

Marsden Maritime Holdings Ltd

Non-executive directors' fees benchmarking
Final report

9 June 2022

Strictly private and confidential





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PwC | Marsden Maritime Holdings Ltd

Murray Jagger
Board Chair
Marsden Maritime Holdings Limited
Ruakaka

cc Tony Gibson

Dear Murray

Non-executive directors' fees benchmarking – final report for Marsden Maritime Holdings Limited

We are pleased to provide our final market benchmarking report for directors' fees at Marsden Maritime Holdings Limited. Market data has been sourced from publicly available information. The comparator group - as agreed with the Board for the purposes of this exercise - is as listed in the Appendix to this report.

Thank you for the opportunity to work with Marsden Maritime Holdings.

Yours sincerely

Chris Place
Partner

Tanya Giles
Director

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9 June 2022



Remuneration Service provider Independence declaration

PwC's Reward Services team has been engaged by the Marsden Maritime Holdings Limited (MMHL) Board of Directors (the Board) to provide independent remuneration benchmarking services in relation to MMHL'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 MMHL or any other party regarding the Services or outcomes of the Services.

Dated: 9 June 2022

A handwritten signature in black ink, appearing to read 'Chris Place', written in a cursive style.

Chris Place
Partner
PricewaterhouseCoopers

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1. Executive summary

The table below summarises market remuneration data for directors' fees from a comparator group of 11 NZX-listed companies agreed with the MMHL Board for the purposes of this exercise. The basis for the comparator group composition was comparable market capitalisation. Median market capitalisation across the sample is \$239 million, compared to MMHL's market capitalisation of \$248 million. Details of the comparator group are provided in Appendix 1.

The table below summarises the market median position for specified Board roles and aggregate fees and compares MMHL's current directors' fees against the market median of the comparator group.

Data is current to the date of this report and has been sourced from publicly available information, including annual reports and NZX disclosures. Where the Board chooses to position its fees against this market data will depend on the Board's view of the overall relevance of the comparator group and specifically MMHL's perceived relative complexity of operations (largely a property developer and manager and marina and marine services operator), scale, ranking (by scale) and risk profile as compared with those of the comparator companies, and the relative time commitment required of the governance role of an MMHL director as compared to the comparators.

Executive summary table:

Position	Sample size	Market 25 th percentile	Market median	MMHL policy fee	Comparison to the market median
Board Chair ¹	10	\$107,300	\$132,500	\$67,500	51%
NED ²	11	\$54,800	\$70,000	\$33,500	48%
Chair of Audit & Risk committee ³	9	\$10,000	\$12,000	\$10,000	83%
Chair of Audit & Risk committee - aggregated ³	9	\$75,000	\$85,000	\$43,500	51%
Chair of Remuneration committee ⁴	6	\$5,600	\$8,800	\$5,000	57%
Chair of Remuneration committee aggregated ⁴	6	\$80,000	\$85,000	\$38,500	45%
Member of Audit & Risk committee ⁵	4	-	\$12,000	-	-
Total approved pool fee ⁶	10	\$447,500	\$580,000	\$250,000	43%
Actual fees paid ⁷	11	\$297,300	\$402,000	\$282,595	70%

1. Analysis of the 10 companies in the sample which had a Board Chair, with one having an Executive Director lead. The majority of Chair roles receive no committee fees, with the base fee recompensing all Board contribution/roles held. Where additional fees are paid, this is included in the data analysis above and throughout the report.
2. Analysis of base NED fees for all 11 companies in the comparator group.
3. Analysis of each of the 9 companies' that had this committee/paid separate fees for this committee. Fee related to committee element only. Aggregated remuneration analysis which reflects payment of the NED fee + committee fee has been itemised, for completeness.
4. Analysis of each of the 6 companies that had this role/paid additional remuneration to this role. Both committee fee only and aggregated fees with NED remuneration are provided.
5. Only four companies paid additional fees for this role. No comparative ratio provided, as MMHL do not currently pay fees to this position.
6. Analysis of each of the 10 companies where a pool fee is set/disclosed.
7. Analysis for the 11 companies which disclosed actual fees paid. NB this is the only data where temporary reductions to fees due to impacts resulting from COVID-19 may feature in our analysis. Policy fees (on which the majority of the analysis is based), do not reflect/capture any temporary discounts.

