

5 July 2024

smartpay

# Market Announcement Directors Remuneration

At the forthcoming Annual Meeting of Shareholders, the shareholders will be asked to vote on an increase in the aggregate pool available to remunerate Directors', current and future.

The pool was last increased in 2022. It is considered that the pool needs to be increased for all Directors' to be remunerated at a level reflective of the increasing responsibilities of Directors' across the Company's operations and commensurate with directors of similar market capitalised, listed companies. The environment in which Smartpay operates continues to become more complex and is increasing the demand on Director's time.

To this end, the Institute of Directors have prepared an independent report and have provided their recommendation as to the fees appropriate for a listed company of Smartpays' size. This report has been made available in full on Smartpays' Investor Website [www.smartpayinvestor.com](http://www.smartpayinvestor.com) and on the NZX and ASX.

The allocation of the pool of Directors' fees is a matter for the Board from time to time. The Table below sets out how the Board currently proposes to remunerate directors from 1 August 2024.

## Proposed Allocation Directors' Remuneration Pool – \$750,000

| Country of Residence | Chair   | Director | Audit and Finance Committee Chair | Remuneration and Nominations Committee Chair |
|----------------------|---------|----------|-----------------------------------|----------------------------------------------|
| New Zealand (NZ\$)   | 120,000 | 75,000   | 16,500                            | -                                            |
| Australia (AU\$)     | -       | 75,000   | -                                 | -                                            |

This fee allocation will utilise the pool to an approximate value of \$535,000\* thereby leaving \$215,000 headroom in the aggregate pool.

The Board is committed to undertaking a bi-annual independent review of Directors' fees, and this report being made available to shareholders. Directors' fees will thereafter be reviewed in accordance with this process. The Board does reserve the right to amend the fee allocation following the establishment of additional committees as Smartpay continues to grow, or for one-off situations which may require a substantial uplift in the commitment of Directors' time. The Company is also actively looking to appoint one further director in the near future with industry specific skills and competencies.

The Board will not review the aggregate pool available for directors' remuneration in the medium term.

Approved for release by the Board

*\*assumes three directors in each of New Zealand and Australia*

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### SHARE INFORMATION

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### BOARD OF DIRECTORS

Independent Chair:

**Gregor Barclay**

Managing Director:

**Martyn Pomeroy**

Independent:

**Matthew Turnbull**

Independent:

**Geoffrey Carrick**

Non-Executive:

**Carlos Gil**

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# Director**Fees**



## Smartpay Tailored fee review

June 2024



**Governance** services

[iod.org.nz](https://iod.org.nz)

*This report has been prepared as guidance for the board of Smartpay Holdings Limited and is not intended to be prescriptive or exhaustive or used or relied upon by any other organisation. It contains our benchmarking analysis using remuneration data provided by members in our annual survey on director remuneration, information supplied by Smartpay and other publicly available sources of information. The report is an independent assessment of appropriate fees for board members of Smartpay Holdings Limited and has been prepared free from any influence from Smartpay management, any board member or any other party in relation to the services provided or outcomes of those services.*

*The Institute of Directors (IoD) believes the information it provides about comparable entities is accurate at the time it is provided. The IoD provides no warranty (either expressed or implied) in relation to the completeness, accuracy or currency of any information provided about any comparator or third-party organisation and cannot be held liable for the consequences of any actions taken or not taken on the basis of such information.*

*The IoD encourages an open and transparent process in setting director fees. To meet the requirements and guidance contained in the NZX Corporate Governance Code 2017, Recommendation 5.2, Smartpay Holdings Limited may decide to share part or all of this report publicly.*

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# 1 Executive summary

## Introduction

The depth and complexity of directors' duties are well known and growing. Given this, along with increased regulatory compliance and the personal risk that New Zealand directors face in their roles, setting director fees at the right level is essential.

Organisations need to attract progressive and effective directors who go beyond compliance, who aspire to meet the highest standards and are rewarded appropriately for their expertise and commitment.

Organisations should support and justify their board fee decisions with good disclosure, governance and accountability practices. This means demonstrating that fees have been set using robust processes and data.

In formulating our recommendations, we have taken into account information provided to us about the organisation's size, nature, complexity and risk profile, as well as the indicated duties and time commitments of the roles.

Our research indicates that Smartpay's current fees align to the upper quartile of our comparator survey data and were last reviewed in 2021.

## Recommended benchmark fee ranges

We consider these fee ranges reflect fair remuneration for the governance commitments of the roles, and to be representative of the wider market.

| FEE CATEGORY                                     | RECOMMENDED FEE RANGE |
|--------------------------------------------------|-----------------------|
| Base directors' fee                              | \$70,000 - \$75,000   |
| Chair fee                                        | \$112,000 – \$120,000 |
| Audit and risk committee chair fee               | \$16,500              |
| Remuneration and nominations committee chair fee | No fee recommended    |

## Notes

- We have recommended increasing the chair premium to 1.6 which we consider to be appropriate to the workload and commitments of this role
- Base fees include committee membership. We generally only recommend an additional fee for a committee chair

THE SUPPORTING INFORMATION FOR THESE RECOMMENDATIONS CAN BE FOUND ON PAGES 26 AND 27.

## Purpose and scope

Smartpay has asked the Institute of Directors in NZ Inc. (IoD) to undertake a formal review of board fees. This document sets out the approach taken, the relevant background information and our independent assessment of appropriate fee range benchmarks for your directors. In carrying out this assignment, the IoD has considered the following:

- Information supplied by Smartpay
- Data from the latest available annual IoD Directors' Fees survey
- Data, where available, on fees in organisations of a similar type or size
- International fee data, where available
- Other confidential sources of fee data that the IoD holds

Our recommendations are formed from our considered judgement and are provided as guidance. The final decision on fees is the ultimate responsibility of the organisation.

This report does not include an evaluation of specific constraints that may affect Smartpay's final decision with respect to fee levels, such as available funds, the impact of fee levels on the ability to access appropriately qualified and skilled directors to your board or commentary on the current performance of directors.

## Summary of approach

Director's fees are a 'fee for service' rather than a salary. In line with the principle of collective responsibility, base fees should be shared equally as a rule, except in the case of additional responsibility of workload such as the chair or a committee chair.

