

Chorus Limited

Non-executive directors' fee benchmarking Summary report

12 September 2024



Remuneration Service provider Independence declaration



PwC's Reward Services team has been engaged by Chorus' Board of Directors (the Board) to provide independent remuneration benchmarking services in relation to Chorus' Directors' fees (the Services).

As lead engagement Partner for the provision of the Services to the Board, I declare that no influence has been brought to bear upon me or, to the best of my knowledge and belief, any member of the PwC Reward Services team, by any Board member, employee or executive of Chorus or any other party regarding the Services or outcomes of the Services.

Dated: 12 September 2024

A handwritten signature in black ink, appearing to read 'Chris Place', with a small dot at the end.

Chris Place
Partner
PricewaterhouseCoopers

Summary of data

The table provided overleaf summarises market remuneration data for non executive directors' fees from a comparator group of 13 New Zealand listed companies, confirmed by the Chorus Board for the purposes of this report.

The primary basis for selecting the comparator group was comparable market capitalisation. Median market capitalisation across the comparator group as at 4 September 2024 was **\$3,356 million** (average **\$3,857 million**), compared to Chorus' market capitalisation of **\$3,697 million**. Seven companies in the comparator group are smaller than Chorus by market capitalisation, and six larger. The comparator group is listed in Appendix 1 of this report (Market Cap Comparator Group).

The table overleaf summarises the market median position for specific Board roles and aggregate fees, and compares Chorus' current directors' fees against the market median of the Market Cap Comparator Group for each data point. In summary:

- The Board Chair fee for Chorus is below the median fee of the Market Cap Comparator Group sample, with a comparative ratio to the median of 87%;
- Base NED fees are above the median fee of the Market Cap Comparator Group fees, with a comparative ratio of 109%;
- Assessing Chair of Committee alignment:
 - The Audit & Risk Management Committee Chair fee at Chorus is positioned at 127% of the Market Cap Comparator Group median (*113% of the median when this is aggregated with the base NED fee*);
 - The People, Performance & Culture Committee Chair fee is also above the median of the Market Cap Comparator Group, at 120% of the median (*112% of the aggregated median i.e. Chair of Committee + base NED fee*).
- Assessing Member of Committee fees against the Market Cap Comparator Group:
 - The Audit & Risk Management Committee member fee is positioned at 106% of the median (*113% when aggregated with the base NED fee*); and
 - The People, Performance & Culture Committee member fee is positioned at 112% of the median (*111% when aggregated with the base NED fee*).
- Chorus' total pool fee of \$1,169,042 is positioned at 86% of the Market Cap Comparator Group median of \$1,365,000 (for the 11 companies that set and disclosed a pool fee); and
- For actual fees paid, Chorus is positioned at 97% of the Market Cap Peer Comparator Group median.

We note that the Chorus Board also considered a peer comparator group for director fee benchmarking purposes which was based on comparable enterprise value (EV), as the Board's view is that an EV based comparator group better represents Chorus' scale relative to market comparators. Appendix 2 provides the details of this EV based peer group (the EV Comparator Group) as at 31 May 2024.

The median fee pool data for the EV Comparator Group was higher than the median fee pool market data for the Market Cap Comparator Group. While a peer group underpinned by EV remains preferred by the Chorus Board, to align with predominant market practice the Board has however elected to use the Market Cap Comparator Group as the basis for benchmarking of its director fees. For completeness however we note that the median fee pool of the EV Comparator Group (for the 11 companies that disclosed a fee pool) was \$1,500,000 at the median, which would position Chorus at 78% of that data set's median.

Other than in relation to the EV Comparator Group, data in this report is current to 4 September 2024 and has been sourced from publicly available information, including annual reports and NZX disclosures. The EV Comparator Group information was current as at 31 May 2024 and has not been updated given the decision to proceed with benchmarking based on the Market Cap Comparator Group.

PwC makes no recommendations regarding the positioning of Chorus' non-executive director fees. Where the Board chooses to position its fees against the market data will depend on the Board's view of the overall relevance of the comparator group and specifically, Chorus' perceived relative complexity of operations, scale, ranking (by scale), director work load and risk profile as compared with those of the comparator companies.