1. Executive summary

Also included in the Executive Summary are information points in response to specific queries raised as part of this benchmarking exercise:

Board meeting frequency

The MMHL Board currently has nine scheduled meetings per annum. Meeting frequency varied materially across the peer group of companies, as evidenced in the table below. In this regard it is relevant that the number of meetings attended by MMHL directors, while below the median and average of the peer group, is not materially below.

Minimum	Median	Maximum	Average
3	11	18	10

Fee setting considerations

- We have been asked to comment on the relative impact of a majority owner's remuneration policies and practices on director's fee levels in a listed company environment.
- In considering director fees it is relevant to bear in mind that directors of listed entities undertake a governance role, and are remunerated for this role and the time commitment that the role demands.
- Other market remuneration policies, structures and levels and particularly the rates of pay of shareholder employees and directors in our experience bear little relationship to listed investee company NED fee levels as the listed company environment has its own distinct director market. This is driven by the fee levels required to attract and retain individuals with the appropriate skills sets to be a listed company director, and due to the different and more complex governance environment listed company directors operate in. By way of an example, where private equity retains a cornerstone shareholding post an IPO, in our experience director fees are benchmarked against listed companies and not private equity.
- Directors of listed companies carry personal risk and liability and this, together with the time commitment and additional governance responsibilities required of listed company directors (compliance with listing rules, NZX Corporate Governance Code etc), generally result in listed company directors being paid a premium to the non listed company market. We are unaware of any listed company that has approached shareholders for an increase in fees, referencing non listed companies in its chosen peer comparator group.
- Having said that, the ownership structure of listed companies does however in our experience influence listed company director fees, particularly where partly Crown or Council owned. We note for example that Port of Tauranga, which is majority owned by the Bay of Plenty Regional Council, appears, based on documentation provided in support of an increase of fees at the company's 2021 AGM, to pay Chair and Non Executive Director base fees at between the 25th percentile and the median of the peer group utilised, and at the 25th percentile for Committee Chair and Member fees.
- The partly Crown owned listed gentailers, post listing on the NZX post the Crown's asset sell down, for legacy reasons all paid fees at below listed company median rates. Over time our understanding is that all have lifted their fee rates to be more market aligned – in recognition of the fact that in order to attract and retain directors with the required skill set to govern the company in a listed company environment, directors fees have to be market aligned to the listed company market (or directors will take up roles elsewhere where fee levels recognise the time commitment, skill set and personal risk attached to a listed company governance role).

1. Executive summary

Fee setting considerations continued

- We note we are unaware of any listed company that applies a discount to non executive director fees for fees paid for the individual's governance role on a subsidiary Board (which has its own time commitments), nor a discount where a material portion of revenues is earned from a single source (noting the lower correlation between directors fees and revenues when compared to fees and market capitalisation).

Committee remuneration

'Other Committee' fee levels were limited across the data set. Those that were available are included in page 16, but were insufficient to develop an aggregated data sample. Therefore there is no specific directly comparable data on which to draw for the Port Ecosystem and Land Oversight Committee (PELOC) or for the Health and Safety Committee.

In this instance, we have seen other entities take the following approach:

- Utilise the current fee levels for other existing committees and roles i.e. MMHL's Audit & Risk Committee and/or Remuneration Committee as a point of reference;
- Use internal relativity to determine whether fees are set at the same or slightly differentiated levels, based on factors including:
 - Relative number of meetings.
 - Relative overall time commitment.
 - Relative complexity of governance.

Market data

Introduction

PwC was engaged by the MMHL Board to assist with non-executive director (NED) fee benchmarking.

A comparator group underpinned by comparable market capitalisation was agreed with the MMHL Board for the purposes of this benchmarking exercise.

Scope

The report outlines market positioning and does not specify or recommend remuneration for MMHL directors.

Data included

The following information is included, all expressed in New Zealand dollars:

- Board Chair;
- NED;
- Chair of Audit & Risk Committee;
- Chair of Remuneration Committee;
- Member of Audit & Risk Committee;
- Total fee pool; and
- Total actual spend.

There was insufficient incidence of Member of Remuneration Committee (3 data points) and Chair and Member of 'Other' Committees (two data points only for the former, one for the latter) to provide market data pertaining to MMHL's Health and Safety Committee, Nominations Committee & PELOC Committee).

Any alternate, acting and executive directors were excluded. All directors' fee information has been annualised for the purposes of this analysis.

