

# Review of Current Non-Executive Director Fee Practices

Investore Property Limited

April 2019

## Table of Contents

1. Executive Summary .....	2
Appendix - IPL comparator groups company financial comparisons .....	5

# 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 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.

The market information pertaining to fee 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. 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 - policy fees

In reviewing IPL's policy fees an agreed peer group was used to provide comparative data. This comparator group is primarily made up of a combination of organisations within the Real Estate industry, supplemented by organisations that are of a similar size and scope to IPL. 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 was discussed and agreed with IPL's manager, SIML, and 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 9th out of the 15 organisations. Refer to the appendix for this data
- ▶ Market capitalisation: The Company ranks 7th out of the 11 organisations
- ▶ Assets: IPL ranks 8th out of the 13 organisations.

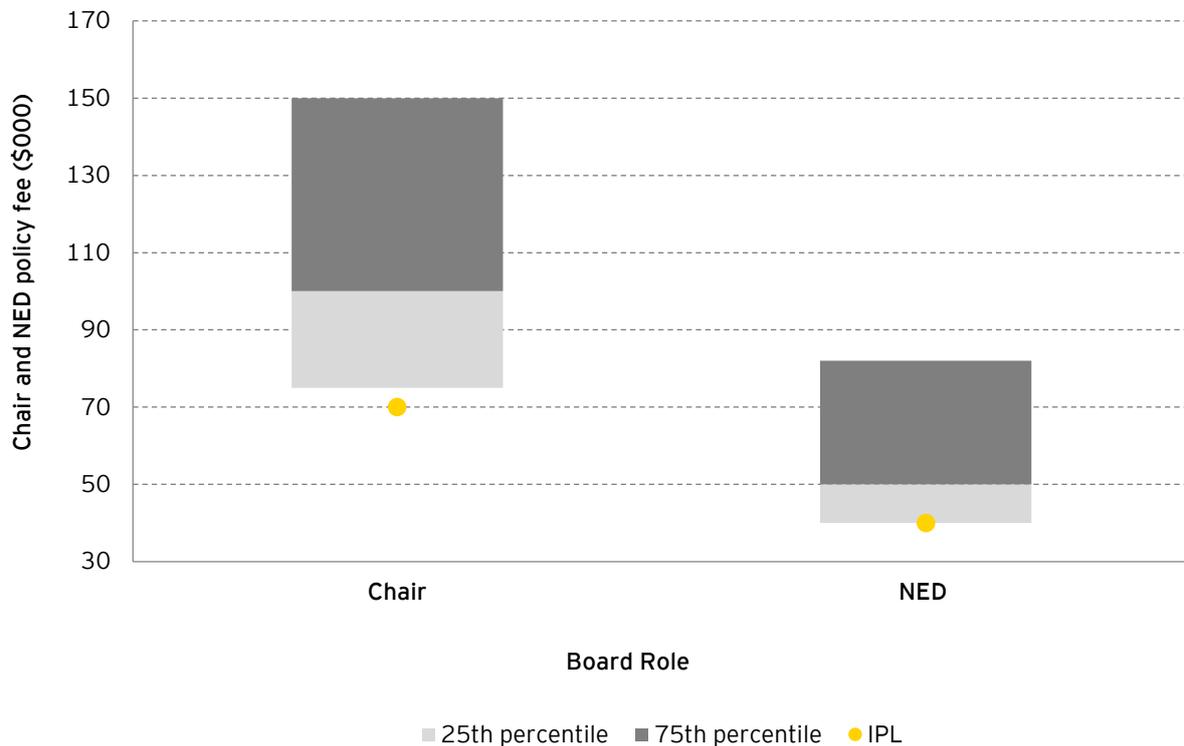
The table below compares the fees paid to IPL's Chair, NEDs, committee fees and fee pool to disclosed market data in the comparator group.

Summary of market data - policy fees				
	IPL	Median	Comparison to median	Sample size
Chair	70,000	100,000	At the 25th percentile	13
NEDs	40,000	50,000	At the 25th percentile	13
Audit and Finance Committee Chair	5,000	10,000	At the 25th percentile	11
Total NED fee pool	-	432,500	-	8

## 1.2 Board Chair and NED policy fee positioning

The diagram below compares IPL's Chair and NED fees to the market data for the agreed comparator group.

Chart 1: IPL's Chair and NED fee positioning to market



- ▶ **Chair:** The Chair fees are at 25<sup>th</sup> percentile\*
- ▶ **Other NEDs:** NED fees are at the 25<sup>th</sup> percentile\*.

\* Fees are 'at' the relevant market reference point if positioned within 10% of the market data reference point.

## 1.3 Recommendations

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

- ▶ The number of Board meetings held (10) compared to the median of the sample (8) for FY18
- ▶ Current market movements and trends for NED fees
- ▶ Positioning versus the comparator group: IPL's revenue, market capitalisation and assets are each between the 25<sup>th</sup> percentile and the median of the comparator group.
- ▶ We understand the IPL Board has been relatively frequently tasked with project work, for which no additional fees have been paid. This is not out of step with typical market practice. However, to compensate the Directors for long standing or onerous commitments, we suggest the organisation consider whether the establishment of an additional fee structure to recognise recurring work of this nature is warranted. Further to this a per diem might be could be introduced to compensate work of a more ad hoc nature.

IPL is in its third year of operation and therefore this is the first 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 in the table on the following page.

Recommended fee increases			
Role	IPL's Current Practice (\$)	Recommended Fee (\$)	Increase (%)
Chair Base Fee	70,000	85,000	21.5%
NED Base Fee	40,000	45,000	12.5%
<b>Committee Fees</b>			
Audit and Risk Committee - Chair	5,000	6,500	30.0%
Audit and Risk Committee - Member	-	-	-

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



Una Diver  
 Partner - People Advisory Services  
 Ernst & Young Limited

## Appendix - IPL comparator groups company financial comparisons

Organisation	Revenue (\$millions)	Market Capitalisation (\$ millions)	Total Assets (\$millions)
Arvida Group Limited	132	529	1,133
Precinct Properties New Zealand Limited	131	1,643	2,562
Goodman Property Trust	102	1,861	2,720
Argosy Property Limited	101	890	1,545
Vital Healthcare Property Trust	91	918	1,787
Property for Industry Limited	80	852	1,359
NZX Limited	67	293	181
Kingfish Limited	43	267	279
Barramundi Limited	25	101	120
Veritas Investments Limited	24	-	39
Augusta Capital	22	95	141
Trust Investments Management Ltd	-	-	-
Harbour Asset Management	-	-	-
Fisher Funds	-	-	-
<b>IPL</b>	<b>45</b>	<b>413</b>	<b>743</b>
	Between the 25 <sup>th</sup> percentile and the median	Between the 25 <sup>th</sup> percentile and the median	Between the 25 <sup>th</sup> percentile 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 Thomson Reuters, a third-party data provider. 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.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit [ey.com](http://ey.com).

Our report may be relied upon by Investore Property Limited for the purpose of understanding market Director fee data only pursuant to the terms of our engagement letter dated 8 March 2019. 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.

© 2019 Ernst & Young, New Zealand.  
All Rights Reserved.

**[ey.com](http://ey.com)**