

Freightways Limited

Directors' Fees Benchmarking Report Summary

18 September 2019

Independence declaration

PwC's Reward Services team was engaged by Freightways Limited's Board of Directors (The Board) to provide independent benchmarking services in relation to Freightways Limited'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 Freightways Limited or any other party regarding the Services or outcomes of the Services.

In my professional opinion, all members of the PwC engagement team are therefore independent for the purposes of the Services as outlined in the commentary to Recommendation 5.2 of the NZX Corporate Governance Code 2017.

Dated: 18 September 2019



Chris Place
Partner
PricewaterhouseCoopers

Summary – Freightways directors’ fees market analysis

The Board of Freightways Limited (Freightways) engaged PwC to provide market remuneration benchmarking services in relation to non executive directors’ fees in May 2019. Directors’ fee market data was provided by PwC in relation to a comparator group of 17 NZX listed companies, agreed with Freightways. The basis for the comparator group composition was market capitalisation, with the objective of establishing a sample largely within 50% to 200% of Freightways’ market capitalisation, evenly weighted between larger and smaller companies than Freightways. The findings of the benchmarking are summarised below.

Median market capitalisation across the sample was \$1,300 million as at May 2019, compared to Freightways’ then market capitalisation of \$1,330 million. The comparator group was relatively evenly weighted with nine smaller and eight larger companies by market capitalisation. Details of the comparator group are provided in Appendix 1.

The summary table below shows a comparison of Freightways’ non executive directors’ fees against the market median of the comparator group. Data was sourced from publicly available information, including annual reports and NZX disclosures.

This summary report makes no recommendations as where Freightways’ NED fees should be positioned relative to the market data. Where the Freightways 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 Freightways’ perceived relative complexity, relative scale, ranking (by scale) and risk profile as compared with those of the comparator companies.

Summary Table:

Position	Sample	Market Median	Freightways’ fee policy	Comparison against median
Chairman	17	169,000	160,000	95%
NED	17	90,000	85,000	94%
Chair of Audit Risk Committee (Aggregated)	17	105,000	100,000	95%
Chair of Audit Risk Committee (Committee fee only)	17	15,000	15,000	100%
Member Audit Risk Committee ¹	10	10,000	-	
Chair of People & Remuneration Committee ² (Aggregated)	11	97,000	92,500	95%
Chair of People & Remuneration Committee ² (Committee fee only)	11	12,000	7,500	63%
Member People & Remuneration Committee ³	8	5,500	-	
Total approved pool fee ⁴	16	774,000	662,900	86%
Total fees paid ⁵	17	660,000	613,000	93%

1 Analysis of each of the 10 companies that had this role/paid additional remuneration to this role.

2 Analysis of each of the 11 companies that had this role/paid additional remuneration to this role.

3 Analysis of each of the 8 companies that had this role/paid additional remuneration to this role.

4 Analysis for the 16 companies who disclosed pool fees.

5 Freightways’ total fee spend relates to the financial year ending June 2019. The market data underpinning the benchmarking report has been sourced from 2018 Annual Reports and subsequent Annual Shareholder Meeting disclosures. Freightways’ actual NED fee spend for FY18 was \$517,776 and is positioned at 78% of the market median.

Appendix 1 – Peer Group – Market capitalisation

Organisation name	Market Capitalisation (\$ millions)	Company total revenue (\$ millions)	Company total gross assets (\$ millions)
The New Zealand Refining Company Limited	647	362	1390
The Warehouse Group Limited	739	2995	1050
Stride Stapled Group	742	95	1012
Heartland Group Holdings Limited	893	196	4496
Property For Industry Limited	982	80	1359
Metlifecare Limited	1013	115	3291
Argosy Property Limited	1079	101	1545
Restaurant Brands New Zealand Limited	1110	766	452
Summerset Group Holdings Limited	1300	137	2766
Synlait Milk Limited	1939	879	794
Precinct Properties New Zealand Limited	2063	131	2562
Kiwi Property Group Limited	2163	249	3086
Trustpower Limited	2187	948	2329
Goodman Property Trust	2233	130	2720
Infratil Limited	2475	1784	6622
Trade Me Group Limited	2552	250	924
Chorus Limited	2673	990	4926
Freightways details	1330	581	561
Market Median	1300	249	2329
C/R to median	102%	233%	24%

Source: Market capitalisation data www.nzx.com – May 2019. Annual revenue and total assets data from latest annual reports.