Analysis has been prepared based on *policy fee data* where available. If policy fee data was not published, *actual* Directors' fees data has been utilised, provided it was unambiguous.

Any temporary fee reductions introduced in response to the impacts of the COVID-19 pandemic are not captured in the analysis, with the focus rather being on policy data. Some impact of these temporary reductions may however flow on to the *actual total fee spend* aggregate analysis (noting most of these occurred in FY21 however).

Comparator group and data sources

Data was obtained for NZX-listed companies. The comparator companies and their current market capitalisation, annual revenue, total asset values and employee numbers are listed in Appendix 1 on page 24.

Comparators are generally companies in a range of circa 50% - 200% of MMHL's market capitalisation value of \$248 million i.e. \$124 million to \$496 million. (Two companies are slightly below this range and one is slightly above. These have been included to ensure a robust sample size).

The median market capitalisation across the comparator group was \$239 million, and median total assets was \$199 million. Within a listed infrastructure or property company, in our experience market capitalisation and gross assets have the closest correlation to director fees (with the closest correlation being market capitalisation). Revenue has a lower correlation to director fees in these sectors. To illustrate, the listed retirement sector companies, mostly property developers and property managers (similar to MMHL), all have relatively low annual revenues when compared to their market capitalisation, however pay director fees more aligned with companies with similar market capitalisation.

In this regard we note:

- MMHL is currently positioned at 104% of the median market capitalisation, with 5 companies larger and 6 smaller by relative market capitalisation.
- Comparing total asset size, MMHL is at 89% of the sample group median, with 6 larger and 5 smaller by relative asset size.
- The peer group is cross industry, given the relatively unique nature of MMHL compared to other listed entities with comparable market capitalisation.
- The comparator group - outlined in Appendix 1 - is comprised of 11 companies.

Market data

Market data in this report is based on the *policy* fees sourced from annual reports – most recently available annual report utilised in each instance.

Where the company stated in its Annual Report that it was seeking an increase in the fee pool and/or in directors' fees at the AGM, the latest fee approved by shareholders has been used.

Each company's data has been benchmarked using a consistent definition of directors' fees. The published policy data for base fees for each position has been utilised i.e excluding expenses and ad-hoc fees such as consulting or other services (where applicable).

Market capitalisation was sourced from the NZX website in March, the point at which the comparator group was agreed. Annual revenue and total assets data was extracted from the most recently available annual report.

Remuneration data

Annualised market data - including 25th percentile, median, 75th percentile and average statistics – is provided.

Use of market data and market positioning

Where the MMHL Board wishes to pay its Board members relative to the comparator group will depend on the Board's view of the overall relevance of the comparator group, and specifically MMHL's perceived relative complexity, scale, ranking (by scale) and risk profile as compared with those of the comparator companies, and the relative time commitment of the role at MMHL.

Chair of the Board - base fees

Data for the role of **Board Chair** is shown below:

Table 1:

Position	Sample	25 th percentile	Median	75 th percentile	Average	MMHL's current fees	Against market median
Chair of the Board	10	107,300	132,500	143,800	129,000	67,500	51%

Commentary on market data:

- Board Chair fee data was available for 10 of 11 companies in the sample (one had an Executive Director).
- The majority of the Board Chair roles were paid a single fee encompassing all additional committee roles held. Any exceptions to this structure are noted below:
 - Two roles were paid committee fees on top of the base fee. All committee values were included in the market data, to ensure an 'apples to apples' comparison.
 - One role was paid consulting fees in addition to the base fee, this data has also been included, to reflect the value of the whole role.
 - One company (Colonial Motor Company) included the provision of a motor vehicle on top of the base fees. This value has also been included in the fee value for these analyses.
- MMHL's base policy fee for the Chair currently lags the market 25th percentile, with a comparative ratio to the median of 51%.

Non-Executive Director (NED) base fees

Data for the role of **Non-Executive Director** is shown below:

Table 2:

Position	Sample	25th percentile	Median	75th percentile	Average	MMHL's current fees	Against market median
NED	11	54,800	70,000	82,500	70,600	33,500	48%

Commentary on market data:

- NED fee data was available for all 11 companies in the comparator group.
- MMHL's NED fee is currently positioned in the first quartile of the market - as captured by this peer comparator group - at 48% of the market median.

