



Property for Industry Limited

Directors' Fees Summary Report

April 2021

Private and Confidential

Strategic Pay Limited is independent of Property for Industry Limited. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from management of Property for Industry Limited, any board member of Property for Industry Limited, or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

Overview

Property for Industry Limited (“PFI” hereafter), has commissioned Strategic Pay Limited to provide a review of its Board of Director fees. We were supplied our background information, and we interviewed members of the board and executive team. Board fees were last adjusted in 2019.

Our approach involves constructing relevant, customised market samples from our February 2021 **New Zealand Director Fees Survey** database to determine and position appropriate Board fee levels for PFI. We then “cross-check” our data results using our proprietary Director Evaluation Methodology which considers nine factors, the majority of which are qualitative and address issues of complexity, risk, and stakeholder management.

Background

Listed on the NZSX in 1994, PFI is a property vehicle focussed on the industrial sector. 27 years on, PFI has grown to over 5,000 shareholders and a portfolio of 94 properties, valued at \$1.6 billion. PFI strives for consistent delivery of attractive shareholder returns through focus, discipline, and a conservative approach. The Company distributes 80% to 90% of Funds from Operations as dividends.

As of financial year-end 31 December 2020, PFI reported \$1.6 billion in total assets, generating total revenue of \$176 million. Market capitalisation on the NZSX stands at \$1.4 billion at 23 March 2021.

The Board of Directors consists of an independent Chair plus four Directors, three of whom are independent and one who is a non-executive Director. The Chair currently receives base annual fees of **\$160,000**, and each independent Director receives base annual fees of **\$82,500**.

The Audit and Risk Committee Chair receives a **\$15,000** Committee fee. No member fees are paid. The Nomination and Remuneration Committee Chair receives a **\$10,000** Committee fee. No member fees are paid.

Board meetings are held approximately eight times annually, of which three are conducted by conference call.

The Audit and Risk Committee meets four times per year and consists of a Chair and 2 members. The Nomination and Remuneration Committee meets six times a year and consists of a Chair and 2 members.

You advise that the Board’s policy in setting Board fees is “to pay market level remuneration which is fair and reasonable and attracts and retains high quality directors who can bring a valuable and diverse set of skills and experience to the Company.” The “right” Directors are essential to realising PFI’s aspirations of best practice discipline, focus and professionalism.

DIRECTORS FEE MARKET DATA – CUSTOMISED INDUSTRY PEER GROUP

Table 1 below provides details of directors' remuneration for nine NZ listed companies operating in the property and property development sectors. We have identified and agreed with you on these companies as relevant comparators.

We have researched websites and reviewed most recent published annual reports to present the most current base annual fee and financial data possible:

- Arvida Group
- Argosy Property
- Goodman Property Trust
- Kiwi Income Property
- Metlifecare
- Oceania Healthcare
- Precinct Properties
- Stride Properties
- Summerset Group Holdings

TABLE 1: BASE ANNUAL DIRECTORS' FEES IN 9 LISTED NZ PEER GROUP COMPANIES:

Sample - 9	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Average (\$)
Chair	160,000	165,000	180,000	167,848
Directors	85,000	90,000	91,170	88,937

This sample yields median annual base fee levels for Chairs of **\$165,000** and median base annual fees of **\$90,000** for Directors.

Latest available financial data for this peer group appears below. Based on this analysis, placement around the median levels of the peer group sample is most appropriate for PFI.

Demographic Types' Quartiles

	Turnover	Total Assets	Shareholders Funds	Employees	Market Capitalisation
Lower Quartile	\$134,117,000	\$1,907,070,000	\$722,566,000	74	\$877,431,488
Median	\$153,946,000	\$3,156,400,000	\$1,131,884,000	618	\$1,263,163,415
Upper Quartile	\$171,800,000	\$3,185,200,000	\$1,908,400,000	1,390	\$2,272,811,805

DIRECTORS FEES

Our analysis is based on several factors including the financial size, ownership, and industry of PFI, your own guidance, and the market data presented above.

We have also considered the scope and responsibilities carried by the Board of Directors.

