

Review of Non-Executive Director Fee Practices

Port of Tauranga Limited

6 September 2023

Executive Summary

Port of Tauranga Limited (POTL) has engaged Ernst & Young Limited (EY) to prepare a report in relation to Non-Executive Directors' (NED) fees. We confirm that our report has been prepared independently and is not subject to any influence from the management or any board member of POTL or any third party.

The findings summarise the market positioning for POTL's Chair and other NED fees compared to the market data from the determined comparator group. The comparator group was agreed with POTL in 2021 as the basis from which to perform our analysis. Fees are assessed as being 'at' the relevant market reference point if positioned within 10% of the market data reference point. In the case of this review, we have assumed a median NED positioning policy.

Comparator group

In 2021, it was agreed that POTL's NED fees would be benchmarked against a selected New Zealand comparator group of a similar size or business operations to POTL. This comparator group has been maintained since the last review and is made up of 19 organisations that are within a 50%-200% range of POTL's market capitalisation, revenue and/or assets.

The market information pertaining to fee practices within the comparator group has been primarily sourced from EY's Directors' fee database and supplemented with publicly available data from the most recent annual reports where necessary.

We acknowledge that there is a time lag in remuneration disclosures from the selected organisations. Generally, EY does not support 'ageing' market data to account for this time lag. Therefore, the data used in this analysis is factual and has not been aged.

Board Chair and NED policy fee positioning

Table 1 below compares POTL's Board Chair, NED and aggregated fee pool policies to the agreed comparator group.

Table 1: Board Chair, Other NEDs and fee pool policy positioning		
Chair fee policy	Other NEDs fee policy	Fee pool policy
POTL's Board Chair fee policy is aligned to the 25 th percentile of the comparator sample.	POTL's other NEDs fee policy is aligned to the 25 th percentile of the comparator sample.	POTL's total NED fee pool is aligned to the 25 th percentile of the comparator sample.

Audit Committee fees

POTL's current fees for the Chair and Members of the Audit Committee are positioned below the 25th percentile. The time commitments required for the Audit Committee are also positioned below the 25th percentile of the comparator group. The changes to the remit of this committee mean that the number of meetings is likely to increase to be more closely aligned to the lower quartile of the market data.

Remuneration Committee fees

POTL's fee policy for the Remuneration Committee Chair and Members is positioned below the 25th percentile. The number of Remuneration Committee meetings per year is aligned to the median of the comparator group. Our recommendations are to increase the fees above the 25th percentile whilst aligning to the Audit Committee fees

Health & Safety Committee fees

POTL's proposed number of meetings for a Health & Safety Committee aligns to the median of the comparator group. Our recommendations for POTL's Health & Safety Committee are to establish the fees in alignment with the median.

Recommendations

When developing the recommendations below, we have considered the following factors:

- ▶ Whether the workload required of NEDs has changed significantly since POTL's last review of Directors' fees and/or is likely to increase prior to the next review. We note the feedback from POTL about changes to the remit and time commitments for the Audit committee and the organisation's intent to introduce a Health and Safety Committee which will meet approximately four times per annum.
- ▶ Whether the nature of the governance role has substantially changed since the last review
- ▶ The complexity of compliance and regulation requirements and any change in regulations
- ▶ The current skill and capability of the Board and the need to retain talent over the long term
- ▶ Movements in market rates for NEDs
- ▶ POTL's position against the New Zealand comparator data set: between the median and the 75th percentile for market capitalisation, below the 25th percentile for assets and between the 25th percentile and the median for revenue.

Table 2: Recommended fee structure

Role	POTL's Current Practice (\$)	Recommended fee (\$)	Increase (%)
Chair Base Fee	180,000	195,000	8.3%
NED Base Fee	92,000	98,500	7.1%

Committee Fees

Audit Committee - Chair	20,000	20,000	-
Audit Committee - Member	11,750	12,000	2.1%
Remuneration Committee - Chair	15,000	20,000	33.3%
Remuneration Committee - Member	7,625	10,000	31.1%
Health & Safety Committee - Chair	-	23,850	-
Health & Safety Committee - Member	-	12,200	-

Aggregate fee pool

The current available fee pool is \$880,000. Total fees paid in FY22 were \$811,986. If the recommendations above are adopted, and assuming a Health and Safety Committee of one Chair and four members is introduced, the total fees payable to NEDs would exceed the current fee pool. EY recommends the fee pool be increased to \$1,125,000, to allow for these changes and to provide headroom within the fee pool equating to approximately 1.5 times the proposed NED base fee. This headroom allows POTL to make any further changes to the size, composition and fees of the Board should the need arise.

Thank you for the opportunity to assist POTL with this assignment.



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