

Review of Current Non-Executive Director Fee Practices

Investore Property Limited

May 2021

1. Executive Summary

Investore Property Limited (IPL) 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 IPL New Zealand or any third party.

The findings in this section summarise the market positioning of IPL's 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.

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.

1.1 Summary of market data - fee policy

In reviewing IPL's policy fees an agreed peer group was used to provide comparative data. This was determined based on organisations of similar size and scope to IPL. This comparator group comprises a combination of organisations within the Real Estate and Funds Management industries with a focus on Real Estate organisations. The market information pertaining to fee practices within the comparator group has been primarily sourced from EY's Directors' fee database, supplemented with publicly available data from the most recent annual reports where necessary. A full list of the comparator organisations is outlined in the appendix.

The sample has formed the basis from which to derive this analysis. This provided multiple viewpoints, enabling a thorough scan of market practice covering the key determinants of Director fee practices that are pertinent to IPL compared with the comparator groups, namely:

- ▶ Revenue: IPL ranks 8th out of the 11 organisations
- ▶ Market capitalisation: The Company ranks 7th out of 9 organisation for which data is available
- ▶ Assets: IPL ranks 7th out of 10 organisations for which data is available.

A full overview of IPL's positioning against the comparator group for revenue, market capitalisation and asset value is found within the appendix.

The table below compares the fees paid to IPL's Chair, NEDs, committee fees and fee pool to disclosed market data in the comparator group.

Table 1: Summary of market data - fee policy				
	IPL	Median	Comparison to median	Sample size
Chair	85,000	150,000	Below the lower quartile	9
NEDs	45,000	82,000	Aligned with the lower quartile	9
Audit and Risk Committee Chair	6,500	11,000	Below the lower quartile	8
Total NED fee pool	271,500	497,250	Below the lower quartile	6

* Fees are considered to be "aligned" when they are within 10% of the quartile.

1.2 Recommendations

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

- ▶ The number of Board meetings held (eight) compared to the median of the sample (eight) for FY20
- ▶ Current market movements and trends for NED fees
- ▶ Positioning versus the comparator group: IPL's revenue, market capitalisation and assets are each between the lower quartile and the median of the comparator group
- ▶ While IPL's Audit and Risk Committee has three permanent members, all Board members attend committee meetings. No additional fees are paid to committee members.
- ▶ Stride Property Limited established IPL as a separate company and is a shareholder in IPL.
- ▶ IPL has a Management Agreement with Stride Investment Management Limited (SIML) whereby SIML manages IPL's assets and operations. This agreement allows two Directors to be appointed by SIML to the IPL Board.

IPL is in its fifth year of operation and therefore this is the second review of the organisation's NED fee structure. Based on our understanding of the organisation in the commentary above, our recommended fee structure is set out below.

Role	IPL's Current Practice (\$)	Recommended Fee (\$)	Increase (%)
Chair Base Fee	85,000	95,000	11.8%
NED Base Fee	45,000	50,000	11.1%
Audit and Risk Committee - Chair	6,500	8,000	23.1%

We understand the IPL Board has been frequently tasked with ad hoc project work, such as undertaking the responsibilities of a Due Diligence Committee, for which no additional fees have been paid.

While this type of work is not atypical for Directors, to compensate the Directors that sit on the Due Diligence Committee for their additional commitments, we suggest an hourly rate of \$300 per hour may be appropriate to compensate for the additional work involved.

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



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Ernst & Young Limited

Appendix - IPL comparator groups company financial comparisons

Organisation	Revenue (\$millions)	Market Capitalisation (\$ millions)	Total Assets (\$millions)
Property for Industry Limited	229	1,007	1,523
Arvida Group Limited	164	677	1,907
Precinct Properties New Zealand Limited	152	2,247	3,185
Vital Healthcare Property Trust	103	1,057	2,105
Argosy Property Limited	100	744	1,930
Goodman Property Trust	87	2,973	3,168
NZX Limited	70	306	213
Kingfish Limited	8	321	346
Augusta Capital	-	-	-
Trust Investments Management Ltd	-	-	-
	54	502	787
IPL	Between the lower quartile and the median	Below the lower quartile	Between the lower quartile and the median

- ▶ Market remuneration data used in the analysis has been sourced from a combination of annual reports for the most recent financial year and EY's Directors' fees database.
- ▶ Revenue and Total assets data is based on the most recently disclosed full-year result.
- ▶ Data for Market Capitalisation has been sourced from NZX as at 31 March 2020. This data has been inserted directly into the table without detailed verification. EY will not be responsible for any errors or inconsistencies that arise due to errors in this source data.
- ▶ Please note we are unable to disclose information for privately held organisations; however all company information has been included in our overall analysis, including any ranking.

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