

2021

StrategicPay 

Pay at the Top

SENIOR EXECUTIVE AND BOARD
REMUNERATION IN NEW ZEALAND



Contents

1 Foreword

2 **CHIEF EXECUTIVE OFFICERS
AND SENIOR EXECUTIVES**

3 Insights

6 Executive Summary

7 **LONG TERM INCENTIVES
ANALYSIS REPORT**

10 Pulse Survey Insights

12 **DIRECTORS' FEES**

13 Insights

14 Market Trends

Foreword



Navigating business through a Pandemic

A year ago, in our 2020 publication we predicted low overall movements at Senior Executive and CEO levels over the next 2 years. Our 2021 survey has shown this to be the case particularly in the private sector. Of note is very low movement at the total remuneration levels suggesting incentive payments were greatly reduced in 2020. However, we are seeing projections for increases over the next 12 months bouncing back to pre-pandemic levels, suggesting this slowing of wage movement is going to be short-lived. What many businesses hadn't anticipated with New Zealand's elimination strategy was the pressure it would put on skill shortages and supply of goods and services thanks to the long-term border closures.

Eighteen months into this elimination strategy, we have now had to move to learning to live with the virus in the community. It will be interesting to see when the government decides to open the borders back up, in the meantime businesses are struggling to recruit and retain key employees and this is putting pressure on wage rates.

Surprisingly, in our analysis of LTI schemes in NZX listed organisations this year, we noted that 22% of listed organisations appointed new CEO/Managing Director's in the last 12 months. Could this be due to a need for different skill sets to navigate the pandemic? Or is the talent shortage having an

impact on these roles too? This will be an interesting trend to track over the coming year.

Strategic Pay have seen an increase in organisations seeking advice on long term incentives as organisations look at ways to retain key executive talent. While performance share rights or options may not be possible for un-listed organisations, it is possible to get similar results using cash based long term incentives schemes instead. This is quite prevalent in Australia and we may start seeing a lot more of such schemes in New Zealand.

With our low unemployment, high inflation, skill shortages, we would anticipate increasing wage pressure and higher increases, particularly at the CEO and Senior Executive level. If the government continues to mandate wage restraint in the Public Sector we could also see a widening gap between private and public sector rates. The next 12 months will undoubtedly be challenging for leaders and is likely to hold some more surprises as we navigate business through this continued pandemic.

A handwritten signature in blue ink, appearing to read 'Cathy Hendry', written in a cursive style.

Cathy Hendry
MANAGING DIRECTOR

CEO and Senior Executives

The 2021 Chief Executive and Senior Executive Report covers the results of a survey of current trends and practices relating to the payment of Chief and Senior Executives across New Zealand.