The IoD encourages an open and transparent process to setting director fees. A fee benchmarking exercise is a suitable approach to determining whether your organisation's director fees are fair and appropriate, and it is important to review benchmarks across a wide range of relevant criteria.

The IoD provides a recommended range of fees for your board roles based on:

- Data from our latest 2023-24 directors' fees survey, giving a broad picture of fees in the market relevant to your organisation type, industry and size
- Additional research of fees in comparative organisations (where available)
- Information provided by you on the scope and time commitments of the roles; and
- The nature and complexity of your organisations' industry or operating environment.

Before reaching a final decision, the IoD recommends that Smartpay also considers shareholder expectations; your own view on appropriate fee levels,

as well the level of remuneration required to attract, motivate and retain appropriate candidates.

## Relevant organisation background

Smartpay is the largest independently owned and operated EFTPOS provider in New Zealand. It operates in New Zealand and Australia and is NZX listed with foreign exempt listing on the ASX. Operating for twenty years with over 180 full time staff, Smartpay is currently experiencing a growth stage.

The board consists of three independent directors, one non-executive director (who is also a major shareholder), and one executive director – also the Chief Executive. There are currently two board vacancies.

Current fees;

|                                                     |                 |
|-----------------------------------------------------|-----------------|
| Chair                                               | \$90,000        |
| Director                                            | \$65,000        |
| Chair of the Audit and Finance Committee            | \$15,000        |
| Chair of the Remuneration and Nominations Committee | not remunerated |

The board regards its level of remuneration to be in the lower quartile, fees were last set in 2021. The current chair premium is 1.4 and the Audit and Risk Committee Chair receives a 1.2x loading over the base director fee.

## Summary of fee research

### General market fee movements

Our 2023-24 survey includes information on over 3,951 directorships, covering a wide cross-section of over 1,695 organisations. We have reviewed this survey data to find suitable comparators to Smartpay. In summary, the 12-month movement of fees are as follows:

|                                             |        |
|---------------------------------------------|--------|
| • Non-executive chair                       | + 4.5% |
| • Non-executive director                    | + 0.9% |
| • Listed company                            | + 7.6% |
| • Banking, financial and insurance services | + 8.9% |
| • Revenue 100m (50.1 – 100m)                | + 7.6% |

### Organisation specific research

This table provides a summary of our fee research, as presented on pages 15 to 20.

| DATA SOURCE                        | FEE COMPARATOR CATEGORY                                                  | DIRECTOR FEE | CHAIR FEE         |
|------------------------------------|--------------------------------------------------------------------------|--------------|-------------------|
| 2023-24 IoD Directors' Fees Survey | Smartpay comparator dataset – lower quartile                             | \$44,781     | \$61,090          |
| 2023-24 IoD Directors' Fees Survey | Listed companies - lower quartile                                        | \$58,763     | \$90,000          |
| 2023-24 IoD Directors' Fees Survey | Listed companies<br>All industries<br>Market capitalisation 200.1 – 500m | \$70,000     | \$125,000         |
| 2023-24 IoD Directors' Fees Survey | Listed companies<br>All industries<br>Revenue 50.1 – 200m                | \$89,000     | Insufficient data |
| 2023-24 IoD Directors' Fees Survey | All organisation types<br>Banking, financial and insurance services      | \$88,653     | \$131,142         |
| Online annual reports              | NZX listed organisations of similar size by market capitalisation        | \$87,500     | \$155,417         |
|                                    | <b>SMARTPAYS CURRENT FEE</b>                                             | \$65,000     | \$90,000          |

## Summary of time commitments

Directors are paid for the expertise and skills they bring to the boardroom rather than for the specific time invested in the role. However, the hours devoted to the organisations' governance may provide an indication of the complexity of the roles, the level of involvement required, and is one of the considerations that can help to inform the decision on the appropriate level of fees.

The estimated time commitments for the Smartpay board align at the medium quartile of our comparator survey data (see pages 21 – 23).

|                                          | NON-EXECUTIVE DIRECTOR |        |                | NON-EXECUTIVE CHAIR |        |                |
|------------------------------------------|------------------------|--------|----------------|---------------------|--------|----------------|
|                                          | LOWER QUARTILE         | MEDIAN | UPPER QUARTILE | LOWER QUARTILE      | MEDIAN | UPPER QUARTILE |
| Survey comparator dataset – annual hours | 101                    | 144    | 206            | 135                 | 187    | 257            |
| <b>SMARTPAY TIME COMMITMENTS</b>         | <b>148</b>             |        |                | <b>200</b>          |        |                |

## Summary of hourly fees

The estimated hourly fees for Smartpay's' board members align at the upper quartile of our comparator data for directors and at the medium to upper quartile for the chair (see page 25).

|                                            | NON-EXECUTIVE DIRECTOR |        |                | NON-EXECUTIVE CHAIR |        |                |
|--------------------------------------------|------------------------|--------|----------------|---------------------|--------|----------------|
|                                            | LOWER QUARTILE         | MEDIAN | UPPER QUARTILE | LOWER QUARTILE      | MEDIAN | UPPER QUARTILE |
| Survey comparator dataset hourly fees (\$) | 224                    | 333    | 476            | 301                 | 329    | 561            |
| <b>SMARTPAY HOURLY FEE ESTIMATE</b>        | <b>439</b>             |        |                | <b>450</b>          |        |                |

## 2 Approach to setting board fees

REMUNERATION OF DIRECTORS SHOULD BE TRANSPARENT, FAIR AND REASONABLE

There is no 'right' or 'wrong' when it comes to setting fees because there are a multitude of factors that can influence remuneration levels. Ideally fees should be set by taking into account the individual circumstances of each organisation and the broader market context.

Generally the IoD recommends fixed fees, set annually at a level that reflects the commitment and skills your board requires and the level of liability and personal risk involved with the appointment. An overall fixed fee allows for occasional heavy workloads and takes on board the fact that director liability does not vary in relation to the number of meetings. A fixed fee approach also creates the expectation that a director will devote appropriate time to the organisation. The 2023-24 IoD directors' fees survey found that 66% of directors are paid a fixed fee, with only 3% paid a 'per meeting rate' and 2% a combination of the two.

Director's fees are generally a 'fee for service'. In line with the principle of collective responsibility, base fees should be shared equally as a rule, except in the case of additional responsibility of workload such as the chair or a committee chair.

