



**Port of Tauranga**

Connecting New Zealand and the World

# **Executive Remuneration Policy**

December 2023



## Introduction

Port of Tauranga Limited's Executive Remuneration Policy sets the framework for rewarding Port of Tauranga's Chief Executive and Senior Executive direct reports to the Chief Executive.

Purpose

## Remuneration Philosophy

Port of Tauranga's remuneration strategy aims to attract, retain, and motivate high-calibre executives capable of achieving the objectives of Port of Tauranga and to encourage and reward superior performance in the creation of shareholder value. The strategy ensures that executives are competitively rewarded and encouraged to achieve Port of Tauranga goals. Port of Tauranga aim is to pay at least as well as companies that are our size and who deliver similar performance outcomes.

Port of Tauranga's Executive Remuneration strategy aims to align with the principles of our Diversity and Inclusion policy and objectives.

Port of Tauranga's executive remuneration is made up of a Total Fixed Remuneration (TFR) package plus, Short Term incentives (STI), and Long-Term Incentive (LTI).

The mix of benefits in the TFR is at the discretion of the Chief Executive and approval by the Board in the case of the Chief Executive.

## External Evaluation for Benchmarking

### Total Fixed Remuneration

The People and Remuneration Committee will seek external advice on Executive remuneration at least every 2 years. The Executive Total Fixed Remuneration (TFR) for each executive role will be benchmarked against a peer group of comparable companies. Total fixed remuneration (TRF) includes the value of superannuation and any benefits provided by Port of Tauranga.

The peer group of comparable companies (Appendix 1) will be determined by the People and Remuneration Committee and reviewed each 2 years at the time remuneration is being reviewed. The peer comparator group will be comprised of companies of compatible size (market capitalisation, revenue, and total assets), industry (infrastructure and transport) and complexity and any other relevant factors to Port of Tauranga.

Port of Tauranga's market positioning for TFR is the Median of the peer comparator group. The position within the market to which the executives are aligned will be at the discretion

of the People and Remuneration Committee but will normally be comparable with the median.

Fixed remuneration for executives will normally be reviewed annually by the Chief Executive and require the approval of the People and Remuneration Committee. Adjustments are not automatic and are determined by an individual's market value considering, performance, scale and complexity of the role, market relativity and experience.

In reviewing fixed remuneration, account may also be taken of other relevant factors, such as competing companies and industries and salary movements, including salary movements within Port of Tauranga.

## **Performance Based Remuneration Short Term Incentive and Long Term Incentives**

Performance-based remuneration rewards executives for achievement of strategic business objectives and for outstanding performance.

Performance-based remuneration provides executives with the opportunity for total remuneration to be between the median and the 75<sup>th</sup> percentile for a specific role.

### **Short Term Incentive**

The STI opportunity is expressed as a percentage of fixed remuneration paid annually as follows:

- Chief Executive up to 50% of fixed remuneration.
- Other Senior Executives up to 40% of fixed remuneration.

For the Chief Executive 60% of the STI opportunity will be linked to Port of Tauranga's financial performance, with the actual opportunity in the range of 0-110%. i.e., 0% - 66%

For Senior Executives 50-60% of the STI opportunity will be linked to Port of Tauranga's financial performance

The actual opportunity will be in the range of 0% to 110% i.e., 0% - 55% or 0% - 66%.

The range of 0-110% will be calculated as below:

- 0%-89% of NPAT budget receives 0% of the financial performance opportunity
- 90% -94 % of NPAT budget receives 50% of the financial performance opportunity
- 95% - 100% of NPAT budget receives between 50% - 100% of the financial performance opportunity. (Awarded in 10% increments for every 1% increase on NPAT)

- 100% - 110% of NPAT budget receives between 100%-110% of the financial performance opportunity (awarded in 1% increases for every 1% increase on NPAT)

The remaining STI opportunity will be based on individual strategic objectives to be established and agreed by the People and Remuneration Committee for the Chief Executive, and by the Chief Executive for other Senior Executives. There should be a number of specific, challenging, and measurable objectives which align with Port of Tauranga's strategic objectives. The People and Remuneration Committee will annually review these.

### **Long Term Incentive**

The LTI opportunity is expressed as a percentage of fixed remuneration as follows:

- Chief Executive up to 50% of fixed remuneration.
- Other Senior Executives up to 30% of fixed remuneration.