PARTICIPANT STATS

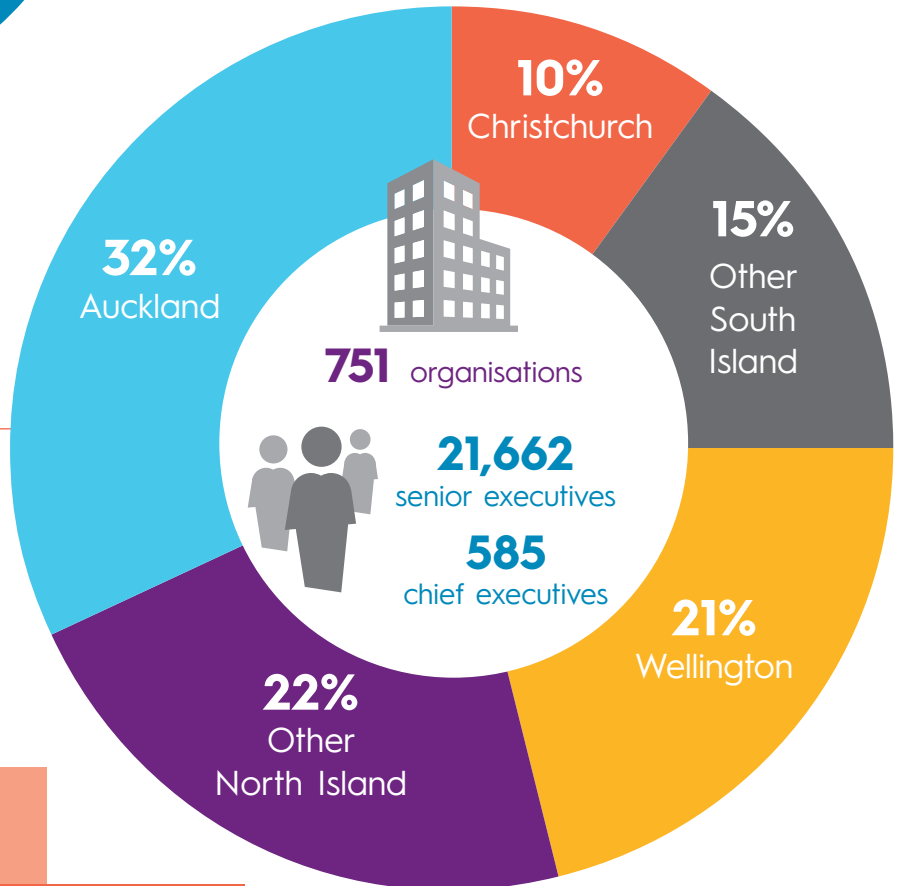
DISTRIBUTION BY SECTOR

751 organisations

6% Not for Profit
44 organisations

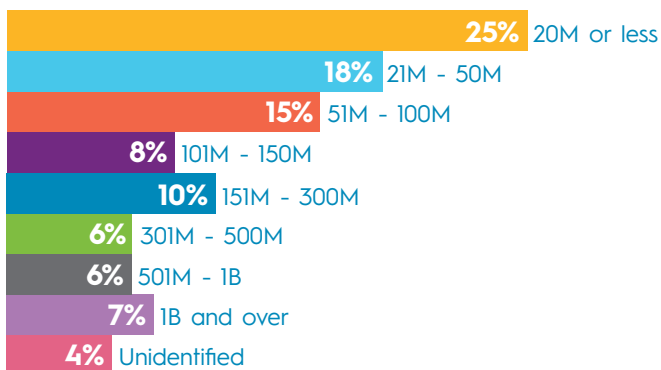
35% Public Sector
261 organisations

59% Private Sector
446 organisations

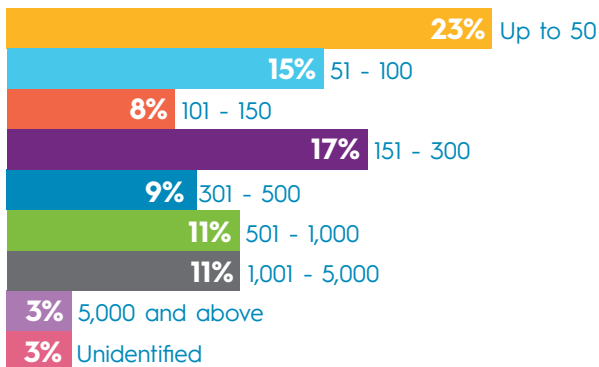


Insights

DISTRIBUTION BY REVENUE (NZD MILLION)



DISTRIBUTION BY EMPLOYEE NUMBERS (FTE)



Overall Gender Distribution:

CEOs

21% female **79%** male

SENIOR EXECUTIVES

36% female **64%** male



For chief executives, the most common age group by a large margin is 51 - 60 years, while CEOs in the 30 - 40 year age range remain very rare at **2%**.

Senior executives are most commonly found in the 41 - 50 years age group **35%**.



48% of respondents offer a variable pay scheme to senior employees. Incidence of variable pay is higher in the private sector with **68%** of organisations reporting variable pay as an executive incentive, compared with the public sector at **29%**.

For those organisations that offer variable pay, **85%** of CEOs are eligible for STI other than commission or bonus.



CEO Tenure remains in the 5 years and under range with **51%** overall.

Tenure for senior executives is lowest in the not for profit sector, where **61%** of senior executives have a tenure of 5 years or less.