### IoD benchmarking approach

Benchmarking is a good way to identify appropriate fee levels for directors. IoD's recommended fee ranges are based on:

- Relevant market fee data from our latest directors' fees survey
- Research of fees in comparative organisations (where available)
- Information provided by you on the scope and commitments of the roles
- The nature and complexity of your organisations' industry or operating environment.

Where direct industry comparisons are in low supply or unavailable we research fees in organisations considered to be of a similar size, for example, in terms of revenue or asset size. We rely on the information you provide to us to undertake this research, as well as any input you may have on suitable comparators.

To command fees at benchmark level there is an assumption that directors have the appropriate skills, knowledge and training in governance as would reasonably be expected for anyone in a role.

While benchmarking sometimes provides a recommendation to increase fee levels, it is possible that an organisation may opt for more moderate increases over time as a way of transitioning to a recommended range. It is worth noting that if a plan of more moderate increases are implemented the fee gap between current and benchmark fees may widen over time.

### IoD Directors' Fees Survey

The annual Directors' Fees Survey takes place with a wide cross-section of New Zealand organisations and IoD members. Our 2023-24 survey report includes information about over 3,951 directorships, covering over 1,695 organisations. 56% of IoD members surveyed hold non-executive (independent) positions and our benchmarking focusses on these roles.

The survey also collects information on the level of hours involved in the directorship role. This varies significantly between organisations. In our 2023-24 survey the average time a non-executive director spends on board work is 158 hours per annum.

### 3 The role of the board

Trust and accountability underpin long-term success and sustainability, and directors of all organisations need integrity, courage, judgment, emotional agility, energy and curiosity.

The IoD's publication The Four Pillars of Governance Best Practice emphasises that the key role of a board is to add value to their organisations through four key governance functions:

- Determination of a company's fundamental purpose and strategy
- Leading an effective governance culture, characterised by integrity, robust decision-making and effective relationships with management, shareholders and stakeholders
- Holding management to account
- Ensuring effective compliance

These are significant responsibilities and it is IoD's view that in order to be accountable, board members need to spend more focussed time, thought and enquiry on their organisation - within board meetings and outside of them.

A key element of good governance is having a robust approach to reviewing and setting board fees underpinned by comprehensive and robust data. Remuneration for board members needs to be set at a level that acknowledges responsibilities and risks, as well as to attract, motivate and retain members with the ability and character necessary to carry out these critical and demanding functions.

A board must still ensure remuneration levels are sufficient to attract the appropriate people to make themselves available for appointment and to support them to perform their duties to the highest standards.

#### The chair's role

The chair facilitates the board but under the Companies Act all directors share equal responsibility. In practice the role of the chair depends on the extent of their involvement with the organisation. This can be influenced by:

- The size or particular circumstances of the company
- The complexity of its operations
- The quality, size and capacity of its chief executive and management team, and
- The administrative or contractual arrangements that the board or shareholders have put in place.

In particular circumstances it may be appropriate for the chair to work significant additional hours. This may arise for example, where an organisation is dealing with a significant event, or is engaging in a major transaction. These additional hours are addressed in the chair fee by using a multiplier (premium) over the

base director fee.

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation. In our 2023-24 survey, chair premiums range between x1.3 and x2.1.

In the case of Smartpay, the fee range recommends increasing the chair premium of 1.6 Although this is a lower premium than usually recommended, the loading is considered appropriate for commitments of the chair role.

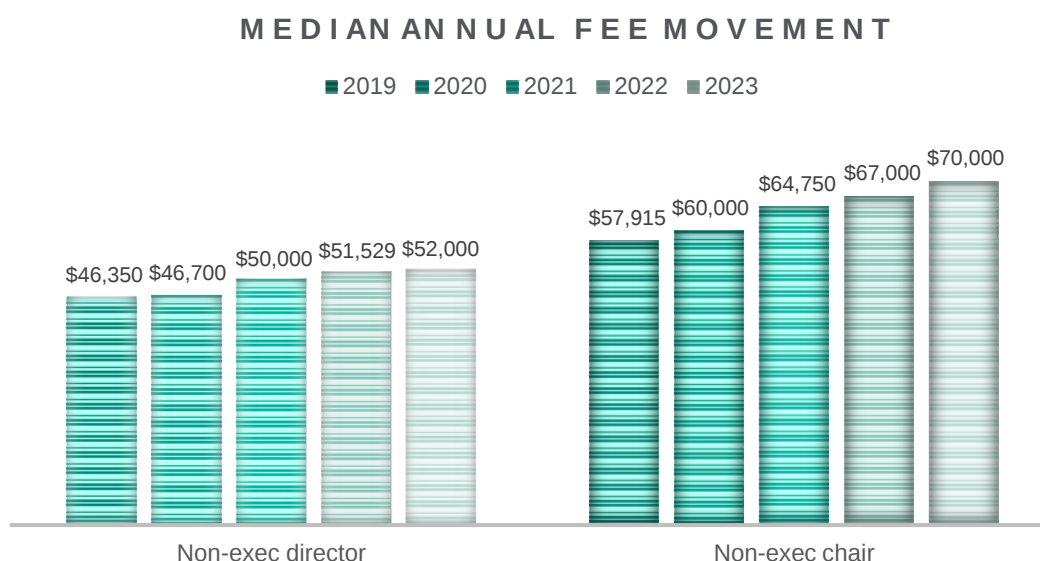
## 4 General director fee trends

The key principle of a benchmarking review is to ensure that the fees Smartpay pays its board are relative to the market and take into account the remuneration levels provided to directors in New Zealand. The fees should reflect the added value your directors bring to the organisation and adequately compensate them for their time, effort and skill level.

While our overall data is drawn from a broad range of organisations, many not directly comparable to Smartpay, it is designed to provide valuable insights into market fee movements and trends.

### Median annual fee movements

Our latest and most comprehensive data on the remuneration of New Zealand directors is the 2023-24 IoD directors' fees survey. The following graph shows the median annual fee movement across the entire survey data, which includes New Zealand organisations of all types and sizes and across all industries.



**The 5-year movement of fees is approximately 12.2% for non-executive directors and 20.9% for non-executive chairs.**

In the last 12 months, the median fee received by non-executive directors has increased by 0.9%, compared to a 3.1% movement in 2022. Non-executive chair fees have increased by 4.5%, compared to a 3.5% movement in 2022.