Fifty percent of the LTI opportunity will be earned by achieving compound annual earnings per share (EPS) growth targets, with the other 50% earned by achieving relative total shareholder return (TSR) targets. The comparator group for TSR is NZX50 companies less Australian Companies listed in New Zealand.

The LTI scheme is an equity-based Performance Share Rights (PSR) scheme. The details and mechanics are outlined in Port of Tauranga's Executive Long Term Incentive Plan Rules document.

Measurement of performance against objectives will be determined by the People and Remuneration Committee for recommendation to the Board in the case of the Chief Executive and for advice in respect of Senior Executives.

Any performance-based remuneration payments made will be at the full discretion of the Board.

### **Authorities**

The People and Remuneration Committee will act in accordance with its charter and in particular will:

- review this policy annually and make recommendations to the Board as necessary, and
- review biennially the structure of Port of Tauranga's executive remuneration packages.

## **Delegated Authorities**

Board approval is required for all remuneration proposals or decisions concerning the Chief Executive unless specifically delegated by the Board to the People and Remuneration Committee.

The Chief Executive shall make recommendations to the People and Remuneration Committee on executive remuneration matters.

People and Remuneration Committee approval is required for all remuneration proposals or decisions in respect of Senior Executives.

As a general principle, all remuneration decisions or proposals require “one over one” approval, i.e., no person may change the remuneration terms of any person reporting to them without the approval of the person to whom they report.

## **Process**

The Chief Executive will make annual recommendations to the People and Remuneration Committee on Executive total fixed remuneration, Short Term Incentive measures and targets, for the forthcoming year. The People and Remuneration Committee will approve Recommendations for Senior Executives.

The People and Remuneration Committee will review the Chief Executive’s fixed remuneration, Short Term Incentive measures and targets for the forthcoming year and recommend its conclusions to the Board for approval.

The People and Remuneration Committee will also review the Chief Executive’s performance against performance targets for the prior year and recommend any payment to the Board for approval.

The Chief Executive will annually review the performance targets of the Senior Executives for the prior year and recommend any payment to the People and Remuneration Committee for approval.

## **Special Consideration**

Notwithstanding the operation of this policy, the People and Remuneration Committee may consider recommendations from the Chief Executive for approval of special payments. Special payments may be made in recognition of outstanding performance, in recognition of acting appointments, to retain key executives, or to cover extraordinary circumstances.

All special payments require the approval of the Board in respect of the Chief Executive and the People and Remuneration Committee in respect of other executives.

Any special payment will be made as a “one-off” payment and will not be permanently included in the individual’s remuneration package.

**Executive Recruitment**

The Chief Executive will seek the approval of the People and Remuneration Committee prior to the filling of any direct report vacancy. Such approval will include the proposed remuneration package.

**Review**

This Policy will be reviewed annually by the Board.

<b>Approved:</b>	
Policy Owner:	GM Corporate Services
Effective Date:	December 2024
Next Review Date:	December 2025
Approval:	The People and Remuneration Committee will endorse for approval by the Board

## Attachment 1 – Peer comparator Group 2023

Company	Revenue/Income (\$M)	Comparative Ratio (Revenue)	Market Cap (\$M)
Arvida Group Ltd	221.9	53%	888
Auckland International Airport Ltd	625.9	149%	11,580
Chorus Ltd	980.0	233%	3,250
Contact Energy Ltd	2,118.0	503%	6,290
EBOS Group Ltd	12,237.0	2907%	6,560
Fletcher Building Ltd	8,469.0	2012%	3,789
Freightways Ltd	1,121.6	266%	1,499
Genesis Energy Ltd	2,374.2	564%	2,615
Goodman Property Trust	126.5	30%	2,925
Infratil Ltd	1,191.7	283%	8,348
Kiwi Property Group Ltd	259.1	62%	1,345
Mainfreight Ltd	5,675.7	1348%	6,359
Mercury NZ Ltd	2,730.0	649%	8,409
Precinct Properties New Zealand Ltd	218.9	52%	1,820
Ryman Healthcare Ltd	570.9	136%	4,132
Vector Ltd	1,192.3	283%	3,870
Wellington International Airport	139.8	33%	



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