

NZX Limited

Non-executive directors' fees benchmarking Summary report

18 March 2024





Remuneration Service provider Independence declaration

PwC's Reward Services team was engaged by the NZX Limited (NZX) Board of Directors (the Board) to provide independent remuneration benchmarking services in relation to NZX's 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 NZX or any other party regarding the Services or outcomes of the Services.

Dated: 18 March 2024

A handwritten signature in black ink, appearing to read 'Chris Place', written in a cursive style.

Chris Place

Partner
PricewaterhouseCoopers

Summary

The table below summarises market remuneration data for directors' fees from a comparator group of 22 NZX-listed companies selected by the NZX Board for the purposes of this exercise. The basis for the comparator group composition was comparable market capitalisation, together with inclusion of relevant industry comparators. Median market capitalisation across the sample is \$309 million, compared to NZX's market capitalisation of \$347 million. Details of the comparator group are provided in Appendix 1.

Data is current to the date of this report and has been sourced from publicly available information, including annual reports and NZX disclosures. Where the Board chooses to position its fees against this market data will depend on the Board's view of the overall relevance of the comparator group and specifically NZX's perceived relative complexity of operations, scale, ranking (by scale) and risk profile as compared with those of the comparator companies.

Explanatory notes to the table are provided overleaf.

Position	Sample size	Market median	NZX policy fee	Comparison to the market median
Board Chair ¹	21	\$166,000	\$130,000	78%
NED ²	22	\$88,200	\$65,000	74%
Chair of Audit & Risk committee ³	21	\$15,300	-	-
Chair of Audit & Risk committee – aggregated fee ⁴	21	\$104,200	-	-
Chair of HR & Remuneration committee ⁵	17	\$12,000	-	-
Chair of HR & Remuneration committee – aggregated fee ⁶	17	\$100,900	-	-
Chair of 'Other' committee ⁷	7	\$10,000	-	-
Chair of 'Other' committee – aggregated fee ⁸	7	\$98,000	-	-
Member of Audit & Risk committee ⁹	11	\$10,000	-	-
Member of Audit & Risk committee – aggregated fee ¹⁰	11	\$100,000	-	-
Member of HR & Remuneration committee ¹¹	7	\$8,000	-	-
Member of HR & Remuneration committee – aggregated fee ¹²	7	\$101,500	-	-
Total approved pool fee ¹³	21	\$725,000	\$564,000	78%
Actual fees paid ^{14, 15}	22	\$641,000	\$509,452	79%

Pool fee comment:

NZX has advised PwC of the intent to move role fees up to/close to market median levels. As part of this, the new requested pool fee we understand will amount to **\$779,000**. This, we understand, is comprised of the Chair role at \$166,000, six directors at \$88,000 each, Committee Chairs of each of the HR, Technology and Clearing Committees at \$10,000 each, Audit & Risk Committee Chair at \$15,000, plus two directors on subsidiary companies: NZX Wealth Technologies and NZ RegCo.

We note that this aggregated proposed pool figure is higher than the median pool fee of the data set (\$725,000), despite NZX adopting market median aligned individual role movements. The quantum – and why it diverges from the market median approved pool fee in the data set - is primarily influenced by three factors:

- 1) The median number of directors across the agreed comparator group is 6.0 (with eight companies having Boards of 5 directors or less). This is impacting the pool fees which are 'built up' by companies to cover the roles and number of directors in those roles. NZX has seven directors (including the Chair).
- 2) NZX proposes to pay Chair fees to Chair roles for two committees not usually present in listed companies: Technology Committee, and the Clearing Committee.
- 3) Finally, the NZX pool fee includes two directors on subsidiary companies (NZX Wealth Technologies and NZ RegCo), both remunerated at \$20,000 per annum.

Summary table notes:

Notes:

1. Sample includes the analysis of 21 companies. It excludes the *T&G Global* Board Chair, who also holds the position of CEO for BayWa (the majority shareholder of T&G Global) i.e. an executive role together with the Chair position. Across the sample, Chair roles typically received no committee fees, with the base fee recompensing all Board contribution/roles held. However, for those Chair roles in the peer group where committee fees were paid on top of the base fee, these have been included in the market analysis to ensure a 'like for like' comparison for the full role. Five of 21 companies paid committee fees to their Board Chair, being: NZME, PGG Wrightson, Sanford, Serko and Sky Network Television.
2. Analysis of base NED fees for all 22 companies in the comparator group.
3. Analysis of the 21 companies who had an Audit & Risk Committee Chair/paid additional remuneration to this role, committee fee only.
4. Analysis of the 21 companies who had an Audit & Risk Committee Chair/paid additional remuneration to this role, committee fee aggregated with NED base fee.
5. Analysis of each of the 17 companies who had an HR & Remuneration Committee (or equivalent) Chair/paid additional remuneration to this role, committee fee only.
6. Analysis of each of the 17 companies who had an HR & Remuneration Committee (or equivalent) Chair/paid additional remuneration to this role, committee fee aggregated with NED base fee.
7. Analysis of each of the 7 companies that had a paid Chair of committee role, outside the two most commonly found committees i.e. *Audit* and *Remuneration*. This data aggregates the fee data paid across various committee types including: Investment Committee, Health & Safety Committee and Credit & Lending Committee. NZX may/may not deem this relevant as a data point to compare with its *Nomination*, *Technology* and *Clearing* Committee, noting however that currently, no Chair (or member fees) are paid by NZX to these roles. Data is for committee fee only.
8. As above, incorporated with the NED base fee.
9. Analysis of the committee fee only for the 11 companies which had/paid the role of Audit & Risk committee member.
10. Aggregated NED & committee fee data for the 11 companies which had/paid the role of Audit & Risk committee member.
11. Analysis of the committee fee only for the 7 companies which had/paid the role of HR committee member.
12. Aggregated NED & committee fee data for the 7 companies which had/paid the role of HR committee member.
13. Analysis of the 21 companies in the sample who disclosed their fee pool (excludes T&G Global).
14. Analysis of the actual NED fee spend for all 22 companies in the comparator group, for their most recently disclosed full financial year.
15. Actual fees paid figure excludes \$100,000 Smartshares fees, \$20,000 NZX RegCo fees and \$20,000 Wealth Technologies fees. Total fee spend incorporating all of these amounts was \$649,452.

Appendix 1 – Comparator Group

Organisation name	Market Capitalisation (\$M) as at 3 Feb 2024	Revenue (\$M)	Total Assets (\$M)
Serko Limited	517	48	141
Napier Port Holdings Limited	489	118	565
Scales Corporation Limited	471	619	580
Turners Automotive Group Limited	410	390	852
SKY Network Television Limited	400	754	690
AFT Pharmaceuticals Limited	392	157	148
Vista Group International Limited	378	135	235
Smartpay	373	78	71
Sanford Limited	366	553	1,072
Hallenstein Glasson Holdings Limited	332	410	203
Michael Hill	319	630	546
Rakon	298	180	207
Colonial Motors	288	997	548
Scott Technology	257	268	253
PGG Wrightson	242	976	510
Tower Limited	230	511	946
T&G Global	227	1,305	1083
Steel and Tube	198	589	364
NZME	192	365	306
Green Cross Health	185	494	401
Synlait Milk Limited	184	199	1,686
EROAD Limited	172	175	403
NZX Limited	347	96	233
Median of comparator group	309	400	457

Source: Data sourced from CAPIQ as at 3 February 2024