### Overall survey quartiles

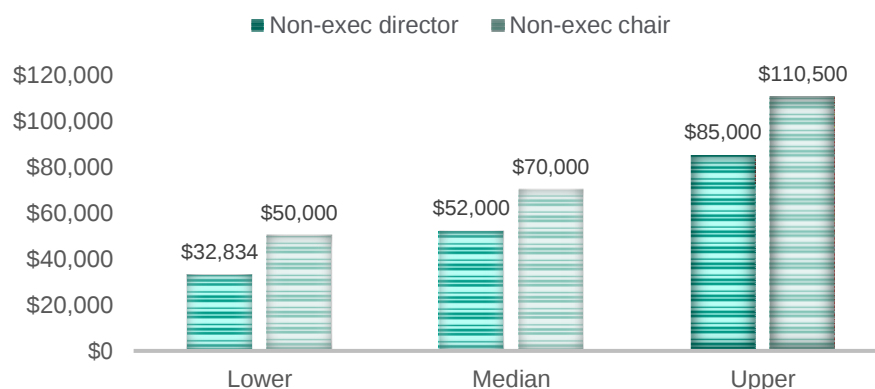
#### 2023 non-executive chair and director remuneration

The lower, median and upper quartiles for non-executive director remuneration in the most recent survey are \$32,834, \$52,000 and \$85,000 and for non-

executive chairs, they are \$50,000, \$70,000 and \$110,500 respectively across the whole survey sample. The survey incorporates a very wide sample of organisations from NFPs to NZX listed companies.

## 2023 non-executive chair and director remuneration

(ACROSS ENTIRE SURVEY SAMPLE)



## Other relevant fee movement data over the last 12 months

OUR FEE DATA USES THE ANZSIC (AUSTRALIAN AND NEW ZEALAND STANDARD INDUSTRIAL CLASSIFICATION) GROUPS.

| FEE CATEGORY                              | 12 MONTH FEE MOVEMENT |
|-------------------------------------------|-----------------------|
| Listed company                            | + 7.6%                |
| Banking, financial and insurance services | + 8.9%                |
| Revenue 100m (50.1 – 100m)                | + 7.6%                |

### Remuneration for committee chair appointments

This table provides a subset of data from our latest Directors' Fees survey relating to committee chair fees. This data is taken from across the entire survey (organisations of all types and sizes).

We provide this table for information. Generally, we determine appropriate committee fees from a loading over the base director fee or from information on fees in comparator organisations where available. We generally recommend a loading over the base director fee from x1.1 up to x1.2 for committee chairs, depending on the duties and time commitments.

Our 2023 fee data indicates that, on average, Nominations chairs receive the highest fees. This differs from previous years where the Audit, Risk & Finance chair would usually receive the highest fee on average.

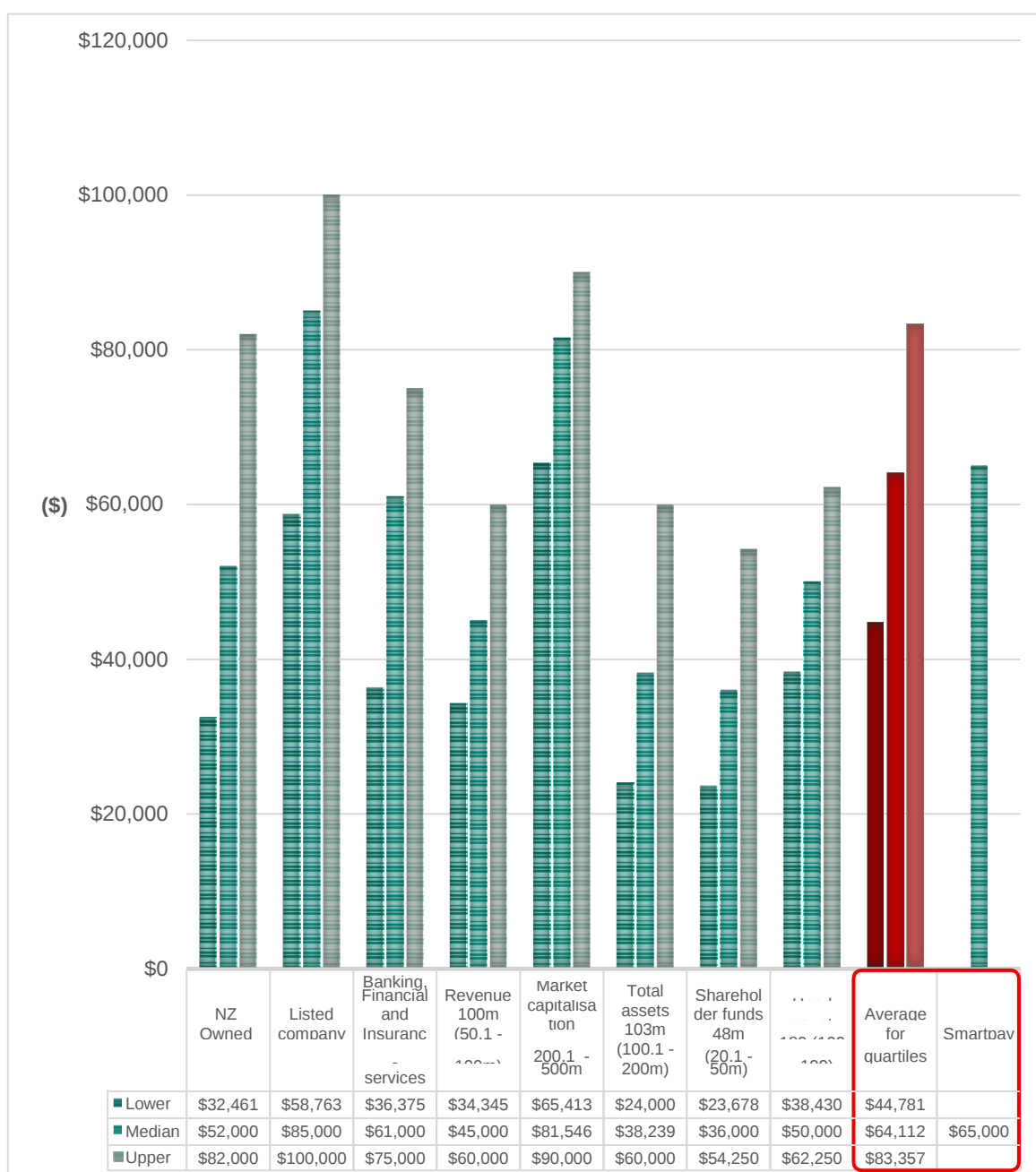
| TYPE                   | LOWER    | MEDIAN          | UPPER    | AVERAGE  |
|------------------------|----------|-----------------|----------|----------|
| Audit, risk & finance  | \$5,000  | \$11,000        | \$20,000 | \$16,212 |
| <b>Smartpay</b>        |          | <b>\$15,000</b> |          |          |
| Climate                |          | \$11,500        |          | \$12,625 |
| Health & safety        | \$10,000 | \$10,900        | \$23,475 | \$15,374 |
| Nominations            | \$15,000 | \$15,000        | \$20,000 | \$17,962 |
| People or Remuneration | \$5,000  | \$10,000        | \$15,875 | \$12,733 |
| Risk                   | \$2,000  | \$5,000         | \$19,895 | \$12,684 |
| Sustainability         | \$5,000  | \$7,500         | \$10,000 | \$7,300  |
| Technology             | \$5,625  | \$8,750         | \$10,001 | \$12,709 |
| Other committees       | \$3695   | \$7,125         | \$13,750 | \$11,166 |