Forecast Base Salary Increases



Participants are asked at the time of data collection what they are forecasting for movements over the next 12 months. We have shown how forecasts vs actual increases over the past 3 years. As you can see by the diagram, typically what organisations forecast is close to what they end up paying out in the following year. Forecast movements going into the year 2022 are showing a more positive outlook than those we received for the year 2021, across all sectors as seen in the illustration below.






The 2021 figures were very close to actual movement. However, of note this year we saw very low movement at Total Remuneration levels suggesting actual incentive payments were well down over the past 12 months, likely due to tricky trading in light of Covid.

CEO FORECAST MOVEMENTS

Year	General Market	Private Sector	Public Sector
2021	1.3%	1.3%	1.2%
2022	1.9%	2.4%	1.5%

Benefits Offered

PERCENTAGE OF ORGANISATIONS PROVIDING BENEFITS

BENEFIT	Chief Executives	Senior Executives	Overall
 INSURANCE Health insurance Death and disability insurance Income protection insurance	24% 25% 16%	28% 23% 15%	28% 26% 18%
 VEHICLES Car Park Fuel Card Tool of trade vehicle Vehicle allowance	50% 31% 17% 10%	52% 30% 23% 13%	56% 36% 28% 16%
 MEMBERSHIPS AND DISCOUNTS Professional association fees Airline club Staff discounts Gym	57% 36% 30% 9%	64% 28% 34% 9%	67% 38% 34% 10%
 EDUCATION Education subsidies/full reimbursement Study allowances	40% 21%	50% 26%	51% 26%
 OTHER BENEFITS Expense allowance Service payment Other	12% 8% 11%	11% 9% 13%	14% 9% 14%

Executive Summary

CHIEF EXECUTIVES

The survey provides detailed analyses of 13 job categories for CEOs, providing base salary, fixed remuneration and total remuneration breakdowns by organisation type, region, turnover, assets, market capitalisation, employee numbers and industry.

- 71% of chief executives receive one or more benefits in addition to salary.
- The overall median fixed remuneration movement from 2020 to 2021 was 2.1%.
- 21% of chief executives in this year's survey have been identified as female, continuing the upward trend seen since 2018.

SENIOR EXECUTIVE

The survey provides detailed analyses of 16 job functions, providing base salary, fixed remuneration and total remuneration breakdowns by organisation type, region, turnover, assets, market capitalisation, employee numbers and industry for small, medium and large organisations.

- 83% of senior executives receive one or more benefits in addition to salary.
- 16% of senior executives in the survey were paid a bonus, at an average 13% of their base salary.
- The median forecast base salary increase is 2% for the upcoming 12 month period, an increase from the 0% forecast following the emergence of the global pandemic last year.
- The overall average fixed remuneration movement for senior executives from 2020 to 2021 was 0.7%.

This executive summary is extracted from the 2021 Strategic Pay Chief Executive and Senior Executive Remuneration Report.



