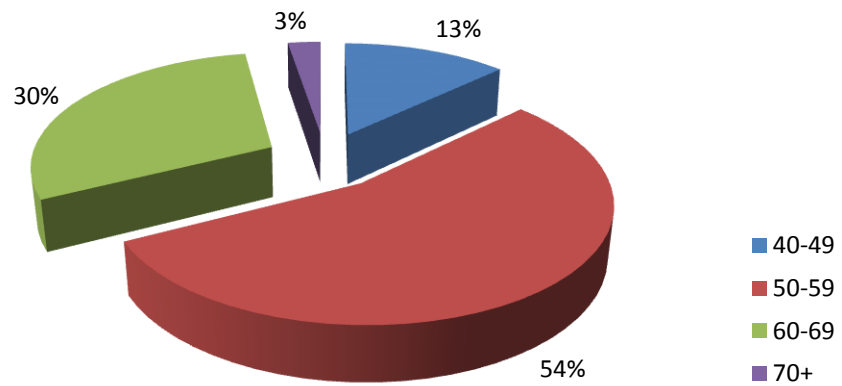


Figure 3: S&P/ASX 200 female non-executive director distribution by age - 2012

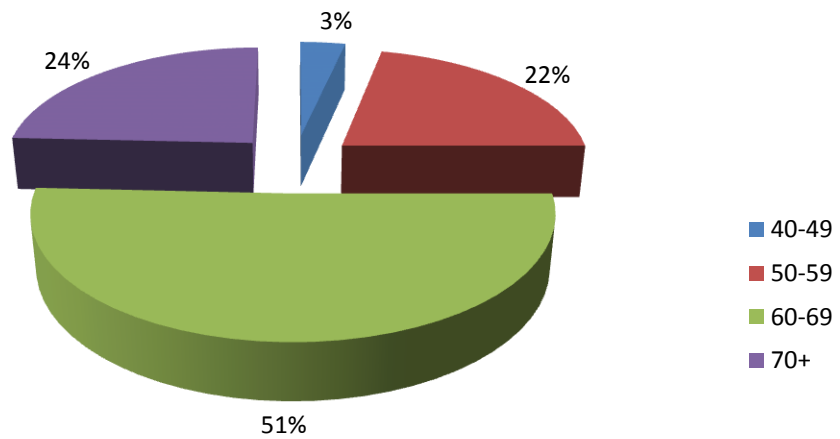


Figure 4: S&P/ASX 200 male non-executive director distribution by age – 2012

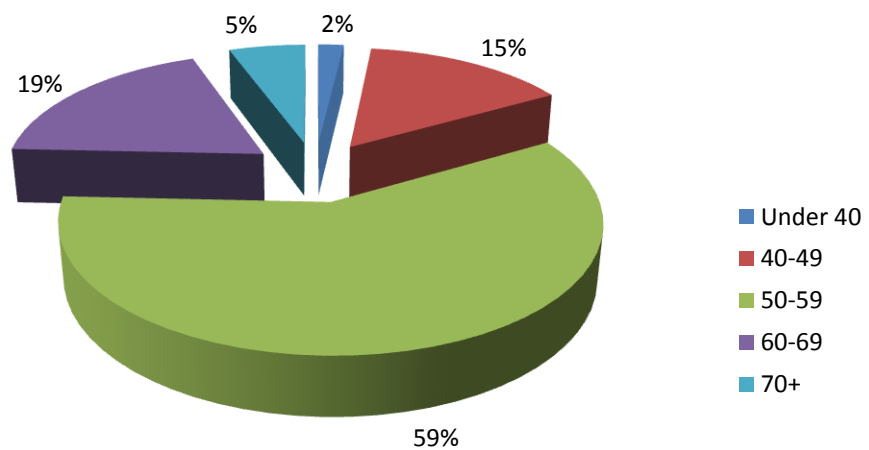


Figure 5: Male S&P/ASX 200 executive director distribution by age, 2012

5. Tenure

| Top 100 | Male executive directors | Male NEDs | Female executive directors | Female NEDs | All EDs | All NEDs |
|----------------|--------------------------|-----------|----------------------------|-------------|---------|----------|
| Average | 6.8 | 6.4 | 7.7 ¹⁷ | 3.9 | 6.3 | 5.8 |
| Median | 4.4 | 5.3 | 3.6 | 2.2 | 4.3 | 4.7 |