Chair of the Audit & Risk Committee fees

Data for the role of **Chair of the Audit & Risk committee** is shown below:

Table 3:

Position	Sample	25th percentile	Median	75th percentile	Average	MMHL's current fees	Against market median
Chair of Audit & Risk Committee fee only	9	\$10,000	\$12,000	\$18,100	\$13,800	10,000	83%
Chair of Audit & Risk Aggregated fee	9	\$75,000	\$85,000	\$102,000	\$87,300	43,500	51%

Commentary on market data

- Chair of the Audit & Risk committee data was available for all but two of the companies in the comparator group agreed with MMHL.
- On the basis of the committee fee only comparison, the MMHL committee chair is currently positioned at 83% of the market median.
- Assessing the aggregated fee i.e. NED fee + Chair of committee fee, MMHL is positioned at 51% of the market median currently.

Chair of Remuneration Committee fees

Data for the role of **Chair of the Remuneration committee** is shown below:

Table 4:

Position	Sample	25 th percentile	Median	75 th percentile	Average	MMHL's current fees	Against market median
Chair of Remuneration committee Fee only	6	\$5,600	\$8,800	\$11,500	\$10,200	\$5,000	57%
Chair of Remuneration Aggregated Fee	6	\$80,000	\$85,000	\$99,000	\$89,700	\$38,500	45%

Commentary on market data

- Data for the Chair of Remuneration committee was available for six of the eleven companies in the peer comparator group.
- For MMHL's committee fee only, the role is positioned in the first quartile of the market at 57% of the market median.
- Assessing the aggregated fee i.e. NED fee + Chair of committee fee, MMHL's role trails the 25th percentile of the market, at 45% of the median.

NB while some of the comparator companies had a dedicated Remuneration committee, in some instances this was aggregated with other portfolios e.g. People & Remuneration committee or Remuneration & Nominations committee. In each instance, we have utilised the most relevant comparator data available.

Members of committees

Fees for members of Board sub-committees are summarised in the table below (noting only the Audit & Risk Committee had sufficient incidence of member fees paid across the comparator group to enable us to publish data).

Table 5:

Position	Sample	25th percentile	Median	75th percentile	Average
Member of Audit & Risk Committee fee only	4	-	\$7,800	-	\$7,700
Member of Audit & Risk Aggregated fee	4	-	\$93,000	-	\$89,500

- Four of the eleven comparator companies paid member fees to their Audit & Risk Committee members/had this committee.
 - On that basis, only median and average data has been detailed (the sample was not large enough for robust/reliable quartile data to be published).
 - No comparative ratio column is provided as MMHL do not pay member fees for this committee role currently.
- There was insufficient incidence of member fees for both the Remuneration Committee* and 'Other' Committee roles to publish remuneration data.
 - These roles do not attract a fee at MMHL currently either.

* *The range of fees for a member of the Remuneration Committee – for the three companies which did pay member fees to this role - was between \$5,000 and \$9,700.*

'Other' Committee

There was insufficient incidence of committee fees paid across the peer comparator group to produce robust market analysis for the category of 'Other' Committee. Therefore the specific incidences of committee types and additional fees (outside of the commonly found Audit & Risk Committee and Remuneration Committee) are summarised below, for completeness.

Table 6:

Company	Committee type/role	Annual fee
AFT Pharmaceuticals	Regulatory & Product Development Oversight Committee Chair	\$15,000
AFT Pharmaceuticals	Regulatory & Product Development Oversight Committee Member	\$5,000
Steel & Tube Holdings	Quality, Health, Safety & Environment Committee Chair	\$10,000

MMHL do not currently pay Chair (or member) fees outside of the Audit & Risk and Remuneration Committees.

In instances like this, where market data is not available for 'Other' (possibly more industry specific committees), we have seen other entities take the following approach:

- Utilise the current fee levels for other existing committees and roles i.e. Audit & Risk Committee and Remuneration Committee as initial points of reference;
- Use internal relativity to determine whether fees for this 'Other' Committee are set at the same or slightly differentiated levels, based on factors including:
 - Relative number of meetings;
 - Relative overall time commitment; and
 - Relative complexity of governance.

NED fee pool & total fees paid analysis

The table below provides a summary analysis against the comparator group for each of:

- Total approved directors' fee pool (where disclosed/utilised); and
- Total actual directors' fees paid – for the last financial year.