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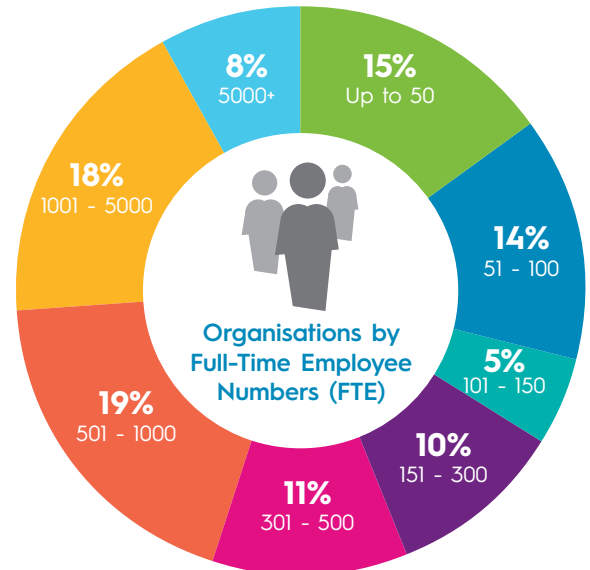
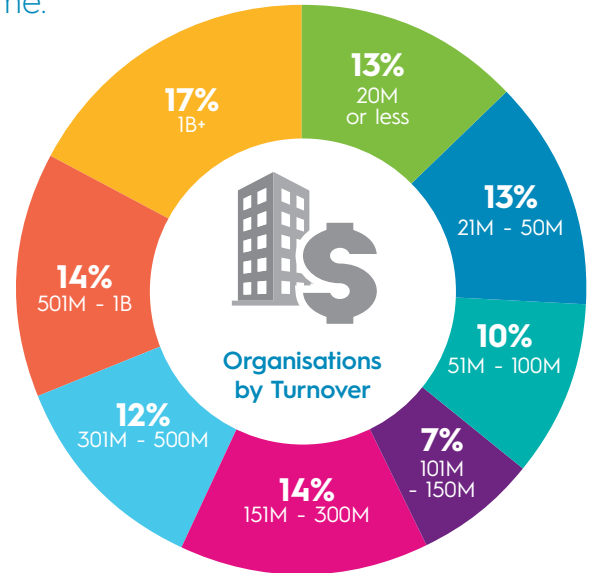
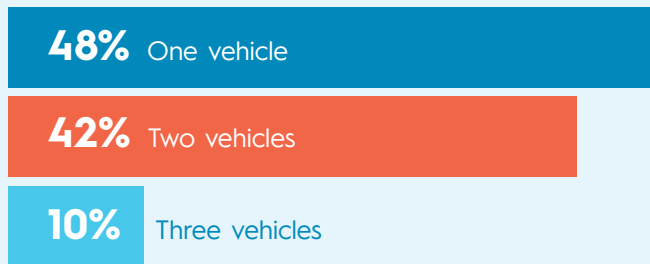
At Strategic Pay, we understand that fairly rewarding the leaders of your organisation is a key component of ensuring your success. We recognise that this requires specialised insights and expertise, which is why we offer a range of market information solutions at this level.

Long Term Incentives Analysis Report

Our sample for 2021 includes 112 NZX listed organisations. 69% of these organisations indicated that their CEO/MD is eligible for the LTI scheme, while 31% don't operate an LTI scheme.

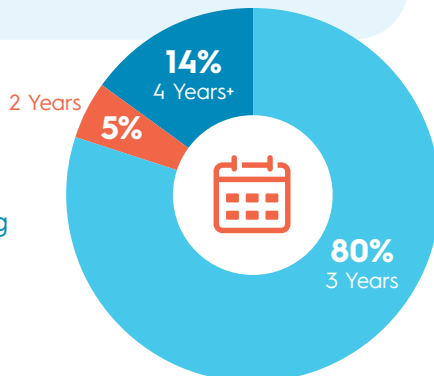
NUMBER OF VEHICLES USED IN LTI PLANS

The majority of companies' LTI plan **48%** use one vehicle, while **42%** use two vehicles.



VESTING PERIOD

Consistent with previous years, a three year vesting period remains most prevalent amount Long Term incentives Plans.



Package Structure

The table below provides Fixed Remuneration, STI and LTI as a percentage of Total Remuneration with LTI (TRWL) for CEO/MDs. This analysis compares only those NZX organisations that were included in the 2020 sample.

CEO/Managing Director	Median	Average
Fixed Remuneration as % of Total Remuneration	50%	54%
Short Term Incentive as % of Total Remuneration	23%	23%
Long Term Incentive as % of Total Remuneration	27%	26%
Variable as % of Total Remuneration	50%	46%

Note: The remuneration package structure consists of fixed remuneration, target short-term incentives (STI) and the granted long-term incentives (LTI).

What
Next?

Need assistance with independent remuneration reviews of your CEO and Senior Executive Team this year? Our Senior consultants are well equipped to support you with Executive Level Remuneration decisions and policies.

Purchase the full report for \$3000+GST and receive a complimentary copy of our 2021 Long Term Incentives Report.

Individual roles can be purchased separately for \$350+GST each if you are interested in information specific to your sector or organisation.

Email surveys@strategicpay.co.nz to purchase a copy of the full report now!



Free Incentives Tool

Our Incentives Analysis Tool is designed to get you thinking more strategically about incentives, check whether your incentives policy is doing what you want it to do and if not, easily highlight areas where it may be falling down.

