
Kingfish Limited

Directors' Fees Review

Delivered by email:

Prepared by:
Mike Boneham
Senior & Technical Consultant, Strategic Pay
May 2023

Private and Confidential

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

PRIVATE AND CONFIDENTIAL

This document and any related advice, data or correspondence provided in relation to it is the intellectual property of Strategic Pay Limited. The intellectual property is confidential information and provided to the client to whom it is addressed (or if not so addressed, to the intended recipient) only for the internal purposes of that recipient on a confidential basis.

If an engagement is awarded to Strategic Pay, the right of the client to duplicate, use, or disclose such information will be such as may be agreed in the resulting engagement contract. If an engagement is not awarded, this document and any duplicate copy thereof must be returned to Strategic Pay or destroyed.

Overview

Andy Coupe, Chairman at, Kingfish Limited has commissioned Strategic Pay Limited ('Strategic Pay') to provide a review of its Board of Director fees on behalf of the Board

This is the first time that Strategic Pay is making a Director Fees recommendation for Kingfish Limited.

Our approach involves gaining an understanding of the organisation and Directors responsibilities by way of review of documentation provided and interview. We then undertake market analysis of relevant samples from the Strategic Pay 2023 New Zealand Directors Fee database and Remuneration Report to determine and position appropriate Board fee levels for Kingfish Limited.

Our recommendation is based on several factors including the organisation size, ownership, and industry, and the market data presented.

This report presents the following:

- 1 Background;
- 2 Recommendation Summary;
- 3 Market Data;
- 4 Market Movement;
- 5 Chair Fees Ratio;
- 6 Committee Fees;
- 7 Director Fees Review;
- 8 Recommendation;
- 9 Board Policy and Practice Highlights

Appendices:

- a. Appendix 1 – New Zealand Directors' Fee Survey – February 2023
- b. Appendix 2 – Strategic Pay Director Methodology
- c. Appendix 3 – About Strategic Pay Ltd

1. Background

Kingfish Limited are listed investment company that invests in New Zealand companies, the portfolio is professionally managed.

BOARD COMPOSITION AND MEETING SCHEDULE

The Board is composed of three Directors and one Chair.

There are eight Board meetings per year which are followed by sub-committee meetings(Audit and Risk, Remuneration and Nominations, Investment) which are attended by all board members. There are also supplementary meetings as required due, these are mostly driven by market forces.

ORGANISATION DEMOGRAPHICS

Organisation Demographics / Dimensions	
Organisation Type	Private Sector – NZX Listed
Industry	Banking/Finance
Shareholders' Funds	\$406m
Market Capitalisation	\$428m
Number of Employees	-

CURRENT DIRECTOR FEE POLICY

There is no formal Directors Fees Policy in place currently.

2. Recommendation Summary

RECOMMENDED DIRECTORS FEE POLICY

Kingfish Limited to adopt a weighted customised of the factors to remain in line with market forces and changes.

A ratio of 1.75 times the Director Fees to be adopted for the Chair

RECOMMENDED DIRECTOR FEES

Role / Committee	Current Fees	Recommended Fees Range		% Increase	
Chair	\$50,000	\$64,750	\$71,750	30% - 44%	
Director x 3	\$32,500	\$37,000	\$41,000	14% - 26%	
Audit and Risk Committee Char	\$5,000	\$5,000	\$5,000		
Investment Committee Chair	\$5,000	\$5,000	\$5,000		
Total Governance Pool	\$157,500	\$185,750	\$204,750	18%	30%

In our view, the recommended ranges represent market levels appropriate for your organisation given the context provided and reflects the Directors Fee Policy. It is the Board's prerogative, whether to accept the Strategic Pay Recommendation or not, based on both internal and external factors best understood within the organisation. Also considering what may be deemed palatable to stakeholders at this time.

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

Full details of the recommendation appear in Section 8: Recommendation

3. Market Data

Directors Fee Market Data – Revenue Analysis

Our research consistently demonstrates that in the NZ market, company turnover is most strongly correlated with Director fee levels, and consequently results of revenue samples are a key consideration as we develop Board fee recommendations.

The table below details Directors' base annual fee for 18 organisations with total annual revenues below \$5m. There are 18 Chairs and 50 Directors in the sample.