Table 7:

Observation	Sample	25 th percentile	Median	75 th percentile	Average	MMHL's current fees	Against market median
Total fee pool	10	\$477,500	\$580,000	\$600,000	\$551,800	\$250,000	43%
Actual fees paid	11	\$297,300	\$402,000	\$485,500	\$407,200	\$282,595	70%

Commentary on market data

- Ten of the eleven companies in the comparator group specified their directors' fees pool. The remaining company either did not disclose this figure or had moved to an alternate approach, where a per director aggregate is determined by agreed role rates, as opposed to setting and disclosing a fee pool.
 - MMHL's total fee pool is currently positioned at 43% of the market median.
 - The median board size of companies across the comparator group is 5 non-executive directors, 5.5 at the average.
 - MMHL currently has 6 directors (aligned with the 75th percentile Board size composition).
 - These figures exclude Managing Directors and Alternate Directors.
- All 11 companies disclosed actual fees paid, the median value here was \$402,000.
- MMHL's total Directors' fee spend is currently positioned at 70% of the market median.

As noted earlier, this is the only part of the analysis where temporary NED fee reductions made in response to the impacts of COVID-19 may impact the data, with the remaining analysis based on policy, rather than actual remuneration levels. It is normal to see some 'headroom' between the actual fee spend and pool fees, in this year, temporary reductions may have resulted in an increase in that differential.

Market policy & practice

Market policy and practice

This section includes market commentary on various elements of policy and practice relating to NED fees, in line with MMHL's request.

Market movement *(we note that current market alignment to suitable peers may be more of a driver in consideration of NED fee changes than market movement)*

Annual market movement is an unreliable metric when considering the NED fee market and trends. Unlike executive remuneration, NED fee increases are rarely sought on an annual basis. As a result, where annual market movements are looked at in isolation, this can result in very 'lumpy' data e.g. less than 1% at the median in one year, over 10% in another. On that basis, the NED fee market is better assessed over a longer period. In considering the relevance of market movement, there is of course an inherent question as to whether fees are market aligned in the first instance.

Assessing the fee movement in the 11 companies in MMHL's peer group, we can report as follows:

- Four companies increased Board Chair fees in the past four years, with a median increase of 12%, average 31% over that period.
The time that had transpired since the last increase for these four companies i.e. prior to the latest increase - varied from 1 year to 7 years.
- The same four companies increased NED fees over the past four years, with a median increase of 26.5%, average 26.2%.
The same variation of time had elapsed since the prior increase as noted for Board Chairs above.
- Five companies had increased their *pool fees* over the past four years. One did not disclose how the increase was apportioned across individual Board roles. The median increase over this four year period was 25%, average 36.5%.
- The remaining companies in the comparator group had not increased fees in the past four years (noting *My Food Bag* and *Radius Residential Healthcare* only listed in 2021 and 2020 respectively).

As PwC does not run an NED fee database (i.e. where data is collected and reviewed annually), we have included below, for completeness, some high level information from the Institute of Directors website, in relation to its 2022 NED fee survey:

"Fees paid to directors began to lift during the past year, after many stopped being paid or took reduced fees last year, the Directors' Fees 2021/2022 Report has revealed."

"This year, non-executive chair fees have increased by 7.9% in the past 12 months, after three years of relatively stable median increases".

"Non-executive director fees have also increased by 7.1% over the same period, with the median rising from \$46,700 to \$50,000. This lift may be due to general inflationary pressures, or a perception of the skills and experience required to manage increased complexity and risk".

NB Commentary noted that increases were not spread evenly across industry types.

This is consistent with PwC's experience of the broader market, in relation to which we observe:

- FY21 saw very few companies going to shareholders to request NED fee increases. The disruption and economic uncertainty which the COVID-19 pandemic gave rise to, resulted in a general tone of conservatism for both NED fees and executive remuneration. This was not limited to worst impacted industries.
- FY22 has seen a material uplift in NED fee revision activity. This has been driven by two factors in our view:
 - An elongated period of NED fees not being addressed/revisited – per the commentary above;
 - The significant additional workload to which most Board's were subject with the additional challenges and time commitments dealing with policy, Health and Safety and in some instances, financial performance issues – which the pandemic was a catalyst for.
- Three yearly is a common frequency of NED fee review time frame adopted (Please see overleaf for a more detailed breakdown of review frequency across the MMHL peer comparator group specifically).