Table 5.1: ASX 100 tenure as at 30 September 2012

| ASX 101 - 200 | Male executive directors | Male NEDs | Female executive directors | Female NEDs | All EDs | All NEDs |
|----------------|--------------------------|-----------|----------------------------|-------------|---------|----------|
| Average | 7.2 | 5.6 | 0.3 ¹⁸ | 3.0 | 7.1 | 5.3 |
| Median | 5.4 | 4.6 | 0.3 ¹⁹ | 2.0 | 5.2 | 4.0 |

Table 5.2: ASX 101–200 tenure as at 30 September 2012

Non-Executive Directors

Average non-executive director tenure in the ASX 100 in 2012 rose slightly to 5.8 years, up from 5.6 years in 2011. Median tenure also rose from 4.3 years in 2011 to 4.7 years in 2012. Reflecting the rise in the number of women serving as Top 100 non-executive directors in 2012, average tenure for female directors was lower than that for male non-executive directors of Top 100 companies, at 3.9 years (3.8 years in 2011), relative to 6.35 (6.3 or 6.4) years for men (6.1 years in 2011).

A similar tenure divide was also apparent among female and male non-executive directors in the ASX 101–200 sample: The average male NED had been in office 5.6 years (median 4.6), compared with 3 years (median 2 years) for the average female NED of an ASX 101–200 company. Across the ASX 101–200, the average non-executive director tenure was 5.3 years, with a median of 4. This is higher than the 2011 average of 5.1 years for all non-executive directors in the ASX 101–200 with a median of 3.9 years.

There were 22 NEDs in office for more than 20 years in 2012, the same number as in 2011. The longest serving was Westfield’s Frank Lowy at 53 years (although many of these years were as an executive). Of these 22 NEDs, none were female. In 2011, there were two in the sample - CSL’s Elizabeth Alexander and Hills Holdings’ Jennifer Hill-Ling. Alexander resigned at the 2011 AGM, and Hills was excluded from this year’s study as it was no longer a member of the S&P/ASX 200.

Long tenure also appears to be influenced in some cases by company specific factors with three of the NEDs in office more than 20 years serving on Westfield (of these, two retired at the 2013 AGM), another three on Ramsay Healthcare and two apiece on GWA and Harvey Norman.

¹⁷ Sample of five, with Kay Page at Harvey Norman impacting average with tenure of 25.8 years at 30 September 2012.

¹⁸ Sample of two – Launa Inman of Billabong (since left) and Gill Winckler of Coalspur Mines. Both in office for less than 6 months at 30 September 2012.

¹⁹ Sample of two. See above.

Executive Directors

Average Top 100 executive director tenure increased from 6.3 years in 2011 to 6.8 years in 2012, with a median of 4.3 years, up from 4.1 in 2011. Among the ASX 101-200 sample, average executive director tenure was 7.1 years, up from 6.4 years in 2011 (median of 5.2 years in 2012). The longest serving executive director was founder of Worley Parsons, John Grill, who had been in office for 42 years when he retired at the company's 2012 AGM (after a break of four months Grill rejoined the board in March 2013 as non-executive chairperson).

There was one female executive director in office for more than 20 years in the Top 100 – Kay Page at Harvey Norman. There were only two female executive directors at ASX 101-200 companies in 2012 – Launa Inman at Billabong and Gill Winckler at Coalspur Mines. Both had tenure at the sample date of less than six months and Inman has since left Billabong.

6. Remuneration of Non-Executive Directors

This section contains data on average pay of non-executive directors in the Top 100 and the ASX 101-200 and outlines the remuneration received by professional non-executive directors holding multiple Top 100 board seats. It continues the methodology adopted in 2010 where only directors in office for a full year, whether as a NED or as a non-executive chairperson, are included. As in prior years, the data used is the disclosed statutory remuneration for non-executive directors which includes fees, travel allowances, non-monetary benefits (such as spouse travel to and from board meetings), as well 'special exertion' fees and the disclosed accounting value of options granted (which may be larger or smaller than the actual value received from the exercise of options).