TABLE 1: FEES IN ORGANISATIONS WITH REVENUES BELOW \$5M

	Lower Quartile	Median	Upper Quartile	Average
Chair	\$24,375	\$34,000	\$48,792	\$40,916
Directors	\$15,000	\$22,042	\$32,000	\$24,758

TABLE 1.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees	Market Capitalisation
Lower Quartile	\$50,000,000	\$79,969,000	\$43,129,914	116	\$173,214,838
Median	\$136,345,000	\$300,000,000	\$161,200,000	370	\$508,048,978
Upper Quartile	\$445,639,000	\$1,169,748,000	\$495,185,000	1,010	\$1,884,113,878

Directors Fee Market Data – Shareholder Funds

The table below details Directors' base annual fee for 15 organisations with shareholder funds between \$400m and \$600m. There are 15 Chairs and 94 Directors in the sample.

TABLE 2: FEES IN ORGANISATIONS WITH SHAREHOLDER FUNDS BETWEEN \$400M AND \$600M

	Lower Quartile	Median	Upper Quartile	Average
Chair	\$66,607	\$135,000	\$170,000	\$119,756
Directors	\$35,000	\$47,500	\$75,000	\$56,146

TABLE 2.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees	Market Capitalisation
Lower Quartile	\$234,094,000	\$771,060,000	\$452,162,000	430	\$357,334,538
Median	\$1,195,308,000	\$984,280,000	\$490,730,000	2,142	\$445,455,224
Upper Quartile	\$2,073,744,000	\$1,172,841,000	\$520,068,000	6,601	\$650,000,000

Directors Fee Market Data – Industry

The table below details Directors' base annual fee for 29 organisations operating in the Banking and Finance industry. There are 28 Chairs and 121 Directors in the sample.

TABLE 3: FEES IN ORGANISATIONS IN THE BANKING AND FINANCE INDUSTRY

	Lower Quartile	Median	Upper Quartile	Average
Chair	\$50,750	\$114,000	\$150,000	\$105,314
Directors	\$32,500	\$60,000	\$71,250	\$56,587

TABLE 3.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees	Market Capitalisation
Lower Quartile	\$50,000,000	\$79,969,000	\$43,129,914	116	\$173,214,838
Median	\$136,345,000	\$300,000,000	\$161,200,000	370	\$508,048,978
Upper Quartile	\$445,639,000	\$1,169,748,000	\$495,185,000	1,010	\$1,884,113,878

Directors Fee Market Data – Market Capitalisation

Since market capitalisation tends to be a more volatile figure than revenues, we tend to place less reliance on results of these samples but provide for your information.

The table below details Directors' base annual fee for 24 organisations with market capitalisation between \$200.1m and \$500m. There are 24 Chairs and 106 Directors in the sample.

TABLE 4: FEES IN ORGANISATIONS WITH MARKET CAPITALISATION BETWEEN \$200.1M AND \$500M.

	Lower Quartile	Median	Upper Quartile	Average
Chair	\$88,750	\$122,000	\$146,250	\$119,917
Directors	\$50,000	\$68,955	\$85,000	\$67,990

TABLE 4.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees	Market Capitalisation
Lower Quartile	\$87,955,000	\$199,869,000	\$89,153,000	218	\$262,672,140
Median	\$208,909,000	\$312,368,000	\$172,684,000	799	\$330,620,283
Upper Quartile	\$531,887,000	\$680,796,000	\$303,340,000	989	\$472,184,643

Directors Fee Market Data – Director Evaluation

Strategic Pay has developed an evaluation methodology called DirectorRate™ to determine the overall size, complexity, responsibility and risk of an organisation, as it relates to the role of the directors. Over 200 private sector organisations have been evaluated and input into our database on this basis. There are nine factors included in the evaluation which are described in detail in Appendix 2.

Accordingly, in order to further benchmark Kingfish Limited’s Board fees against the market, we have evaluated the Company using this methodology, and used the final score to compare director fees with **Private Sector** companies of similar “size.” This provides another ‘lens’ and should be used alongside all market comparators rather than as the primary comparator.

TABLE 5: PRIVATE SECTOR DIRECTOR FEES FOR KINGFISH LIMITED BASED ON DIRECTOR EVALUATION METHODOLOGY:

	Lower Quartile	Median	Upper Quartile	Average
Directors	\$31,122	\$43,593	\$52,555	\$44,195

Directors Fee Market Data – Total Sample

The Total Sample represents the General Market and is made up of both Private and Public sectors. It details Directors’ base annual fees for 363 Chairs and 1,888 Directors from all industry, organisation type and organisation size. The Total Sample is provided for General information as fees practices vary across the various industries as well as the organisations type and size.