## 5 Comparator fee benchmarking

### Non-executive director fees - comparator breakdown

The graph below shows director fee data relevant to Smartpay based on the information you have provided. Each fee category is a sub-set of our latest directors' fees survey.

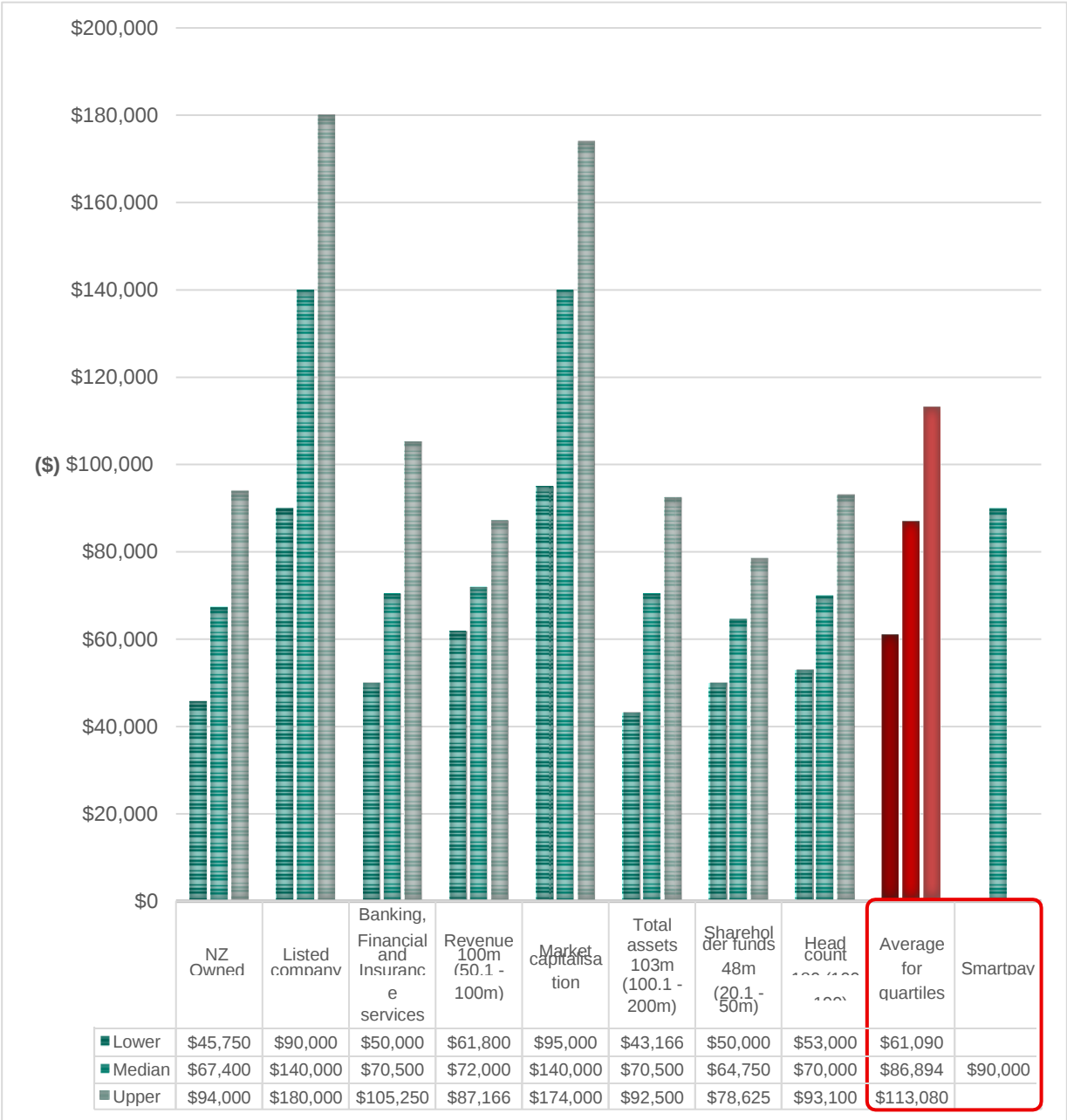
It demonstrates that Smartpay's current director fee aligns to the medium quartile against the comparator fee categories.



### Non-executive chair fees - comparator breakdown

This graph shows chair fee data relevant to Smartpay based on the information you have provided. Each fee category is a sub-set of our latest directors’ fees survey.

It demonstrates that Smartpay’s current chair fee aligns to the medium quartile against the comparator fee categories.



IT IS IMPORTANT TO NOTE THAT THE SAMPLE SIZE FOR DIRECTOR DATA IS MUCH LARGER THAN THAT OF CHAIRS. THEREFORE, OUR METHODOLOGY PLACES A HIGHER RELIANCE ON DIRECTOR DATA AS A BASIS FOR ESTIMATING FEES FOR CHAIRS (USING AN APPROPRIATE LOADING OR CHAIR PREMIUM).