Option allocations are common among developing and rapidly growing resource companies and some members of the Top 100 and the ASX 101–200 make option allocations to non-executive directors, or have directors who still hold legacy option allocations.

6.1 Average pay

| | Non-Executive Director | Non-Executive Chairperson |
|----------------------------|---------------------------------|--------------------------------|
| Top 100 average | \$218,434 (<i>\$215,721</i>) | \$481,415 (<i>\$498,938</i>) |
| Top 100 median | \$ 203,250 (<i>\$201,753</i>) | \$450,924(<i>\$475,240</i>) |
| ASX 101–200 average | \$134,981 (<i>\$130,227</i>) | \$225,534 (<i>\$253,886</i>) |
| ASX 101–200 median | \$115,029 (<i>\$109,000</i>) | \$193,230 (<i>\$215,199</i>) |

Table 6.1: Remuneration for S&P/ASX 200 non-executive directors 2012; figures for 2011 in italics

Average fees for Top 100 non-executive directors remained almost flat in 2012, while the average fee for Top 100 non-executive chairs fell 3.5 per cent. The median fee for non-executive directors rose marginally, while that of chairpersons fell.

There were two Top 100 non-executive chairs who received fees in excess of \$1 million in 2012. Rio Tinto's Jan Du Plessis received \$1.288 million in 2012, and his counterpart at BHP Billiton, Jac Nasser, \$1.154 million. The highest paid chairperson in the ASX 101–200 was Sundance Resources' George Jones, whose disclosed remuneration of \$814,848 included an option value of \$554,507.

Directors in the ASX 101-200 on average enjoyed a modest 3.7 per cent fee increase in 2012, with the median rising slightly faster. As with their Top 100 counterparts, chairpersons of ASX 101–200 companies saw their average and median fees, in this case by more than 10 per cent, with the average declining 11.2 per cent.

There continues to be minimal evidence of gender-based discrimination in non-executive director fees, with the four female non-executive chairs in office for a full year receiving average fees of \$588,007, about 24 per cent higher than the \$475,493 of their male counterparts. The median and average fees for male and female Top 100 non-executive directors were, in 2012, less than 1 per cent apart while the average and median fees for the smaller group of female non-executive directors of ASX 101–200 companies were well above those for their male counterparts. The median female non-executive director in the ASX 101-200 received a fee of \$141,750, more than 25 per cent higher than the median male figure of \$111,847, although there were no female non-executive chairpersons in the ASX 101-200 cohort.

6.2 Remuneration of Non-Executive Directors holding 4 Top 100 directorships

In 2012 two individuals held four non-executive director roles at Top 100 companies: Jane Hemstritch and Garry Hounsell. Hounsell however was appointed to one of his Top 100 boards (Treasury Wine Estates) after the 30 June 2012 year end and so received no remuneration in the 2012 year from Treasury Wine Estates. As Hounsell received remuneration from three, rather than four, Top 100 boards in 2012, he is excluded from this sample.

Hemstritch was appointed to the Lend Lease board during its 30 June 2012 year end, and so did not receive a full year's remuneration from the company during the 2012 year. Hemstritch was nevertheless included in this sample and is the only member.

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2010 | 2011 | 2012 |
|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-------------------|-------------------------|
| \$602,583 | \$655,175 | \$629,206 | \$742,601 | \$767,434 | \$841,037 | \$1,310,84 | \$744,592 | N/A ²⁰ | \$898,223 ²¹ |

Table 6.2: Average portfolio remuneration of NEDs holding four Top 100 non-executive directorships 2001 to 2012

6.3 Remuneration of Non-Executive Directors holding 4 or more S&P/ASX 200 directorships

There were seven individuals holding four or more board seats across the entire sample during their companies' 2012 financial years: Garry Hounsell, Peter Hay, Brian Jamieson, Nora Scheinkestel, Anne Brennan, Jane Hemstritch, Rebecca McGrath. While Hounsell was appointed to a fifth board seat in 2012 (to Treasury Wine Estates), the appointment was made after Treasury's 2012 financial year end so he is included in this sample as holding four, rather than five, board seats in 2012.

