

Review of Non-Executive Director Fee Practices

Summary report

Freightways Group Limited

27 September 2023

1. Executive summary

Freightways Group Limited (Freightways) 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 Freightways or any third party.

The findings in this section summarise the market positioning of Freightways' Chair, other NEDs and Committee fees compared to the market data. Fees are 'at' the relevant market reference point if positioned within 10% of the market data reference point.

The market information pertaining to fee policy practices within the comparator group has been sourced from EY's Directors' fees database, supplemented with data from the most recent financial year-end annual reports. The information from annual reports is publicly available information. The comparator group has been agreed with Freightways as the basis from which we perform our analysis.

We acknowledge that there is a time lag in remuneration disclosures from the chosen organisations. Generally, Ernst & Young 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.

1.2 Board Chair, Other NEDs and fee pool policy positioning

Table 1 below compares Freightways' Board Chair fee policy, other NEDs fee policy and the aggregated fee pool 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
Freightways' Board Chair fee policy is aligned to all three quartiles, although we note that the interquartile range is narrow.	Freightways' other NEDs fee policy is aligned to both the median and the 75 th percentile, although we note that the interquartile range is narrow.	Freightways' approved maximum aggregate fee pool is aligned to the median of the market data.

1.3 Recommendations

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

- ▶ Director workload, including whether the workload required of NEDs has changed significantly since Freightways' last review of Director's fees and/or is likely to increase prior to the next review. This also includes consideration of Committee workload as represented by meeting frequency compared to the comparator group.
- ▶ Market movements and trends for NED fees as observed in the Institute of Directors' Fees Report 2022/23 (3.5% for Chairs and 3.1% for other NEDs respectively)
- ▶ Current NED fees versus the comparator group and Freightways' position against the comparator group data set: equating to 112% of the median for market capitalisation (i.e. between the median and the 75th percentile)
- ▶ The internal relativities of fee practices between the Chair, other NEDs and Committee Members at Freightways.

Based on the considerations above, information provided by Freightways' Board and the EY Directors' fee database, our recommended fee structure for Freightways NEDs is set out in Table 2 below.

Table 2: Recommended fee increases			
Role	Freightways' Current Practice (\$)	Recommended Fee (\$)	Recommended Increase (%)
Chair fee policy	180,000	185,000	2.8
Other NEDs fee policy	100,000	100,000	-
Committee fee policies			
Audit and Risk Committee - Chair	20,000	23,000	15
Audit and Risk Committee - Member	-	14,000	-
People and Remuneration Committee - Chair	15,000	19,000	26.7
People and Remuneration Committee - Member	-	10,000	-
Nominations Committee - Chair	-	-	-
Nominations Committee - Member	-	-	-
Fee pool			
Aggregate fee pool	857,145	990,000	12.6

1.4 Aggregate fee pool

The current available fee pool is \$857,145. The fees received by Directors of Freightways for the year ended 30 June 2022 was \$723,668, impacted by Director resignations during this period. If the above recommendations were adopted, the aggregate fees paid to Directors would exceed the current maximum aggregate fee pool limit of \$857,145.

To ensure Freightways has sufficient aggregate fee pool headroom, EY recommends the approved maximum aggregate fee pool limit be increased to \$990,000 inclusive of the committee work pool of \$42,145. Increasing the maximum aggregate fee pool limit to \$990,000 would provide Freightways with fee pool headroom of approximately 1.5x the proposed NED fee policy.

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



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Appendix A

Freightways' comparator group (n=19)

Table 3: Comparator group (n=19)	
Organisation	Market Capitalisation (\$ millions) as at 1 June 2023
Air New Zealand Limited	2,611
Argosy Property Limited	932
Arvida Group Limited	861
Briscoe Group Limited	971
Chorus Limited	3,626
Delegat Group	977
Genesis Energy	2,930
Goodman Property Trust	3,066
Kiwi Property Group Limited	1,445
Manawa Energy	1,487
Precinct Properties New Zealand Limited	1,927
Property for Industry Limited	1,180
Pushpay Holdings Limited	1,622
Skellerup Holdings Limited	939
SkyCity Entertainment Group Limited	1,726
Summerset Group Holdings Limited	2,087
Tourism Holdings	831
Vital Healthcare Property Trust	1,523
Vulcan Steel	1,072
25 th percentile	974
Median	1,487
75 th percentile	2,007
Freightways Group Limited	1,670
	Between the median and the 75 th percentile

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Our report may be relied upon by Freightways Group Limited for the purpose of understanding the remuneration market for Non-Executive Director roles only pursuant to the terms of our engagement letter dated 19 April 2023. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

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