Summary of data

Summary table – Market Cap Comparator Group

Position	Sample size	Market median	Chorus policy fee	Comparison to the market median
Board Chair ¹	13	270,000	234,833	87%
NED ²	13	110,000	119,700	109%
Chair of Audit & Risk Management Committee ³	13	27,000	34,230	127%
Chair of Audit & Risk Management – aggregated ³	13	136,500	153,930	113%
Chair of People, Performance & Culture Committee ⁴	12	20,000	24,045	120%
Chair of People, Performance & Culture Committee aggregated ⁴	12	128,500	143,745	112%
Member of Audit & Risk Management Committee ⁵	12	16,100	17,115	106%
Member of Audit & Risk Management Committee – aggregated ⁵	12	121,000	136,815	113%
Member of People, Performance & Culture Committee ⁶	12	11,000	12,338	112%
Member of People, Performance & Culture Committee aggregated ⁶	12	118,500	132,038	111%
Total pool fee ⁷	11	1,365,000	1,169,042	86%
Actual fees paid ⁸	13	1,122,500	1,083,914	97%

Table notes:

1. Analysis of the 13 companies in the sample which had a non-executive Board Chair. The majority of Chair roles receive no committee fees, with the base fee compensating all Board contribution/roles held. Where additional fees were paid, these were included in the data analysis above.
2. Analysis of base NED fees for all 13 companies in the comparator group.
3. Analysis of each of the 13 companies' fees for this role. Aggregated remuneration analysis - which reflects payment of the NED fee + Chair fee - has also been provided for completeness.
4. Analysis of each of the 12 companies' which had this role/paid additional remuneration to this role. Some companies combined this committee portfolio e.g. *People & Remuneration Committee*, *People & Culture Committee* etc. Both committee fee only and aggregated fee data (NED fee + Chair fee) have been provided.
5. Analysis of each of the 12 companies' which had this role/paid additional remuneration to this role. Aggregated remuneration analysis – which reflects payment of the NED fee + committee fee - has also been provided.
6. Analysis of each of the 12 companies' which had this role/paid additional remuneration to this role. Aggregated remuneration analysis (NED fee + committee fee) has also been detailed.
7. Analysis of each of the 11 companies where a pool fee is set/disclosed.
8. Analysis for all 13 companies for actual fees paid.

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Appendix 1: Comparator group – market capitalisation

Companies	Market cap. \$M	Revenue \$M	Total assets \$M
EBOS Group	6,821	14,301	7,312
Contact Energy	6,708	2,863	6,208
Spark	6,531	3,861	4,635
A2 Milk	4,417	1,673	1,735
Vector	3,880	1,141	7,126
Port of Tauranga	3,762	417	2,900
Ryman Healthcare	3,356	690	13,084
Goodman Property Trust	3,214	244	4,717
Summerset	2,779	272	6,942
Genesis Energy	2,420	3,048	5,637
Fletcher Building	2,240	7,683	8,874
Precinct Properties	2,127	248	3,519
Air New Zealand	1,886	5,942	8,548
Chorus	3,697	1,010	6,012
Median	3,356	1,673	6,208
Chorus relative to the median	110%	60%	97%

Source: Market capitalisation data was sourced from the NZX website on 4 September 2024. The revenue and total assets information was sourced from the most recently available annual reports.

Appendix 2: Comparator group – enterprise value

Companies	Enterprise Value \$M	Market Cap \$M
Auckland International Airport	13,718	11,546
Mercury	11,358	9,312
Spark	9,879	7,574
Contact Energy	8,897	7,276
Mainfreight	7,956	6,953
EBOS Group	7,931	6,386
Fletcher Building	5,999	2,416
Vector	5,776	3,760
Ryman Healthcare	5,017	2,494
Goodman Property Trust	4,890	3,370
Port of Tauranga	3,934	3,401
Genesis Energy	3,571	2,272
Chorus	6,700	3,211
Median	6,965	5,073
Chorus relative to the median	96%	63%

Source: Information sourced from CapIQ in June 2024 (valuation date as at 31 May 2024). Enterprise value calculated by CapIQ as market capitalisation on valuation date less net debt as reported in most recent annual reports, and not independently verified by PwC.

Thank you

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