TABLE 6A: DIRECTORS FEES TOTAL SAMPLE

General Market	Lower Quartile	Median	Upper Quartile	Average
Chair	47 244	75 000	124 000	95 911
Directors	24 000	40 000	65 000	50 052

Fee levels for Deputy Chairs were not analysed for the General Market this year due to the substantial difference between Private and Public Sector practice for this role. Only 30% of organisations have a Deputy Chair role and appointments are more prevalent in the Public Sector.

TABLE 6B: DIRECTORS FEES MARKET DATA – PRIVATE SECTOR

Private Sector	Lower Quartile	Median	Upper Quartile	Average
Chair	70 000	103 100	160 000	120 800
Directors	40 000	60 000	90 000	65 380

4. Market Movement

Traditionally our data has shown quite variable movements from one year to the next, with subsequent difficulty in using it as a guide for setting directors' fees. The table has a "three year rolling average" for median movements to assist in tracking overall trends. The General Market has seen a decrease due to Public Sector influence, while the Private Sector has had positive movement.

Period	Chairs			Directors		
	Private Sector Organisation - Listed NZX	Private Sector Organisation - Unlisted	General Market (All Orgs)	Private Sector Organisation - Listed NZX	Private Sector Organisation - Unlisted	General Market (All Orgs)
2021 - 2023	2.5%	0.8%	-2.1%	3.8%	1.1%	-0.8%

5. Chair Fees Ratio

New Zealand current market practice pays base annual Chair fees at a median 2.0:1 ratio to base annual Director Fees. This "premium" reflects the additional responsibilities, scope and risk borne by Chairs. Chairs typically receive no separate committee fees, although they often attend these meetings.

Chairs had a median expected effort of 165 hours per year and Directors of 115 hours per year. 30% of boards stated their workload had increased over the last 12 months, and 67% said it had remained the same.

When an organisation does not unbundle committees and all members are on all sub-committees then a lower ratio is recommended.

6. Committee Fees

Strategic Pay supports the ‘unbundling’ practice of paying separate Committee fees as a means of tracking and rewarding actual workload and responsibilities and providing greater accountability and transparency. However, there are also appropriate situations where this will not be paid.

The below tables are from the 2023 NZ Directors Fees Report, and demonstrate the amount of fees being paid, the average number of committee meetings held per annum, and the prevalence of fees being paid.

Committee	Board (sample size)	Av. No. Meetings p.a.	Av. No. of Directors	Pay Chair Fee	Pay Member Fee
Audit	285 (98%)	5	4	60%	22%
Remuneration	167 (57%)	3	3	48%	22%
Risk	17 (6%)	5	4	21%	-
Finance	7 (2%)	4	4	-	-
Health & Safety	58 (20%)	4	4	33%	13%
Investment	13 (4%)	4	4	33%	-
Nominations / Governance	45 (15%)	2	4	15%	12%
People & Culture	32 (11%)	4	3	53%	16%
Other	67 (23%)	7	4	32%	15%

- Not enough data to calculate

Ninety-eight percent of boards have an Audit Committee, and while 60% of those boards pay a fee to the chair only 22% pay a fee to committee members.

Committee	Chair Fees				Member Fees			
	Lower Quartile	Median	Upper Quartile	Average	Lower Quartile	Median	Upper Quartile	Average
Audit	5 000	10 000	18 000	13 096	5 263	9 500	12 000	9 635
Remuneration	5 100	10 000	20 000	12 935	5 000	9 000	11 625	8 656
Risk	8 500	15 000	15 000	14 789	-	-	-	-
Finance	-	-	-	-	-	-	-	-
Health & Safety	5 000	9 583	20 000	12 797	5 625	8 500	10 813	8 656
Investment	5 000	5 000	6 250	6 000	-	-	-	-
Nominations / Governance	10 937	15 000	16 290	13 230	5 250	7 500	8 690	6 626
Other	5 000	6 000	8 500	8 679	-	-	-	-

- Not enough data to calculate

7. Director Fee Reviews

Strategic Pay recommends a formal review of Directors Fees at least every two years, as market best practice. While such reviews may or may not result in increases, it enables the Organisation to track market movements, avoid “getting behind” and to ensure appropriate and competitive fees are paid to Board members. Additionally, this practice ensures that costs are controlled year on year and minimises large periodic increases. 70% of Boards review fees annually.

