

# Channel Infrastructure NZ Ltd

## Non-executive directors' fees benchmarking Summary report

21 March 2023

Strictly private and confidential





# *Remuneration Service provider Independence declaration*

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

Dated: 21 March 2023

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 provided by PwC for directors' fees from a comparator group of 14 NZX-listed companies agreed with the Channel Infrastructure Board for the purposes of this exercise. PwC's scope for this work was limited to the provision of market data and positioning relative to the data and no recommendations are made regarding the remuneration of Channel Infrastructure directors.

The primary basis for the comparator group composition was comparable market capitalisation. Median market capitalisation across the sample was \$524 million (average: \$538 million), compared to Channel Infrastructure's market capitalisation of \$537 million when the peer group was resolved in November 2022. Details of the comparator group are provided in Appendix 1.

As requested by Channel Infrastructure, we have also provided line by line fee information for seven listed companies operating within high hazard/risk industries (Appendix 2).

The table below summarises the market median position for specified Board roles and aggregate fees and compares Channel Infrastructure's current directors' fees against the market median of the comparator group. Data is current to December 2022 and has been sourced from publicly available information, including annual reports and NZX disclosures.

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 Channel Infrastructure's perceived relative complexity of operations, scale, ranking (by scale) and risk profile as compared with those of the comparator companies.

## Executive summary table

Position	Sample size	Market median	Channel Infrastructure policy fee	Comparison to the market median
Board Chair <sup>1</sup>	13	178,000	180,000	101%
NED <sup>2</sup>	14	90,000	95,000	106%
Chair of Audit & Finance committee <sup>3</sup>	14	15,000	30,000	200%
Chair of Audit & Finance committee - aggregated <sup>3</sup>	14	106,100	125,000	118%
Chair of People & Culture committee <sup>4</sup>	11	12,000	20,000	167%
Chair of People & Culture committee aggregated <sup>4</sup>	11	106,000	115,000	108%
Chair of 'Other' Committee <sup>5</sup>	6	12,900	10,000	78%
Chair of 'Other' Committee aggregated <sup>5</sup>	6	100,000	105,000	105%
Member of Audit & Finance committee <sup>6</sup>	5	10,000	12,500	125%
Member of Audit & Finance committee - aggregated <sup>6</sup>	5	100,000	107,500	108%
Member of People & Culture committee <sup>7</sup>	4	7,600	5,000	66%
Member of People & Culture committee aggregated <sup>7</sup>	4	102,600	100,000	97%
Total pool fee <sup>8</sup>	11	827,600	900,000	109%
Actual fees paid <sup>9</sup>	14	681,500	805,000	118%

Footnotes to the table are provided on the page overleaf.

# Summary (continued)

## Notes:

1. Analysis of the 13 companies in the sample which had a Board Chair, with one having an Executive Chair. The majority of Chair roles received no committee fees, with the base fee recompensing all Board contribution/roles held. Where additional fees were paid, this was included in the data analysis above and throughout the report.
2. Analysis of base NED fees for all 14 companies in the comparator group. Channel Infrastructure NED fees consist of Channel Infrastructure's base fees (\$75,000) plus an Independent Director Committee fee (\$20,000). Non-independent directors currently receive the base fee of \$75,000 only in recognition of their reduced workload relative to the independent directors.
3. Analysis of each of the 14 companies' committee fees for this position. Aggregated remuneration analysis - which reflects payment of the NED fee + committee fee - has also been itemised for completeness.
4. Analysis of each of the 11 companies that had this role/paid additional remuneration to this role. Some companies combined this committee portfolio e.g. People & Remuneration Committee, Remuneration & Nomination Committee etc. Both committee fee only and aggregated fees (with NED remuneration) are provided.
5. Analysis of each of the 6 companies that had another committee role for which the chair of committee attracted an additional fee to base NED remuneration. Aggregated remuneration analysis which reflects payment of the NED fee + committee fee is also provided. Channel Infrastructure's 'Other' committee chair fee pertains to the Chair of the Health, Safety and Operations' Committee role. There was insufficient market data available to publish data for the Member of 'Other' Committee role.
6. Analysis of each of the 5 companies that had this role/paid additional remuneration to this role. Aggregated remuneration analysis for NED fee + committee fee is also provided.
7. Analysis of each of the 4 companies that had this role/paid additional remuneration to this role. Aggregated remuneration analysis (NED fee + committee fee) is also provided.
8. Analysis of each of the 11 companies where a pool fee is set/disclosed.
9. Analysis for all 14 companies of actual fees paid.