DIRECTORS FEES

We recommend increasing base annual Director fees from the existing **\$82,500** into a range of **\$90,000 to \$93,000** based on the data below:

TABLE 2: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR PROPERTY FOR INDUSTRY:

Sample	Positioning	Base Annual Fee (\$)
Total Assets Listed companies \$900 M to \$1.9 B	Median	90,000
Market Cap Listed companies \$800 M to \$1.6 B	Median	93,000
Industry Peer Group	Median	90,000

CHAIR FEES

Similarly, we recommend an increase in base annual Chair fees from **\$160,000** into a range of **\$165,000 to \$175,000** based on the data results below:

TABLE 3: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR PROPERTY FOR INDUSTRY:

Sample	Positioning	Base Annual Fee (\$)
Total Assets Listed companies \$900 M to \$1.9 B	Median	170,000
Market Cap Listed companies \$800 M to \$1.6 B	Median	175,000
Industry Peer Group	Median	165,000

RECOMMENDATION SUMMARY

Based on market sample results, PFI's ownership and industry as well as PFI's own guidance, we present the following recommendation. In doing so, we have also considered the changes in the workload and expectations of the Board of Directors since the last review.

We recommend that base annual fees for the Chair rise from **\$160,000** into a range from **\$165,000 to \$175,000**. This positions Chair fee levels paid, at comparably sized NZ listed companies.

We further recommend that base annual Director fees rise from **\$82,500** into a range from **\$90,000 to \$93,000**. This range reflects pay levels at comparably sized NZ listed companies.

We recommend that committee member fees be paid to applicable committee members. This reflects market practice of NZ listed companies

This recommendation allows the PFI Board to achieve close to the 2.0:1X Chair to Director fee premium consistently seen across the NZ market, reflecting a Chair's greater responsibilities, liabilities, and workload.

SUMMARY

Fees	Current (\$)	Number	Proposed (\$)	Number	Proposed Total (\$)
Chair	160,000	1	165,000 to 175,000	1	165,000 to 175,000
Independent Directors	82,500	3	90,000 to 93,000	3	270,000 to 279,000
Non-Executive Director	82,500	1	90,000 to 93,000	1	90,000 to 93,000
Audit & Risk Committee Chair	15,000	1	15,000	1	15,000
Audit & Risk Committee member	-	1	7,500	1	7,500
Nomination & Rem Committee Chair	10,000	1	10,000	1	10,000
Nomination & Rem Committee member	-	1	5,000	1	5,000
Total	Up to 515,000				562,500 to 584,500

Depending on your final decisions, PFI's annual governance cost rises from **\$515,000** into a range from **\$562,500 to \$584,500**. Thus, the recommendation calculates to increases from **9% to 13.5%**.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by Board members.

APPENDIX 1: ABOUT STRATEGIC PAY LTD

At Strategic Pay we provide innovative solutions to help organisations meet their strategic remuneration, performance development and performance improvement goals. We help improve your overall performance by ensuring employee effort, remuneration and rewards are closely aligned with business objectives.

Deliver Strategic Rewards

We work alongside you to provide a compelling proposition that attracts retains and motivates the best people.

Our adaptable solutions include:

- Remuneration and reward strategy development
- Executive remuneration and performance advice (including incentives)
- Salary options using job evaluation, grades, bands or benchmarks
- Salary review management, including processes, tools and training
- Performance development systems, including customised design and implementation

Access New Zealand's Largest Remuneration Data Services

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry and sector remuneration survey reports, based on a database of more than 180,000 employees from nearly 1,100 organisations.

Our key nation-wide surveys and reports include:

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| <ul style="list-style-type: none">• NZ Remuneration Report (published 6 monthly)• CEO and Top Executive Remuneration Report• NZ Benchmark Report | <ul style="list-style-type: none">• Corporate Services and Executive Management• Directors' Fees Report• HR Metrics Survey |
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Use Smart Technology

We understand busy HR practitioners' needs and offer a range of smart tools to manage remuneration and survey submissions:

- RemWise®: a remuneration tool to manage all aspects of your salary review, market data and survey submissions
- Rem On-Demand®: online access to remuneration reports, resources and insights
- PayCalculator: survey data at your fingertips

Drive Organisation Performance

Superior organisational performance is critical to delivering strategic business objectives. Speak to us today about using PLUS+ to develop a future proof strategy, an organisational model and structure that supports the strategy and matching the right people to accountabilities best designed to deliver the strategy in your organisation.

Build Capability

Through a range of workshops and the Strategic Pay Academy we provide clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance. We also offer training programmes that can be tailored to meet your specific requirements.

Consult Nationwide

Strategic Pay is nationwide, servicing clients across all parts of New Zealand from our various locations. Our consultants regularly travel to visit clients around the country and are happy to meet wherever you are. Find out more at www.strategicpay.co.nz