

Non-Executive Director fee benchmarking summary

Serko Limited

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1. Introduction

1.1 Background

Serko Limited (Serko) has engaged Ernst & Young (EY) to provide market data in relation to Non-Executive Director (NED) Board and Committee fees.

This report provides the results of our analysis of disclosed information relating to Non-Executive Director (NED) remuneration quantum of companies selected by Serko.

The report provides market information on:

- ▶ Non-Executive Chair (Chair) fees
- ▶ Non-Executive Director (Other NED) fees
- ▶ Audit, Risk and Sustainability Committee Chair and Member fees
- ▶ Remuneration and Culture Committee Chair and Member fees
- ▶ Aggregate NED fee pools and the number of disclosed NEDs
- ▶ The number of Annual Board meetings.

For the purposes of this report, all NED fees have been converted to Australian dollars using the 12-month average exchange rate to the relevant companies' financial year end. Exchange rates were sourced from LSEG.

1.2 Comparator groups

Market data is presented for two comparator groups as requested by Serko.

Comparator groups	
Group name	Definition
Australia	Australian companies with a 12-month average market capitalisation within 50% to 300% of Serko's one-month average market capitalisation of AU\$456 million and within the Global Industry Classification Standard (GICS) Consumer Discretionary and Information Technology sector.
New Zealand	New Zealand companies with a market capitalisation within 50% to 200% of Serko's market capitalisation of NZ\$491 million and within the GICS Consumer Discretionary and Information Technology sector.

1.3 Fee elements presented

The following fee elements are presented in this report:

Fee elements analysed	Roles	
Actual total fees	Chair	All other NEDs (Other NEDs)
Board fee policy information	Chair	Other NED base fees
Audit, Risk and Sustainability Committee	Chair	Member
Remuneration and Culture Committee	Chair	Member
Aggregate NED fee pools		
Number of NEDs		
Number of Annual Board meetings		

Actual total fees

Actual total fees represent the total fees paid to NEDs for the financial year, which includes super, benefits and valuations of any equity grants for Australian-based NEDs. Actual total fees are useful for understanding how overall NED total fees compare against the comparator groups.

Policy fees

Policy fees represent the fees determined by the Company to remunerate NEDs for participation on the Board and Committees. Policy fees are useful for benchmarking and developing fee structures, as they differentiate between fees for different roles.

1.4 Key considerations

The findings in this section summarise the percentile market positioning of Serko NED fees against the market data. Fees were considered to be 'at' the relevant market reference point if fees were positioned within 10% of the market data reference point.

When determining the appropriate fees for Serko's NEDs the following key points should be taken into account:

- ▶ **The companies included in the comparator groups:** NED fees are typically compared against general industry, as a broad range of skills and experiences are required to create an effective Board of directors. In addition, a specific industry comparator group can provide a useful secondary comparison as it reflects the skills and experiences specific to the industry that Serko is operating in.
- ▶ **Positioning relative to the comparator groups:** The Company's NED fee position should be reflective of the market capitalisation and revenue position of the Company.
- ▶ **Time commitment required for NEDs:** The higher the time commitment, the greater the emphasis on positioning fees above median may be. Consideration of time commitment should focus on ongoing time rather than one-off, increased loads (e.g., due to a transaction).

- ▶ **Complexity of business:** Complexity may be measured by factors such as international footprint (e.g., overseas revenue, assets, etc.) and regulatory / industry issues. The higher the complexity of the industry in which the company operates, the greater the emphasis on positioning fees above median may be.
- ▶ **Degree of potential reputational risk:** The higher the potential reputational risk, the greater the emphasis on positioning fees above median may be.
- ▶ **The supply of talent available for the role(s):** The greater the scarcity of talent, the greater the emphasis on positioning fees above median may be. Companies may also consider the need for specific skills within the Board.
- ▶ **Fee pool:** The Company's fee pool is currently set in New Zealand dollars.
- ▶ **Fee policies:** Serko's fee policy is set in Australian dollars, which is different from the current fee pool currency.
- ▶ **Chair fees:** in addition to Board fees, the Chair is entitled to committee fees. Currently the Chair receives an Audit, Risk and Sustainability Committee Member fee as well as a Remuneration and Culture Committee Member fee.

Company positioning with the comparator groups

The table below summarises the positioning of Serko's market capitalisation and revenue relative to the comparator groups.

Company positioning within the comparator group		
Comparator group	Market capitalisation	Revenue
Australia	Aligned to the median	Below the 25 th percentile
New Zealand	Aligned to the median	Below the 25 th percentile

2. Fee benchmarking findings

The findings in this section summarise the benchmarking outcomes for Serko's NED roles against the market data. Fees were considered to be 'at' the relevant market reference point if fees were positioned within 10% of the market data reference point. We confirm our report has been prepared independently and is not subject to any influence from the management or any Board Member of Serko or any third party.

