

NZX Limited

Non-executive directors' fees benchmarking Summary report

10 March 2022



Independence declaration

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

Dated: 10 March 2022

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

Chris Place
Partner
PricewaterhouseCoopers

Summary table

The table below summarises market remuneration data for non-executive director (NED) fees from a comparator group of 20 NZX-listed companies agreed with the NZX Board for the purposes of a NED fee benchmarking report prepared by PwC in August 2021. The basis for the comparator group composition was comparable market capitalisation, together with inclusion of relevant industry comparators. The peer group was reasonably balanced between companies larger and smaller than NZX by market capitalisation (albeit weighted slightly towards smaller companies), with 9 companies larger and 11 smaller by that measure. Median market capitalisation across the sample at the time of preparation of the report in August 2021 was \$496 million, compared to NZX's market capitalisation of \$528 million. Details of the comparator group are provided in Appendix 1.

The table below summarises the market median position for specified Board roles and aggregate fees and compares the current NZX directors' fees against the median of the comparator group data. Data is current to 31 August 2021 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, relative scale, ranking (by scale) and risk profile as compared with those of the comparators.

Some additional high level comments are provided overleaf.

Summary table:

Position	Sample size	Market median	NZX current fees	Comparison to the median
Board Chair ¹	19	\$150,000	\$100,000	67%
NED ²	20	\$85,000	\$50,000	59%
Chair of Audit & Risk Committee ³	20	\$15,000	Nil	N/A
Chair of Audit & Risk Committee Aggregated ⁴	20	\$101,000	\$50,000	50%
Chair of HR & Remuneration Committee ⁵	15	\$12,000	Nil	N/A
Chair of HR & Remuneration Committee Aggregated ⁶	15	\$98,000	\$50,000	51%
Member of Audit & Risk Committee ⁷	8	\$9,500	Nil	N/A
Member of HR & Remuneration Committee ⁸	5	\$7,500	Nil	N/A
Total approved pool fee ⁹	19	\$725,000	\$435,000	60%
Actual fees paid ¹⁰	20	\$568,500	\$450,000	79%

Notes:

1. Data for the 19 of 20 companies who published fee information for Board Chair positions (with CDL having an Executive Chair role in their organisation). The majority of organisations pay a base fee for the Board Chair, which incorporates consideration of all additional committee roles which they may hold. Where committee fees were paid on top of base fees, this data has been included in the fee analysis for this role.
2. Data for all 20 of the organisations which published NED fee information.
3. Data for the committee fee only for all 20 companies who had this role.
4. Data for the aggregated NED fee and Chair of Audit & Risk Committee fee.
5. Data for the 15 of 20 companies that had this role/paid additional remuneration to this role.
6. Data for the aggregated NED fee and Chair of HR & Remuneration Committee fee (for those 15 companies that had this role/paid additional remuneration to this role).
7. Data for the 8 of 20 companies that had this role/paid additional remuneration to this role. (Committee fee only).
8. Data for the 5 of 20 companies that had this role/paid additional remuneration to this role. (Committee fee only).
9. Data for the 19 of 20 companies that utilised this structure/disclosed a fee pool.
10. Data for the 20 companies that disclosed total fees paid in their last financial year. NB this is the only statistic that may be influenced by the temporary reductions some companies applied to NED fees due to the economic uncertainty which the COVID-19 pandemic gave rise to. All other fees reported are based on policy data and any fixed term reductions are thereby excluded.

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Summary continued

- The market median pool fee across the agreed comparator group of 20 NZX-listeds was **\$725,000**, whereas the NZX current pool fee at **\$435,000** has a comparative ratio of **60%** of the market median.
- The NZX Board Chair currently trails the market median observation, at **67%** of the median.
- The NZX NED role also trails the market median observation, with a comparative ratio of **59%** of the market median.
- **All** of the comparator companies pay a committee fee to their Chair of Audit/Audit & Risk Committee (median \$15,000) and 75% pay a Chair of HR & Remuneration Committee fee (median \$12,000).
 - Between 25% and 40% of these companies also pay committee member fees.
- NZX has a number of specialist sub-committees of the Board and also subsidiary Boards (which in some instances are comprised of both main Board directors and “external” independent Directors).
 - Currently, only independent director appointments are paid directors’ fees for these roles.
 - As such NED fees at NZX where Directors hold Committee roles trail the market median further on an aggregated basis i.e. NED fee + Chair of Committee fee:
 - Chair of Audit & Risk Committee fee at NZX = **50%** of market median.
 - Chair of HR & Remuneration Committee fee at NZX = **51%** of market median.

Appendix 1

Comparator Group

Source: Market capitalisation data: www.nzx.com
Revenue and total assets data from latest annual reports

Organisation name	Market Capitalisation (\$ millions) - 12/8/21	Company total revenue (\$ millions)	Company total gross assets (\$ millions)
Heartland Group Holdings Limited (NZSE:HGH)	1,266	253	5,318
Stride Property Ltd (NZSE:SPG)	1,197	50	1,073
Arvida Group Limited (NZSE:ARV)	1,124	174	2,182
Synlait Milk Limited (NZSE:SML)	769	1,302	1,492
Serko Limited (NZSE: SKO)	745	12	111
Scales Corporation Limited (NZSE:SCL)	659	471	586
Napier Port Holdings Limited (NZSE:NPH)	650	100	385
Kingfish Limited (NZSE:KFL)	628	156	560
EROAD Limited (NZSE: ERD)	592	92	172
Vista Group International Limited (NZSE:VGL)	524	88	252
AFT Pharmaceuticals Limited (NZSE: AFT)	468	113	105
Sanford Limited (NZSE:SAN)	466	469	932
Hallenstein Glasson Holdings Limited (NZSE:HLG)	414	288	211
Turners Automotive Group Limited (NZSE: TRA)	366	297	146
Tourism Holdings Limited (NZSE:THL)	363	401	654
CDL Investments New Zealand Limited (NZSE: CDI)	339	89	265
Tower Limited (NZSE:TWR)	301	377	745
SKY Network Television Limited (NZSE:SKT)	280	748	838
Comvita Limited (NZSE: CVT)	236	196	286
Gentrack Group Limited (NZSE: GTK)	200	101	209
NZX Limited (NZSE:NZX)	528	78	247
Market median	496	185	473
C/R to median	106%	42%	52%

Thank you

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