## 6 Further fee research

### Director's fees survey data – further segmentation

WE HAVE ANALYSED OUR SURVEY DATA AT A DEEPER LEVEL TO PROVIDE THE FOLLOWING FEE INFORMATION.

| SOURCE                            | INDUSTRY SECTOR                                                     | REVENUE     | AVERAGE DIRECTOR FEE | AVERAGE CHAIR FEE |
|-----------------------------------|---------------------------------------------------------------------|-------------|----------------------|-------------------|
| 2023-24 IoD Directors' Fee Survey | Listed company<br>All industries                                    | 50.1 – 200m | \$89,000             | Insufficient data |
| 2023-24 IoD Directors' Fee Survey | All organisation types<br>Banking, Financial and Insurance Services | 50.1 – 200m | \$88,653             | \$131,142         |

| SOURCE                            | INDUSTRY SECTOR                  | MARKET CAP   | AVERAGE DIRECTOR FEE | AVERAGE CHAIR FEE |
|-----------------------------------|----------------------------------|--------------|----------------------|-------------------|
| 2023-24 IoD Directors' Fee Survey | Listed company<br>All industries | 200.1 – 500m | \$70,000             | \$125,000         |

## Other NZX listed organisations with similar market capitalisation

Smartpay indicate that there are no directly comparable organisations operating within New Zealand. For the purpose of this analysis, we have researched organisations of a comparative size by market capitalization.

THIS INFORMATION HAS BEEN TAKEN FROM ANNUAL REPORTS OF  
NZ X LISTED COMPANIES, 13/06/24

| EXAMPLE                  | MARKET CAP       | REVENUE       | ASSETS        | DIRECTOR FEE    | CHAIR FEE        | COMMITTEE CHAIR FEE | CHAIR PREMIUM |
|--------------------------|------------------|---------------|---------------|-----------------|------------------|---------------------|---------------|
| AFT Pharmaceuticals      | \$335.5m         | \$156.6m      | \$148.1m      | \$70,000        | \$127,500        | \$7,500             | 1.8           |
| Serko Limited            | \$347.9m         | \$48.0m       | \$140.9m      | \$95,000        | \$140,000        | \$20,000            | 1.5           |
| Turners Automotive Group | \$353.4          | \$389.6       | \$150.1m      | \$75,000        | \$150,000        | \$15,000            | 2             |
| Hallenstein Glasson      | \$314.9m         | \$409.7m      | \$70.8m       | \$85,000        | \$135,000        | \$15,000            | 1.6           |
| Oceania Healthcare       | \$376.6m         | \$285m        | \$2.544b      | \$100,000       | \$200,000        | \$20,000            | 2             |
| Tower Limited            | \$309.3m         | \$527.1m      | \$946.2m      | \$100,000       | \$180,000        | \$10,000            | 1.8           |
| <b>Average</b>           |                  |               |               | <b>\$87,500</b> | <b>\$155,417</b> | <b>\$14,853</b>     | <b>1.8</b>    |
| <b>Smartpay</b>          | <b>\$321.68m</b> | <b>\$100m</b> | <b>\$103m</b> | <b>\$65,000</b> | <b>\$90,000</b>  | <b>\$16,500</b>     | <b>1.4</b>    |

## 7 Time commitments

The roles and responsibilities of board members have expanded over recent years. A board's work is generally not restricted to the boardroom. There can be significant additional time requirements, such as for reading, site tours, stakeholder engagement and attending events.

Directors are paid for the expertise and skills they bring to the boardroom rather than for the specific time invested in the role. However, the hours devoted to the organisations' governance may provide an indication of the complexity of the roles, the level of involvement required, and is one of the considerations

### Smartpay annual time commitments

Time commitments for Smartpay, based on data provided by the organisation management, is set out in the table below.

| ACTIVITY                                                | NUMBER                                                                                                 | TIME IN | PREP TIME | HOURS PER ANNUM (ESTIMATE) |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------|---------|-----------|----------------------------|
| Board meetings                                          | 7                                                                                                      | 6       | 6         | 84                         |
| • Sub-committee: Audit and Finance                      | 4                                                                                                      | 3       | 6         | 36                         |
| • Sub-committee: Remuneration and Nominations Committee | 3                                                                                                      | 2       | 2         | 12                         |
| Other director time commitments                         | Strategy and training days                                                                             |         |           | 24                         |
| <b>Average annual hours for director</b>                |                                                                                                        |         |           | <b>148</b>                 |
| Chair – other time commitments                          | CEO and stakeholder engagement<br>R & N Committee meetings<br>Setting LTI levels, benchmarking for CEO |         |           | 92                         |
| <b>Average annual hours for chair</b>                   |                                                                                                        |         |           | <b>200</b>                 |

## Individual board member time commitments

| NAME             | ROLE                                                                                                             | COMMITMENTS                                                                                                                                                                                      | TOTAL |
|------------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Gregor Barclay   | Smartpay Chair<br>Remuneration and<br>Nominations Committee<br>Chair                                             | Smartpay board meetings and<br>additional training/strategy<br>days 108<br>CEO and Stakeholder<br>engagement 60<br>R & N Committee meetings 12<br>Setting LTI levels,<br>benchmarking for CEO 20 | 200   |
| Matthew Turnbull | Smartpay Director<br>Audit and Finance<br>Committee Chair<br>Remuneration and<br>Nominations Committee<br>member | Smartpay board meetings and<br>additional training/strategy<br>days 108<br>A & F Committee meetings 36<br>R & N Committee meetings 12                                                            | 156   |
| Geoffrey Carrick | Smartpay Director<br>Audit and Finance<br>Committee member                                                       | Smartpay board meetings and<br>additional training/strategy<br>days 108<br>A & F Committee meetings 36                                                                                           | 144   |
| Carlos Gil       | Smartpay Director<br>Audit and Finance<br>Committee member                                                       | Smartpay board meetings and<br>additional training/strategy<br>days 108<br>A & F Committee meetings 36                                                                                           | 144   |

## Time commitments in comparator organisations

The following table compares the governance time commitments of Smartpay to commitments in comparator organisations provided as part of the latest IoD directors' fees survey. It indicates that the time commitments for the Smartpay's board members align to the medium quartile against comparator fee categories for directors and the chair.