Market policy and practice

Frequency of NED fee review

The following section captures disclosures from across the MMHL peer group of companies in relation to the frequency of their NED fee reviews, where stated.

This information was sourced from annual reports and/or Corporate Governance statements: Review frequency occurs:

- At least annually (1 company);
- Annually (2 companies);
- Regularly/ "on a regular basis" (2 companies);
- Two yearly (1 company); and
- One review since listing (7 years) – no policy stated.

No mention of NED fee review frequency was made by the remaining companies.

Consulting or 'other fees'

There was limited incidence of consulting or other fees paid on top of base NED/Committee fees across the peer group. None of the 11 companies in the group disclosed a policy on this e.g. *\$400 per half day for additional time spent on matters outside the normal Board commitments*. We have therefore provided a summary of *actual payments*. In most instances, outside quantum, further information was not disclosed/detailed:

- **Hallenstein Glassons**, Consulting fees were paid to some close family members of Board Directors, totalling 159,000 for FY21. G Poppelwell also earned an additional \$50,000 in consulting fees for this period.
- **My Food Bag**, Three directors earned fees additional to standard NED/Committee fees, in their most recent reporting period (between \$8,000 - \$16,000 no further detail provided).
- **Plexure Group**, \$30,000 paid in consulting fees to Chair, \$10,000 paid in consulting fees to one Non-Executive Director.
- **Serko** "[Total] fees include special fees of NZ\$15,000 paid to each non-executive director for ad hoc committee meetings held during the year in respect of the capital raising undertaken and to manage Covid-19-related risks."

Market policy and practice

Committee incidence and type

- The most commonly found Board sub-committee type is the Audit (or sometimes Audit & Risk Committee).
 - This is evident in MMHL's peer group – with nine of eleven companies paying Chair fees for this committee (this is also the case in the broader market).
- The second most common Board sub-committee type is the Remuneration Committee (or Remuneration & Nominations Committee, People and Culture Committee, Human Resources Committee etc), with the commonality being that all these committees deal with remuneration matters, though some have a much broader remit.
 - In the MMHL peer group – six of eleven companies paid Chair fees for this committee. This committee is also very commonly found in the broader market.
- Data on 'Other' Committees was not strongly evident across the MMHL peer group, resulting in insufficient data for us to provide aggregated analysis on either Chair or Member of 'Other' Committee fees.

Reflecting on the broader market, committee types which are next most commonly found are:

- Health & Safety Committee; and
- Nominations Committee.
We note, that where 'Nominations' is a standalone committee, it is rare for this to attract separate committee fees. It is also common for the Nominations function to be aggregated with the Remuneration Committee or for the full Board to hold accountability for the Nominations function.
- Beyond this, where additional committees feature, they are usually industry specific, driven by the particular requirements of the company and its sector, for example 'Investment Committee' in the Financial Services/Property Sectors, an 'M&A or Due Diligence Committee' where transactions are a common part of the company's operations or 'Clinical Governance Committee' in the Aged care and Health sectors.
 - We note that MMHL has a Health and Safety Committee (of which all the Board directors are members) – which currently does not attract separate committee fees.
 - MMHL also has an industry specific committee, the 'Port Ecosystem and Land Oversight Committee (PELOC) – which does not attract separate fees either in the current fee arrangements.

Board meeting frequency

The MMHL Board currently has nine scheduled meetings per annum. This is slightly lower than the reported median and average across the peer group – however not materially so. Meeting frequency varied materially across the peer group of companies, as evidenced in the table below:

Table 8:

Minimum	Median	Maximum	Average
3	11	18	10

Market policy and practice

MMHL NED fee considerations – including ownership and the relationship with Northport

