

Skellerup Holdings Limited

Non-executive directors' fees
Benchmarking report

18 August 2021

Strictly private and confidential





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PwC | Skellerup Holdings Limited

Liz Coutts
Board Chair
Skellerup Holdings Limited
Auckland

Dear Liz

Non-executive directors' fees benchmarking final report for Skellerup Holdings Limited

We are pleased to provide our final market benchmarking report for non-executive directors' fees at Skellerup Holdings Limited (Skellerup). Market data has been sourced from publicly available information. The agreed comparator group is as listed in the Appendix to this report.

Thank you for the opportunity to assist Skellerup Holdings Limited.

Yours sincerely

Chris Place
Partner

Tanya Giles
Director

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18 August 2021

Independence declaration

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

Dated: 18 August 2021

A handwritten signature in black ink, appearing to read 'Chris Place', with a small dot at the end.

Chris Place
Partner
PricewaterhouseCoopers

Our approach

Introduction

PwC was engaged by the Board of Skellerup to provide market data on non-executive directors' (NED) fees.

A comparator group underpinned by comparable market capitalisation was agreed by the Skellerup Board for this benchmarking exercise.

Scope

The report outlines market positioning and does not specify or recommend remuneration for Skellerup's directors.

Data included

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

- Board Chair – annual fees;
- Non-executive director (NED) – annual fees;
- Audit & Risk Management Committee;
 - Chair fees;
 - Member fees;
- Remuneration Committee;
 - Chair fees;
 - Member fees;
- Health & Safety Committee
 - Chair fees (insufficient data for member fees to publish);
- Pool fees; and
- Actual fee spend.

NB Insufficient data to publish fee levels for Skellerup's dedicated **Nomination** Committee, as this function is either aggregated with another committee type e.g. Remuneration & Nomination or operates as a function of the full Board or does not attract fees, where a standalone function (across the peer group).

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. Data is primarily sourced from annual reports, the majority of which are 2020 reports. 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, excluding expenses and ad-hoc fees has been utilised e.g. excluding consulting or other services (where applicable).

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

Any temporary fee reductions introduced in response to the impacts of the COVID-19 pandemic are not captured in the analysis, with the focus being on policy data. Some impact of these temporary reductions may however flow on to the *actual fee spend* aggregate analysis over the course of the 2020 year in particular.

Comparator group and data sources

Data was obtained for 12 NZX-listed companies. The comparator companies and their current market capitalisation, annual revenue and total asset values are listed in Appendix 1, on page 6 of this report.

Market capitalisation generally has a stronger correlation to directors' fee levels than other dimensions e.g. annual revenue. It is common in the development of a comparator group to aim for an evenly weighted sample i.e. a similar proportion of companies larger and smaller than the subject company, by market capitalisation.

In this regard we note:

- Median market capitalisation across the sample group of 12 is **\$1,008m** as compared to Skellerup at **\$1,005m**. Across this group there are six smaller and six larger companies than Skellerup, when assessed using this metric.
 - The starting point in the development of a peer comparator group was NZX-listed companies in the range of circa 50% - 200% of Skellerup's current market capitalisation.

Market capitalisation data was obtained from the NZX website, in early August 2021 (the point at which the comparator group was agreed).

Comparative ratios

We have compared Skellerup's current NED fee alignment to the market median observations.

Board size

The median number of Directors per Board, across the sample of twelve companies is 6 (average also 6).

Chair to NED fee relationship

The median relationship of Chair fee to NED fee was 200% i.e. a two x multiplier (average 205%). The lowest multiple was 181%, while the highest was 270% (includes Chair committee fees where paid on top of base fee).

Market data

The table below summarises market remuneration data for directors' fees from a comparator group of 12 NZX-listed companies agreed with the Skellerup Board for the purposes of this exercise. As noted on the prior page, the basis for the comparator group composition was comparable market capitalisation. Median market capitalisation across the sample is \$1,008 million (average \$987 million), compared to Skellerup's market capitalisation of \$1,005 million. Details of the comparator group are provided in Appendix 1.

While the Board has agreed the use of this comparator group for the purposes of this benchmarking exercise, you have asked that we note in this report the Board's view that:

- a) There is no direct comparator to Skellerup currently listed on the NZX; and
- b) That Skellerup is an international company with 80% of revenue offshore and with the majority of manufacturing operations offshore - located in a number of different jurisdictions - which increases the complexity of the business.

Where the Skellerup 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 Skellerup's perceived relative complexity of operations, relative scale, ranking (by scale) and risk profile as compared with those of the comparator companies.

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

Market data table:

Position	Sample size	Market median	Skellerup's current fees	Comparison to the median
Board Chair ¹	11	\$180,000	\$174,000	97%
NED ²	12	\$90,000	\$87,000	97%
Chair of Audit & Risk Committee ³	11	\$16,000	\$25,000	156%
Chair of Remuneration Committee ⁴	11	\$12,000	Nil	N/A
Chair of Health and Safety Committee ⁵	7	\$15,000	Nil	N/A
Member of Audit & Risk Committee ⁶	8	\$8,800	Nil	N/A
Member of Remuneration Committee ⁷	5	\$7,500	Nil	N/A
Total approved pool fee ⁸	12	\$808,800	\$550,000	68%
Actual fees paid ⁹	12	\$687,800	\$547,000	80%

1. Data for the 11 of 12 companies who published fee information for Board Chair positions (with Deleat having an Executive Chair role). The majority of organisations pay a base fee for the Board Chair, which incorporates consideration of all additional committee roles which they may hold. Where committee fees were paid on top of base fees, this data has been included in the fee analysis for this role.

2. Data for all 12 of the organisations which published NED fee information.

3. Data for the committee fee only for all 11 of 12 companies which had this role/paid additional remuneration to this role.

4. Data for the committee fee only for all 11 of 12 companies that had this role/paid additional remuneration to this role.

5. Data for the committee fee only for the 7 companies that had this role/paid additional remuneration to this role.

6. Data for the 8 of 12 companies that had this role/paid additional remuneration to this role.

7. Data for the 5 of 12 companies that had this role/paid additional remuneration to this role.

8. Data for all 12 companies that disclosed their total fee pool.

9. Total fees paid in the last financial year, all 12 companies.

Appendix 1 - Comparator Group

Source: Market capitalisation data: www.nzx.com

Revenue and total assets data from latest annual reports

Company	Market Capitalisation (\$ millions) as at 6 Aug 2021	Company total revenue (\$ millions)	Company total gross assets (\$ millions)
Air New Zealand Limited (NZSE:AIR)	1,684	4,836	7,543
Z Energy Limited (NZSE:ZEL)	1,529	3,520	2,953
Delegat Group Limited (NZSE:DGL)	1,349	303	820
The Warehouse Group Limited (NZSE:WHS)	1,200	3,173	1,855
Arvida Group Limited (NZSE:ARV)	1,141	175	2,181
Oceania Healthcare Limited (NZSE:OCA)	1,044	312	2,261
Kathmandu Holdings Limited (NZSE:KMD)	971	802	1,573
Synlait Milk Limited (NZSE:SML)	811	1,302	1,492
Napier Port Holdings Limited (NZSE:NPH)	648	100	385
Scales Corporation Limited (NZSE:SCL)	638	471	586
Sanford Limited (NZSE:SAN)	462	469	932
Michael Hill International (NZSE:MHJ)	361	492	502
Relativity to Skellerup			
Skellerup Holdings Limited (NZSE:SKL)	1,005	251	284
Median	1,008	482	1,533
Skellerup compared to median	100%	52%	19%

Thank you

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