Fill in your details to request a complimentary version of the tool here:

[REQUEST HERE](#)



Short & Long Term Incentives

Our experienced senior consultants provide a range of solutions to fit your unique situation when it comes to Executive Remuneration and Reward, including Base Pay advice, Short, Medium and Long Term Incentives Plans, Directors' Fees and Performance Management.

[CONTACT US](#)

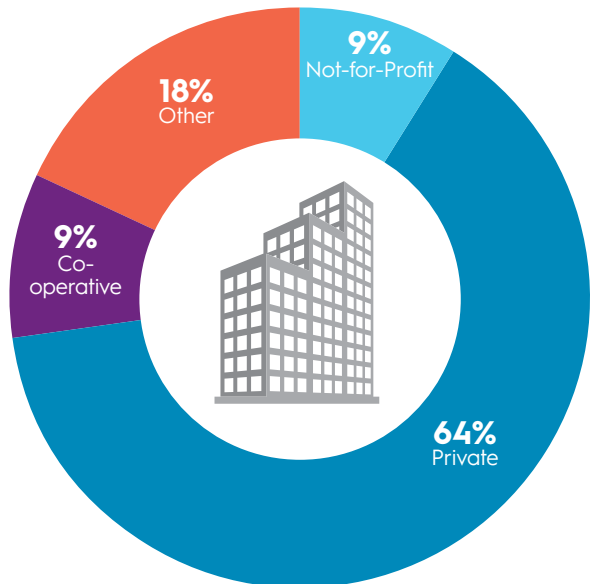
Contact us for further information at: surveys@strategicpay.co.nz

Pulse Survey Insights



We took the opportunity to survey our clients to see whether the Covid-19 pandemic had affected their reward policies for Senior Executives and Directors. The majority (63%) of the respondents to this survey were from the private sector, with a small number representing NFP and Co-operative Entities.

SURVEY SECTOR BREAKDOWN



CHANGES TO EXECUTIVE INCENTIVE SCHEMES

Interestingly, none of the respondents made changes to their incentive schemes over the last 12 months. The majority (67%) of respondents indicated positive impacts on their organisation as a result of Covid and 22% made a discretionary payment to their executives despite a less successful year than planned. This suggests the majority of the incentive schemes were still fit for purpose in spite of unusual trading.

Participants were also asked if they intended to make changes to their incentive schemes over the next 12 months. The majority (67%) indicated no changes, with only 11% indicating large overall changes required to address the uncertainty of the next 12 months.

CHANGES TO EXECUTIVE TEAMS

Restructures and redundancies can be a common occurrence during economic uncertainty. The pulse survey showed 50% of respondents made no changes to their Executive Team numbers over the last 18 months, 20% increased their headcount and 30% decreased the number of Executive Team members.

In terms of restructures, we saw a split with half of our respondents undergoing a restructure at the Executive Level and half making no changes.

CEO/Senior Executive/ Directors Remuneration Challenges

So what are our clients saying are biggest challenges over the next 12-18 months?

Retaining and attracting key talent is the overwhelming theme from the majority of our respondents. This is likely going to have an effect on salary movement at this level and reflects what we are seeing in terms of projections for the next 12 months.

A key challenge around Directors' Fees was around being able to pay comparatively to similar and larger organisations.

Interestingly, of those that did make the changes the majority (60%) indicated this was as a result of a new CEO. As noted in our executive summary, one of the surprising findings of our LTI analysis was that 22% of NZX organisations replaced their CEO over the past year. It would be interesting to see if other sectors have also seen similar turnover at the CEO level. Of note was that the majority of respondents have not had issues recruiting at the CEO/Senior Executive level in spite of ongoing border closures.

Directors' Fees

The 2021 New Zealand Directors Fees Report covers the results of a survey of current trends and practices relating to the payment of Directors Fees within New Zealand.