²⁰ No non-executive director received remuneration from four companies in the 2011 year. While Hemstritch and Paula Dwyer held four seats at the time of the 2011 report, both were appointed after one of their companies' full year ends so were excluded from the study.

²¹ Sample of one, Jane Hemstritch.

The average remuneration for the seven directors holding four board roles in 2012 was \$844,617, although this average was dragged down by two of the seven receiving much lower compensation than the other five. Rebecca McGrath received \$487,112 and Anne Brennan received \$579,877. McGrath was appointed to three of her four boards during the 2012 financial year. Of the seven directors, three received over \$1 million each, with Nora Scheinkestel receiving the highest portfolio pay of \$1.097 million, higher than the \$1.035 million received in 2011. The other directors receiving more than \$1 million across their portfolios were Hounsell and Jamieson.

| | 2011 | 2012 |
|-----------------------------|-------------|-----------|
| Five board roles (1) | \$1,110,120 | N/A |
| Four board roles (7) | \$822,907 | \$844,617 |

Table 6.3: Average portfolio remuneration of NEDs holding four or more S&P/ASX 200 non-executive directorships

6.4 Remuneration of Non-Executive Directors holding 3 Top 100 directorships

| Year | Sample | Total pay | Average pay per directorship | Average pay per director | Minimum pay per director | Maximum pay per director |
|-------------|------------------|--------------|------------------------------|--------------------------|--------------------------|--------------------------|
| 2012 | 18 | \$15,227,397 | \$281,989 | \$845,967 | \$405,320 | \$1,680,600 |
| 2011 | 22 | \$17,249,888 | \$261,362 | \$784,068 | \$261,362 | \$1,460,524 |
| 2010 | 23 | \$17,146,385 | \$248,498 | \$745,495 | \$305,293 | \$1,595,910 |
| 2009 | 25 ²² | \$20,170,082 | \$280,140 | \$840,420 | \$376,429 | \$1,557,629 |
| 2008 | 27 ²³ | \$17,736,030 | \$227,385 | \$682,155 | \$210,307 | \$1,508,850 |
| 2007 | 32 | \$18,229,212 | \$189,888 | \$569,663 | \$247,606 | \$1,314,510 |
| 2006 | 27 | \$14,098,274 | \$174,053 | \$522,158 | \$156,249 | \$1,028,317 |
| 2005 | 23 | \$12,613,075 | \$182,798 | \$548,395 | \$225,719 | \$983,039 |
| 2004 | 21 | \$9,166,818 | \$156,007 | \$436,515 | \$228,000 | \$786,499 |
| 2003 | 14 | \$5,312,513 | \$126,488 | \$379,465 | \$123,000 | \$769,348 |
| 2002 | 24 | \$10,731,583 | \$149,050 | \$447,149 | \$229,353 | \$1,019,476 |
| 2001 | 16 | \$5,870,712 | \$110,768 | \$366,919 | \$202,364 | \$771,411 |

Table 6.4: Average portfolio remuneration of NEDs holding three Top 100 directorships 2001 to 2012

²² In calculating the 2009 averages Bob Edgar is excluded as none of his roles commenced during the 2009 financial year.

²³ In calculating the averages Ashok Jacob is excluded as he received no remuneration for his three Top 100 board roles in 2008. If he is included the average per directorship falls to \$218,963.

Across the directors holding three Top 100 board seats:

- The 2012 average remuneration per director was the highest recorded in the 12 years of the ACSI study. The average portfolio remuneration for 2012 was up 7.9 per cent in 2012 to \$845,967.
- Of the 18 individuals holding three Top 100 board seats, four received portfolio remuneration in 2012 of more than \$1 million (see table below). Kevin McCann was the highest paid in 2012 with \$1,680,600. The highest paid non-executive director in 2011, David Crawford, was not included in this year's sample as Foster's, of which he was chairperson, was acquired at the end of 2011. Crawford received \$1.461 million in 2011.
- Of the sample of directors holding three Top 100 board roles (2011: seven) and the average portfolio pay of these directors was \$749,499 (2011: \$771,470). Telstra chairperson Catherine Livingstone remains the only female director to receive remuneration of more than \$1 million per annum from Top 100 board roles (although as noted above, Nora Scheinkestel across her portfolio of four S&P/ASX 200 board roles received more than \$1 million in 2012 and \$917,075 from her three roles at Top 100 companies).