- Given the size of the NZ market, it is extremely difficult to derive a peer comparator group of companies comprised of comparable industries or comparable ownership structures / business models to underpin NED fee benchmarking. Market capitalisation in our experience has the strongest correlation to NED fee levels, and the comparator group which the MMHL Board approved for this benchmarking exercise was derived on that basis - with a similar proportion of larger and smaller entities by that metric. How the Board then sets its fees relative to this peer group should, as discussed elsewhere, be based on the Board's view of the perceived relative complexity of the director role at MMHL and the resulting work commitment, operations, scale, ranking (by scale) and risk profile as compared with those of the comparator companies.
- In setting fees it is relevant to bear in mind that directors of listed entities undertake a governance role, and are remunerated for this role and the time commitment that the role demands. In this regard it is relevant that the number of meetings attended by MMHL directors, while below the median and average of the peer group, is not materially below.
- Arguably where an entity has a mixed ownership model, this creates additional rather than less complexity from a stakeholder management perspective – although, as noted below it is not uncommon for mixed ownership model listed companies' to be somewhat discounted, usually for legacy reasons relating to director fee rates prior to listing. Directors of listed companies carry personal risk and liability and this, together with the time commitment and additional governance responsibilities required of listed company directors (compliance with listing rules, NZX Corporate Governance Code etc), results in listed company directors generally being paid a premium to the non listed company market. For this reason we are unaware of any listed company that has approached shareholders for an increase in fees, referencing non listed companies in its chosen peer comparator group.
- Other market remuneration structures and levels and particularly the rates of pay of shareholder employees and directors (where the shareholder is not listed on an exchange) – whether superannuation fund, local or central government representatives, employees, trustees or executives – in our experience bear little relationship to investee listed company NED fee levels as the listed company environment has its own distinct director market. This is driven by the fee levels required to attract and retain individuals with the appropriate skills sets to be a listed company director, and due to the different and more complex governance environment listed company directors operate in. To illustrate the point – we are aware of many companies where significant shareholdings are held by either private equity funds, or ACC. All those listed companies set their director fees based on the listed company market for directors with not reference to the pay rates of employees or directors of their shareholders (both materially different governance environments).
- The ownership structure of listed companies does however in our experience have an impact on listed company director fees, particularly where partly Crown or Council owned. We note for example that Port of Tauranga, which is majority owned by the Bay of Plenty Regional Council, appears, based on documentation provided in support of an increase of fees at the company's 2021 AGM, to pay Chair and Non Executive Director base fees at between the 25th percentile and the median of the peer group utilised, and at the 25th percentile for Committee Chair and Member fees. The partly Crown owned listed gentailers, post listing on the NZX post the Crown's asset sell down, for legacy reasons all paid fees at below listed company median rates. Over time our understanding is that all have lifted their fee rates to be largely more market aligned – in recognition of the fact that in order to attract and retain directors with the required skill set to govern the company in a listed company environment, directors fees have to be market aligned to the listed company market (or directors will take up roles elsewhere where fee levels recognise the time commitment, skill set and personal risk attached to a listed company governance role).
- We note we are unaware of any listed company that applies a discount to non executive director fees for fees paid for the individual's governance role on a subsidiary Board (which has its own time commitments), nor a discount where a material portion of revenues is earned from a single source (noting the lower correlation between directors fees and revenues when compared to fees and market capitalisation). We understand from discussions that in fact there is a level of additional complexity added to the Northport investment due to the effective joint venture with Port of Tauranga (in terms of stakeholder management) – in addition to the stakeholder management aspects of the mixed ownership model.

Appendices

Appendix 1 – Comparator group

Table 9: Comparator group dimensions & MMHL relativity

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

Note: MMHL annual revenue is provided as operating income per the 2021 annual report for consistency with comparator reporting. Operating income excludes investment property revaluation gains and MMHL’s share of profit from its Northport joint venture. Total comprehensive income is reported as circa \$19.5m.

Organisation name	Market capitalisation (\$ millions)	Annual revenue (\$ millions)	Total assets (\$ millions)	Last NED fee review
Serko	546	12	111	2021
Hallenstein Glassons	393	351	199	2018
AFT Pharmaceuticals Limited	381	113	105	2020
Colonial Motor Company	337	901	448	2021
PGG Wrightson	336	848	453	No reference to an increase in last annual report or in NZX company announcements dating from 2010 (last available) to current year
Steel & Tube Holdings Limited	239	480	369	2017
South Port New Zealand Limited	223	47	69	2021
My Food Bag Group Limited	221	191	102	Set at IPO 2021
Move Logistics Group Limited	130	353	338	2017
Plexure Group Limited	113	29	46	2019
Radius Residential Care Limited	105	122	273	Set at IPO 2020
Marsden Maritime Holdings	248	7	178	
Market median	239	191	199	
Market average	275	313	228	
CR to median	104%	4%	89%	
Relativity	5 Larger, 6 Smaller	11 Larger, 0 Smaller	6 Larger, 5 Smaller	

Thank you

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