2.1 Actual and policy fees

The table below summarises the positioning of Serko's NED fees relative to the comparator group. Where the position of fees is between two positions, this is possible due to the narrower range of companies in the comparator group.

Position of fees within the comparator groups		
Comparator group	Chair	Other NEDs
Actual Total Fees		
Australia	Aligned to the 25 th percentile	Between the median and the 75 th percentile
New Zealand	Aligned to the median and the 75 th percentile	Above the 75 th percentile
Board Fee Policy		
Australia	Below the 25 th percentile	Aligned to the median
New Zealand	Between the 25 th percentile and the median	Aligned to the 75 th percentile
Committee Chair		Committee Member
Audit and Risk Committee Fees		
Australia	Aligned to the median	Aligned to the 25 th percentile and the median
New Zealand	Aligned to the 75 th percentile	Aligned to the median and the 75 th percentile
Remuneration Committee Fees		
Australia	Aligned to the 75 th percentile	Aligned to the median and the 75 th percentile
New Zealand	Above 75 th percentile	Above the 75 th percentile

2.2 Aggregate NED fee pool, number of meetings and NEDs

The table below summarises the positioning of Serko's aggregate NED fee pool, number of Board meetings and number of NEDs relative to the comparator group.

Position of aggregate NED fee pool, number of Board meetings and NEDs	
Comparator group	Positioning
Aggregate fee pool	
Australia	Below the 25 th percentile
New Zealand	Aligned to the 25 th percentile
Number of Board meetings	
Australia	Aligned to the median
New Zealand	Above the 75 th percentile
Number of NEDs	
Australia	Below the 25 th percentile
New Zealand	Below the 25 th percentile

2.3 Guidance on setting the aggregate NED fee pool and NED fees at Serko

In providing Serko with guidance on setting the aggregate NED fee pool and NED fees, the following has been taken into consideration:

- ▶ Serko’s market capitalisation positioning against the agreed New Zealand and Australian comparator groups (aligned to the median for each). Serko’s revenue is positioned below the 25th percentile for both comparator groups
- ▶ The workload of the Board (number of meetings per annum) positioning at the median for the Australian comparator group and above the 75th percentile for the New Zealand comparator group. We note the comments of the Company regarding the number of additional, ad hoc meetings held by the Board; and, the low number of directors the Company may access to meet the higher workload
- ▶ Serko’s more complex New Zealand and Australia dual listing
- ▶ The international nature of the Technology sector in which the Company operates
- ▶ The skills sets and locations of NEDs the Company seeks to attract in order to exercise effective governance and oversight
- ▶ A preference by the Company for NED fee structural simplicity:
 - ▶ To reflect the market approach of a policy of the Chair fee to be approximately twice the Board Member base fee, and to cease payment of committee fees to the Board Chair
 - ▶ To establish, as far as possible, a consistent set of Committee Chair and Member fees with the same two-times multiple for Committee Chair to Member fees
- ▶ The existing Company practice of setting the fee pool in New Zealand (NZ\$) and NED fee policy in Australian Dollars (AU\$)
- ▶ The relatively narrow trading range for foreign exchange rates between the AU\$ and the NZ\$
- ▶ The limited fee pool headroom following the recent appointment of an additional director (with the board size remaining below market)

- ▶ The time which has elapsed since the last Serko fee movement (2021) and market movements in NED fees since that time.

2.3.1 Indicative fee ranges

Based on the factors above, generally Serko’s NED fees would be considered to be market aligned if positioned between the 50th and the 75th percentiles of the relevant market data, and the NED fee pool would be considered to be market aligned if positioned between the 25th and the 50th percentiles of the relevant market data. Based on the market data set out in our report titled *Non-Executive Director fee benchmarking* dated 5 March 2024, the table below presents indicative market aligned Serko NED fee element ranges.

The indicative market aligned Serko NED fee element ranges are presented based on EY’s current understanding of Serko and its circumstances at the time of the analysis. Should the Company possess additional information, or if the Company’s circumstances alter, the outcomes of the analysis may alter.

Fee element	Current fees (AU\$'000)	Fee range (AU\$'000)
Aggregate fee pool	562 (NZ\$600)*	711 - 825
Board Chair	158**	185 - 224
Other NED board base fee	95	95 - 120
Audit, Risk and Sustainability Committee Chair	20	20 - 22
Remuneration and Culture Committee Chair		15 - 20
Audit, Risk and Sustainability Committee Member	9	10 - 11
Remuneration and Culture Committee Member		10***

*Serko’s aggregate NED fee pool is currently set in NZ\$.