| Director | Portfolio remuneration |
|-----------------------|------------------------|
| Kevin McCann | \$1,680,600 |
| Lindsay Maxsted | \$1,412,317 |
| Catherine Livingstone | \$1,262,437 |
| Brian Schwartz | \$1,237,976 |

Table 6.4: Directors with three Top 100 board roles and portfolio remuneration of \$1 million or more

6.5 The 10 highest paid Non-Executive roles in 2012: Top 100 & ASX 101 - 200

Part of the reason for the substantial change in average and median chairperson remuneration for 2012 is apparent from the 10 highest paid director roles in the 2012 sample: Of the 2012 Top 10, four were not included in 2011 reflecting two dynamics: changes among large company chairpersons and substantial parcels of options held by non-executive directors of one company, Lynas Corporation (at Lynas's present share price, the value of these options held by directors is minimal).

Frank Lowy is included in this sample for the first time as 2012 was his first full year as a non-executive chairperson. Michael Chaney appears in the list twice for his roles as chair of National Australia Bank and Woodside Petroleum. He received a total of \$1.496 million for these two roles.

The 10 highest paid individual board roles for ASX 101–200 companies in 2012 were dominated by directors of developing commodity companies with valuable options allocations. All but three non-executive chairs and directors owed a substantial part of their total disclosed pay to the valuation of options (Perpetual's Scott, Pacific Brands' MacKenzie, and Transfield's Shepherd). Of these three, Scott at Perpetual and MacKenzie's successor at Pacific Brands, Peter Bush, have taken fee cuts which led to lower fees in the 2013 financial year.

| Rank | Entity/Role | Remuneration | Individual |
|----------------|----------------------------------------------|--------------|----------------|
| 1 (1) | Rio Tinto Limited (Chairperson) | \$1,288,018 | Jan du Plessis |
| 2 (2) | BHP Billiton Limited (Chairperson) | \$1,154,267 | Jacques Nasser |
| 3 (4) | Commonwealth Bank of Australia (Chairperson) | \$831,619 | David Turner |
| 4 (N/A) | Macquarie Group Limited (Chairperson) | \$825,000 | Kevin McCann |
| 5 (5) | ANZ Group Limited (Chairperson) | \$790,949 | John Morschel |
| 6 (N/A) | Lynas Corporation Limited (NED) | \$785,645 | William Forde |
| 7 (6) | National Australia Bank (Chairperson) | \$770,000 | Michael Chaney |
| 8 (N/A) | IAG (Chairperson) | \$755,000 | Brian Schwartz |
| 9 (N/A) | Westfield Group (Chairperson) | \$750,000 | Frank Lowy |
| 10 (10) | Woodside Petroleum (Chairperson) | \$726,060 | Michael Chaney |

Table 6.5: Highest paid non-executive director roles 2012; Top 100 (2011 rank in italics)

| Rank | Entity/Role | Remuneration | Individual |
|-----------------|------------------------------------------|--------------|------------------|
| 1 (N/A) | Sundance Resources Limited (Chairperson) | \$814,848 | George Jones |
| 2 (N/A) | Karoon Gas Australia Limited (NED) | \$600,506 | Clark Davey |
| 3 (4) | Discovery Metals Limited (Chairperson) | \$553,242 | Gordon Galt |
| 4 (N/A) | Karoon Gas Australia Limited (NED) | \$542,226 | Geoff Atkins |
| 5 (N/A) | Karoon Gas Australia Limited (NED) | \$541,335 | Stephen Power |
| 6 (N/A) | Linc Energy Limited (NED) | \$504,595 | Jon Mathews |
| 7 (N/A) | Perpetual (Chairperson) | \$484,275 | Peter Scott |
| 8 (N/A) | Ausdrill Limited (NED) | \$475,955 | Wal King |
| 9 (N/A) | Pacific Brands (NED) | \$425,000 | James MacKenzie |
| 10 (N/A) | Transfield Services (Chairperson) | \$381,914 | Anthony Shepherd |

Table 6.5: Highest paid non-executive director roles 2012; ASX 101 - 200