|                                                           | DIRECTOR TIME COMMITMENTS |                 |                | CHAIR TIME COMMITMENTS |                 |                |
|-----------------------------------------------------------|---------------------------|-----------------|----------------|------------------------|-----------------|----------------|
|                                                           | LOWER QUARTILE            | MEDIAN QUARTILE | UPPER QUARTILE | LOWER QUARTILE         | MEDIAN QUARTILE | UPPER QUARTILE |
| NZ Owned                                                  | 90                        | 136             | 200            | 115                    | 182             | 258            |
| Company listed on NZX/ASX or other stock exchange company | 114                       | 196             | 261            | 249                    | 287             | 370            |
| Banking, Financial and Insurance services                 | 91                        | 138             | 208            | 100                    | 172             | 256            |
| Revenue 100m (50.1 - 100m)                                | 96                        | 128             | 162            | 112                    | 154             | 241            |
| Total assets 103m (100.1 - 200m)                          | 110                       | 143             | 217            | 127                    | 141             | 201            |
| Shareholder funds 48m (20.1 - 50m)                        | 97                        | 130             | 179            | 115                    | 196             | 239            |
| Head count 180 (100 - 199)                                | 111                       | 138             | 216            | 126                    | 174             | 234            |
| <b>AVERAGE</b>                                            | <b>101</b>                | <b>144</b>      | <b>206</b>     | <b>135</b>             | <b>187</b>      | <b>257</b>     |
| <b>Smartpay</b>                                           | <b>148</b>                |                 |                | <b>200</b>             |                 |                |

## 8 Hourly fees

Our annual survey collects data on the hourly fee rates of directors, and we present relevant comparator information below.

It can be useful to have an understanding of appropriate hourly rates, for example for special project work. However, caution should be used when taking this data into account, as the very nature of the role of a director means time commitments (and hence hourly rates) can fluctuate significantly. For example, the board may be required to work additional hours when a significant event is impacting the organisation (such as Covid-19).

### Hourly fee analysis for Smartpay

Using the information on time commitments provided by Smartpay and the current fee levels, we can estimate current hourly fee ranges for your governance roles as follows:

| ROLE     | ANNUAL FEE | TIME COMMITMENTS | HOURLY FEE RANGE |
|----------|------------|------------------|------------------|
| Director | \$65,000   | 148              | \$439            |
| Chair    | \$90,000   | 200              | \$450            |

## Comparator hourly fees

The following table provides an analysis of hourly fee rates for non-executive directors and chairs in comparator data bands. It shows that Smartpay's estimated hourly fees align around the upper quartile.

|                                                           | NON-EXECUTIVE DIRECTOR    |                            |                           | NON-EXECUTIVE CHAIR       |                            |                           |
|-----------------------------------------------------------|---------------------------|----------------------------|---------------------------|---------------------------|----------------------------|---------------------------|
|                                                           | LOWER<br>QUARTILE<br>(\$) | MEDIAN<br>QUARTILE<br>(\$) | UPPER<br>QUARTILE<br>(\$) | LOWER<br>QUARTILE<br>(\$) | MEDIAN<br>QUARTILE<br>(\$) | UPPER<br>QUARTILE<br>(\$) |
| NZ Owned                                                  | 204                       | 306                        | 462                       | 231                       | 343                        | 562                       |
| Company listed on NZX/ASX or other stock exchange company | 320                       | 467                        | 620                       | 431                       | 485                        | 544                       |
| Banking, Financial and Insurance services                 | 244                       | 387                        | 543                       | 300                       | 53                         | 642                       |
| Revenue 100m (50.1 - 100m)                                | 236                       | 305                        | 443                       | 266                       | 377                        | 628                       |
| Total assets 103m (100.1 - 200m)                          | 179                       | 315                        | 421                       | 325                       | 333                        | 500                       |
| Shareholder funds 48m (20.1 - 50m)                        | 193                       | 290                        | 456                       | 271                       | 349                        | 561                       |
| Head count 180 (100 - 199)                                | 195                       | 263                        | 386                       | 281                       | 363                        | 492                       |
| <b>AVERAGE HOURLY FEES</b>                                | <b>224</b>                | <b>333</b>                 | <b>476</b>                | <b>301</b>                | <b>329</b>                 | <b>561</b>                |
| <b>Smartpay</b>                                           | <b>439</b>                |                            |                           | <b>450</b>                |                            |                           |

## 9 Recommendations

### Context

There is no absolute right or wrong when setting director fees. To provide you with data and advice to support your governance fee decisions we seek to explore the market as widely as possible. We take into account a range of comparator data and the time commitments of the role. However, remuneration is part of an evaluative process and the final decision on fees is the ultimate responsibility of the organisation.

Before reaching a final decision, we recommend that you consider where Smartpay sees itself within the market (e.g. median, upper quartile). In addition, consider factors like complexity of role, operating environment, risk and liability, and expectations. Also part of the mix is ensuring your remuneration attracts and retains the calibre of directors you need to drive and sustain long-term value for your business.

### Supporting commentary

A fair and appropriate annual fixed fee should reflect the commitment and skills required of the director, the liability and personal risk involved, and take into account periods of heavy workload for the board.

In formulating our recommendations, we have taken into account information provided to us about the organisation's size, nature, complexity and risk profile, as well as the indicated duties and time commitments of the roles.

Our research indicates that current fees align to the upper quartile of our comparator survey data. In comparison to other NZX/ASX listed companies and organisations with a similar market capitalisation, Smartpay's current director and chair fees align to the lower quartile. Further research using NZX listings to identify organisations of a comparative size by market capitalisation, also indicates current fees to be lower than market average.

Time commitments for directors of Smartpay align to the medium quartile of our comparator data and are lower in comparison to other listed companies.

Remuneration of Smartpay's Audit and Risk Committee chair aligns to the medium quartile of survey comparators.

It is recommended that Smartpay's director fees are adjusted to reflect market increases and to better align with listed companies.

It is recommended the chair premium is increased to 1.6 x to appropriately reflect time commitments and complexity of the role and to align with similar listed companies

A loading of 1.2 x over the director fee is recommended for the chair of Audit

and Risk Committee. It would not be normal for the board chair or deputy chair to be paid additional fees for their involvement with committees. It is not recommended that the chair of Remuneration and Nominations Committee chair, (also the chair of Smartpay), be separately remunerated for the role.