**Currently the Chair is paid a Chair fee (AU\$140,000) + Committee fees (AU\$18,000)

***We note the 50th and the 75th percentiles both equate to \$10,000.

2.4 NED fee trends - Australia

The following table presents policy Chair and Other NED fees general market movements in Australia for the year ended 30 June 2023. The movements below reflect where a change was made to the Chair and Other NED policy fees.

ASX 100 NED data	Average movement (%)
Board Chair Fee	3.5%
Base fee for Other NEDs	3.3%

2.5 NED fee trends - New Zealand

The following table presents Chair and Other NED policy fees general market movements from EY's Directors' Fees Report 2023/24.

Role	Average movement (%)
Board Chair Fee	6.6%
Base fee for Other NEDs	6.9%

The New Zealand movements above are affected by two key factors:

- ▶ Some organisations do not review fees annually; therefore, the annual fee movement is somewhat impacted by minimal increases given the NEDs in the overall sample.
- ▶ The data above reflects the whole sample median movement. As a result, changes in the sample composition can impact reported policy fee movement data.

2.6 Comparator group constituents

Companies in the two comparator groups are presented below, ranked by 12-month average market capitalisation up to 31 December 2023.

Serko is not included in the comparator groups below. However, it is presented for comparative purposes.

Comparator group constituents				
Company name	Comparator group: Australia	Comparator group: New Zealand	Market capitalisation (\$m) 12-month average to 31 December 2023	Revenue as at financial year end (\$m)
Megaport Limited	✓		1,364	230
Audinate Group limited	✓		1,352	70
Data3 Limited	✓		1,301	2,565
Objective Corporation Limited	✓		1,168	110
Hansen Technologies Limited	✓		988	312
Silex Systems Limited	✓		962	9
Argosy Property Limited		✓	899	134
Jumbo Interactive Limited	✓		836	119
Tourism Holdings Limited		✓	775	616
Winton Land Limited		✓	771	196
Arvida Group Limited		✓	766	206
Weebit Nano Ltd	✓		766	-
Stride Property Limited		✓	740	88
Nuix Limited	✓		662	183
Delegat Group Limited		✓	647	354
Henderson Far East Income Limited		✓	646	-
FINEOS Corporation Holdings PLC	✓		635	205
Gentrack Group Limited	✓	✓	621	158
Infomedia Limited	✓		511	130
Oceania Healthcare Limited		✓	510	229
Warehouse Group Limited (The)		✓	503	3,143

Comparator group constituents				
Company name	Comparator group: Australia	Comparator group: New Zealand	Market capitalisation (\$m) 12-month average to 31 December 2023	Revenue as at financial year end (\$m)
Channel Infrastructure NZ Limited		✓	504	82
KMD Brands Limited	✓	✓	496	1,019
Kogan.com Ltd	✓		491	490
Napier Port Holdings Limited		✓	473	110
Ainsworth Game Technology Limited	✓		461	220
Serko			456	44
Scales Corporation Limited	✓		456	577
Restaurant Brands NZ Limited	✓	✓	446	1,210
Investore Property Limited		✓	417	66
RPMGlobal Holdings Limited	✓		392	98
ReadyTech Holdings Limited	✓		391	103
Kingfish Limited		✓	389	-
Helloworld Travel Limited	✓		370	166
Bravura Solutions Limited	✓		370	249
Vista Group International Limited	✓	✓	366	126
Sky Network Television Limited		✓	360	698
Sanford Limited		✓	360	516
3P Learning Limited	✓		351	107
AFT Pharmaceuticals Limited		✓	352	147
Michael Hill International Limited		✓	343	631
NOVONIX Limited	✓		334	4
Smartpay Holdings Limited		✓	337	73
Catapult Group International Limited	✓		329	126
NZX Limited		✓	323	89

Comparator group constituents				
Company name	Comparator group: Australia	Comparator group: New Zealand	Market capitalisation (\$m) 12-month average to 31 December 2023	Revenue as at financial year end (\$m)
Brainchip Holdings Ltd	✓		307	7
Atturra Limited	✓		300	178
Qoria Limited	✓		291	82
Hallenstein Glasson Limited		✓	292	382
Rakon Limited		✓	269	169
Pointsbet Holdings Limited	✓		265	210
Scott Technology Limited		✓	254	246
Symbio Holdings Limited	✓		253	211
Colonial Motor Company Limited		✓	253	925
DUG Technology Ltd	✓		232	76

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