# Appendix 1 - Comparator group

## Comparator group dimensions & Channel Infrastructure relativity

Organisation name	Market Capitalisation (\$ millions)	Company total revenue (\$ millions)	Company total assets (\$ millions)
Vulcan Steel	1,107	973	795
Stride Investment Management	870	179	1,642
Arvida Group	861	202	3,397
Synlait Milk	629	1,661	1,576
Oceania Healthcare	586	233	2,198
Tourism Holdings	555	346	596
Napier Port Holdings	552	115	563
Michael Hill International	497	595	511
Sanford	395	532	978
Sky Network Television	332	736	777
T&G Global	314	1,365	984
PGG Wrightson	313	953	510
Turners Automotive Group	311	343	826
Steel & Tube	214	599	434
<b>Channel Infrastructure</b>	<b>537</b>	<b>234</b>	<b>1,158</b>
<b>Median</b>	<b>524</b>	<b>564</b>	<b>811</b>
<b>Average</b>	<b>538</b>	<b>631</b>	<b>1,128</b>

Source: Market capitalisation data was sourced from the NZX website in November 2022, when the peer comparator group was agreed. Annual revenue and total asset numbers were sourced from the most recently available annual reports.

# Appendix 2 – “High hazard” NED fee line-by-line disclosures

Role	NZ Oil & Gas	Genesis Energy	Contact Energy	Mercury	Air NZ <sup>2</sup>	Vector <sup>3</sup>	Port of Tauranga
<b>Number of Directors (excludes MD/ Exec Directors)</b>	5	7	7	9	8	7	8
<b>Chair</b>	- <sup>1</sup>	\$200,000	\$290,000	\$205,000	\$270,000	\$207,650	\$180,000
<b>Non Executive Directors</b>	\$82,320	\$100,000	\$140,000	\$103,000	\$100,000	\$103,825	\$92,000
<b>Chair: Audit &amp; Finance Committee</b>	-	\$26,000	\$46,500	\$28,000	\$40,000	\$13,500	\$20,000
<b>Member: Audit &amp; Finance Committee</b>	-	\$15,650	\$23,250	\$13,000	\$20,000	\$7,500	\$11,750
<b>Chair: People &amp; Culture Committee</b>	-	\$20,000	\$26,500	\$20,400	\$20,000	\$10,000	\$15,000
<b>Member: People &amp; Culture Committee</b>	-	\$10,000	\$13,250	\$10,000	\$10,000	\$5,000	\$7,625
<b>Chair: Other Committee</b>	-	-	\$26,500 (Safety & Sustainability Committee, Development Committee)	-	\$40,000 (H&S Committee)	-	-
<b>Member: Other Committee</b>	-	\$5,000 (Nominations Committee)	\$13,250 (Safety & Sustainability Committee, Development Committee)	\$6,000 (Nominations Committee)	\$20,000 (H&S Committee)	-	-
<b>Head room on a policy basis</b>	-	\$35,000	-	\$40,000	-	\$6,010	-
<b>Total Approved Directors' Fees</b>	\$600,000	\$1,072,950	\$1,500,000	\$1,085,400	\$1,232,333	\$946,110	\$880,000
<b>Actual fees paid to Directors</b>	\$381,000	\$865,146	\$1,368,750	\$1,030,285	\$1,210,987	\$770,125	\$861,736

Notes:

1. The NZ Oil & Gas Chairman is a Non-Independent Chair and does not receive fees, due to his association with NZ Oil & Gas' major shareholder.
2. Air NZ also has a Deputy Chair role at \$114,000.
3. Vector signalled in its 2022 AGM notice that it will implement its proposed directors fees' increase over two financial years (approved at Vector's Annual General Meeting on 29 September 2022). The fees captured here reflect the first year's increase i.e. rates for the FY23 period. Vector also has a Deputy Chair role at \$108,325.