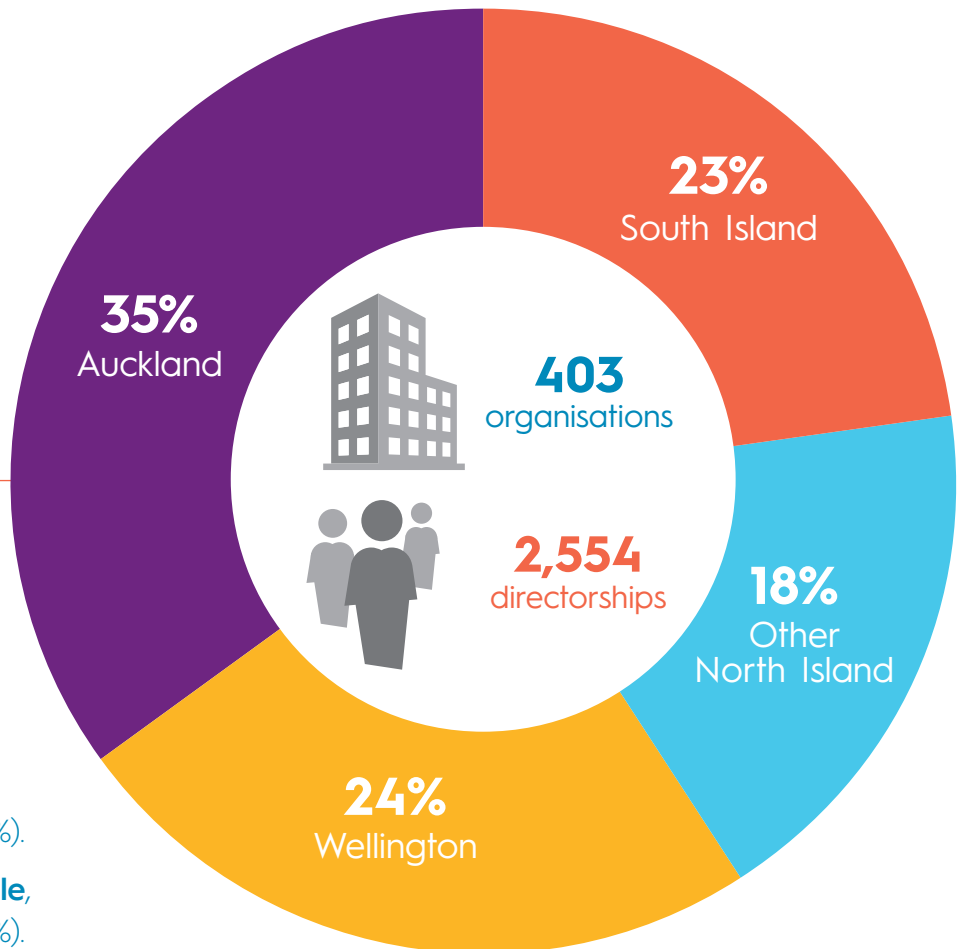
PARTICIPANT STATS



INSIGHT:

23% of chairs are female, an increase on last year (20%).

37% of directors are female, an increase on last year (35%).



Insights

43% of boards meet 11 times per year

47% of boards stated that their workload had increased over the last 12 months. A large increase compared to previous years

Chairs have a median expected effort of **200 hours**

Directors have a median expected effort of **100 hours**

98% of boards have an audit committee

50% review fees annually; **20%** every two years, and **30%** variably

The majority of boards (**67%**) felt they should increase focus on strategic planning

The median ratio of chair fees to director fees was **2.0.1**

The typical board consists of **1** chair and **5** non-executive directors

28% reported having other committees, with many of these being a new Covid-19 committee

This is the 29th Directors' Fees Report published by Strategic Pay, covering results from the survey of current trends and practices relating to the payment of directors' fees within New Zealand general market, private and public organisations.

* Pricing varies depending on organisation's contributing data.

**Purchase the full
Directors' Fees Report**

\$1,340 + GST*

Market Trends for Chairs, Deputy Chairs and Directors

NON-EXECUTIVE CHAIRS

- Fee levels of 381 non-executive chairs were analysed in 2021 (sample size in 2020 was 372).
- Of the 381 chairs, 278 are the same individuals as in 2020.
- The median base annual fee paid to a non-executive chair in 2021 is \$75,000, down from \$80,000 in 2020.
- Highest fees were paid to non-executive chairs within the mining / petroleum and manufacturing industries and lowest fees to chairs within the education industry.
- Chairs of private sector publicly listed NZX companies are paid 62% more (at the median) than those of unlisted private sector organisations.