## Fee range recommendations

We consider these fee ranges reflect fair remuneration for the governance commitments of the roles and to be representative of the wider market.

| FEE CATEGORY                                     | RECOMMENDED FEE RANGE                   |
|--------------------------------------------------|-----------------------------------------|
| Base directors' fee                              | \$70,000 - \$75,000                     |
| Chair fee                                        | \$112,000 – \$120,000                   |
| Audit and risk committee chair fee               | \$16,500                                |
| Remuneration and nominations Committee chair fee | Additional remuneration not recommended |

- Please note that base fees include committee attendance. We generally only recommend an additional fee for a committee chair
- We don't recommend additional loadings for the chair or deputy chair of the board for any committee responsibilities

## Chair, committee chair and deputy chair premiums

An appropriate chair fee makes an allowance for additional hours spent in meeting preparation and follow-up and for other demands and expertise required of the role. A loading over the base director fee is usually used to calculate the chair fee.

The IoD's data for director roles is considerably deeper than for chairs; therefore, our methodology places a higher reliance on director data as a basis for estimating fees for all board members.

We generally advise that a good rule of thumb is a premium of around x1.8 to x2.0. Lower or higher loadings may be used depending on the individual circumstances of the organisation.

In addition, we generally recommend a loading of between x1.1 to x1.2 for committee chairs and a x1.25 loading for the deputy (vice) chair of the board.

## Ongoing fee review policy

Because of movements in the market and other factors, such as inflation and

CPI, fees are not static. They should be assessed for market appropriateness regularly.

When a fee structure is on or near the market benchmark, one option is to review fees against annual fee movements – for example using the appropriate industry sector or the overall fee movement for a particular role (e.g. non-executive director). This information is available from the IoD.

We would, however, encourage a discipline to update the benchmark data regularly. Best practice would be to review director fees annually, and it should be no longer than 3 years. This should identify if the fees remain competitive or if the fee gap is widening. A significant fee gap against benchmark may indicate the need for a further fee review at this stage.

## Transparency of fee decisions

Consistent and open reporting on director fees helps build trust and confidence in business and corporate governance. We encourage all organisations to think beyond compliance. They should disclose director payments openly and consistently. Boards of all types of entities are welcome to use the IoD's [Guide to disclosing director remuneration in annual reports](#).

## Appendix 1 - Board size considerations

The interests of shareholders of a company will be best served if its board acts with maximum efficiency and effectiveness. The optimum number of directors required to attain maximum efficiency and effectiveness on any given board will depend on such factors as the company's size, nature, diversity and complexity of its business and its ownership structure.

A board that is too large may not give its members the opportunity of participating in discussions and decisions to the best of their abilities. It may result in board proceedings being unnecessarily prolonged. On the other hand, a board that is too small will limit the breadth of knowledge, experience and viewpoints that would otherwise be available to it and from which it could usefully benefit.

As a general rule, a board numbering between six and eight members is usually found to be the most appropriate in the case of medium to large-sized companies. This also takes the relatively small size of New Zealand companies in international terms into account. Smaller companies may operate quite satisfactorily with a lower number. Under NZX listing rules, the minimum number for a listed company (disregarding alternate directors) is three.

It is not really possible or practical to specify an ideal and optimal number for all boards. What every board needs to do is to achieve the right balance to suit the circumstances and requirements of the company and the board itself.

Data from the annual IoD Directors' Fees survey indicates the medium and average number of directors on boards in New Zealand had remained consistent over several years.

### Average number of directors

(FROM THE 2023-24 IOD DIRECTORS' FEES REPORT)

Across all entity types, the median and average number of directors appointed to a board is 6. Only 1% of our sample has more than 12 directors appointed to the board.

| NUMBER OF DIRECTORS ON BOARD                      |                |        |                |         |
|---------------------------------------------------|----------------|--------|----------------|---------|
| ORGANISATION                                      | LOWER QUARTILE | MEDIAN | UPPER QUARTILE | AVERAGE |
| Company listed on NZX/ASX or other stock exchange | 5              | 6      | 7              | 6       |

## Appendix 2 – Governance Services

### We will help you build a better board

We can help you strengthen the capabilities of your existing board with board evaluations, in-house training, director recruitment and fee advice.

*Evaluated  
your board  
lately?*

If you are seeking an impartial and independent review of your boards performance, our evaluations are tailored to your needs. Contact us today and discuss how you can get the most out of your next **board evaluation**.

*Want training  
for your whole  
board?*

We can organise a tailored **in-house training** programme for your whole board and, if desired, your senior executive team. Please contact us and we can talk through some options with you.

*Need to fill a  
vacancy at the  
board table?*

We can help you find prospective board members who will complement your organisation's needs and your current board composition through our **board appointments** and **director vacancies** services. Please contact us to discuss further.

*Are you  
paying fair  
fees for  
your board of  
directors?*

We can provide independent analysis to ensure your fee level is at an appropriate level based on your organisations type, size and sector. Using this service demonstrates a robust and transparent approach to setting fee levels. If you need advice in setting the level of your **director fees** please give us a call.

**For further information, please contact our Governance Services team**

Phone: 0800 846 369

Email: [GovernanceServices@iod.org.nz](mailto:GovernanceServices@iod.org.nz)

Web: [iod.org.nz/ServicesforBoards](http://iod.org.nz/ServicesforBoards)

# Appendix 3 – Understanding the data measures

|                   |                                                                                                                                                                                                                                                 |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LOWER<br>QUARTILE | This represents the point at which, when ranked from the lowest value to the highest value, 25% of the sample is lower and 75% of the sample is higher. The Lower Quartile is also known as the 25th percentile.                                |
| MEDIAN            | When data is ranked from the lowest value to the highest value, the median represents the middle point of the data. At the median, 50% of the sample is lower and 50% of the sample is higher. The median is also known as the 50th percentile. |
| UPPER<br>QUARTILE | This represents the point at which, when ranked from the lowest value to the highest value, 75% of the sample is lower and 25% of the sample is higher. The Upper Quartile is also known as the 75th percentile.                                |
| AVERAGE           | Indicates the average value of remuneration or benefit in any given sample. The average is calculated by adding the numbers in a sample and then dividing by the count of the sample.                                                           |

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