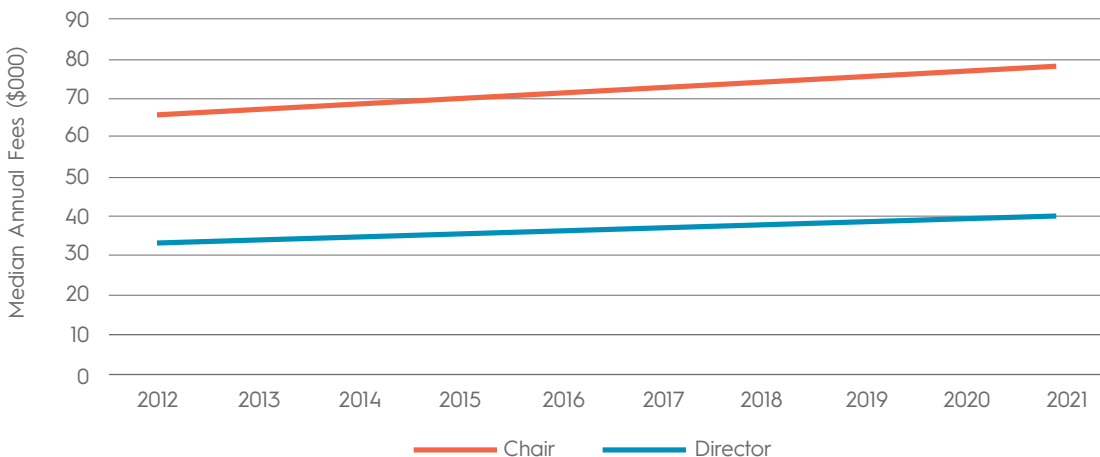
NON-EXECUTIVE DEPUTY CHAIRS

- Fee levels for Deputy Chairs were only analysed at the public and private sector levels this year, as the sectors pay substantially different to each other, with public sector organisations more likely to have deputy chairs.

NON-EXECUTIVE DIRECTORS

- Fee levels of 1,923 non-executive directors were analysed in 2021 (sample size in 2020 was 1,885).
- Of the 1,923 directors, 1,373 are the same individuals as in 2020.
- The median base annual fee paid to non-executive directors in 2021 is \$40,000, down from \$41,000 in 2020.
- Highest fees were paid to non-executive directors within the mining / petroleum and manufacturing industries, and lowest fees to directors within the education sector.
- Directors of private sector publicly listed companies are paid 68% more (at the median) than those of unlisted private sector organisations.

OVERALL TREND IN MEDIAN DIRECTOR FEES 2012 - 2021



SECTOR COMPARISON



Non-Executive Directors
General Market
vs NFP Sector

ROLE RATIO



Fee Ratio **1.1**
Deputy Chair vs Director
NFP Sector

Fee Ratio **1.9**
Chair vs Director
NFP Sector

StrategicPay

We work alongside you to provide a compelling proposition that attracts retains and motivates the best people.

At Strategic Pay we provide innovative solutions to help organisations meet their strategic remuneration, performance development and performance improvement goals. We help improve your overall performance by ensuring employee effort, remuneration and rewards are closely aligned with business objectives.

“

We needed to review our CEOs package and Strategic Pay gave us a very succinct and well explained summary with a range and a recommendation which made our review process very smooth. A query raised regarding vehicle value was answered promptly and rationally giving us an evidence-based solution to our query. **BAY TRUST**

“

We worked with Strategic Pay to review leadership pay and found the service to be excellent and beyond what we had hoped to receive. **BIOGRO NEW ZEALAND LIMITED**

“

Calder Stewart have used Strategic Pay for the last six years to provide remuneration advice to ensure we pay our key people fairly and in line with the market. The advice has been professional and enabled us to enhance trust and objectivity in setting Senior Manager remuneration. **CALDER STEWART INDUSTRIES LIMITED**

Strategic Pay is nationwide, servicing clients across all parts of New Zealand from our various locations. Our consultants regularly travel to visit clients around the country and are happy to meet wherever you are.

Find out more at:

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