CRITERIA FOR REVIEW

- Market Trends – Strategic Pay’s New Zealand Directors’ Fees Report
- Market Trends - Other Survey Report
- CPI
- Company Profitability
- Average Salary Movements
- Directors Performance
- Legal Risk
- Other Criteria

8. Recommendation

Our recommendation is based on several factors including the organisation size, ownership, and industry of Kingfish Limited, and the market data presented above.

MARKET DATA

TABLE 7: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR KINGFISH LIMITED:

Director Market Comparators	Positioning	Base Annual Fee (\$)
Revenue	Upper Quartile	\$32,000
Shareholder Funds	Lower Quartile	\$35,000
Industry	Lower Quartile	\$32,500
Market Capitalisation	-	
Director Evaluation	Median	\$43,593
Total Sample	Median	\$40,000
Private Sector	Lower Quartile	\$40,000

CHAIR FEES

TABLE 8: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR KINGFISH LIMITED:

Chair Market Comparators	Positioning	Base Annual Fee (\$)
Revenue	Upper Quartile	\$48,792
Shareholder Funds	Lower Quartile	\$66,607
Industry	Lower Quartile	\$50,700
Market Capitalisation	-	
Director Evaluation	-	
Total Sample	Median	\$75,000
Private Sector	Lower Quartile	\$70,000

2023 DIRECTOR FEES POLICY

We recommend the following criteria for the 2023 policy for Base Annual Fees:

- Market Data from 2023 New Zealand Directors' Fees Report / Customised Analysis
- Market Comparator Weighted Comparator Analysis
- Fees Range A range of \$2,000 above and below the market target of customised analysis
- Ratio 1.75:1X ratio applied to the Director fees to determine the Chair Fees

We recommend setting base annual fees for the Directors into a range from:

- **\$37,000 to \$41,000 per annum**

We recommend setting base annual fees for the Chair into a range from:

- **\$64,750 to \$71,750 per annum as per the criteria and analysis in the table above.**
- **Based on a Chair 1.75:1X ratio to base annual Directors Fees**

Depending on your final placement within these ranges, the ratio of Chair to Director Fees may change from the current ratio.

COMMITTEE FEES

Strategic Pay supports the unbundling of committee fees, however this usually occurs in larger boards where not all board members attend all sub-committee. In the case of Kingfish Limited as all board members attend all committees the need to unbundle is not as important. Kingfish Limited currently do not unbundle their committee fees and this remains the recommendation.

9. Board Policy and Practice Highlights

This section predominantly uses policy and practice data; not all respondents answered all policy and practice questions.

Board Demographics



- The typical board consists of a chair and 5 non-executive directors.
- 82% of boards have only non-executive board members.
- 31% of boards include a deputy chair.

Board Meetings



- The average number of board meetings per year is 10.
- 43% meet 11 or more times per year.
- 50% meet for 4 to 6 hours per meeting.

Board Committees



- 98% have an audit committee.
- 23% reported having other committees, with these covering Covid 19, development, disclosure or sustainability.

Board Fees



- 70% review fees annually; 19% every two years, and 11% variably.
- 35% of chairs had up to a 5% increase at the last review, while 25% had no increase.
- 40% of directors had up to a 5% increase at the last review, while 20% had no increase.
- The majority of respondents use market trends from the Strategic Pay Directors' Fees report to monitor fees. Some organisations use more than one approach.

Expected Directorship Effort



- Chairs had a median expected effort of 165 hours per year.
- Directors had a median expected effort of 115 hours per year.
- 30% of boards stated their workload had increased over the last 12 months.
- 22% of boards that responded stated the increased time was spent focussing on risk management issues, and 22% reported spending more time on regulatory and compliance issues.
- Of boards that identified areas in which they should spend more time, the area of activity they felt needs more attention is strategic planning, at 60%.

APPENDIX 1: NEW ZEALAND DIRECTORS' FEE SURVEY – FEBRUARY 2023

This annual Survey is the basis for understanding current trends and practices in the payment of Directors Fees' at New Zealand organisations. This is the 31st annual survey of its type conducted by Strategic Pay Ltd (the longest running survey of directors' fees in the country). 400 organisations contributed data to the 2023 New Zealand Directors' Fees Survey. 2,522 individual directorships were analysed for the Directors' fees data.

The Survey combines information from three sources:

- Organisations from the Strategic Pay database;
- Questionnaires sent to Strategic Pay master mailing list;
- Publicly available annual reports and NZX listings.

The data is reported as at 1 February 2023.

INCREASES REPORTED BY ORGANISATIONS

Annual Movements in Median 2014 – 2023

Non-Executive Chairs and Directors - All Organisations

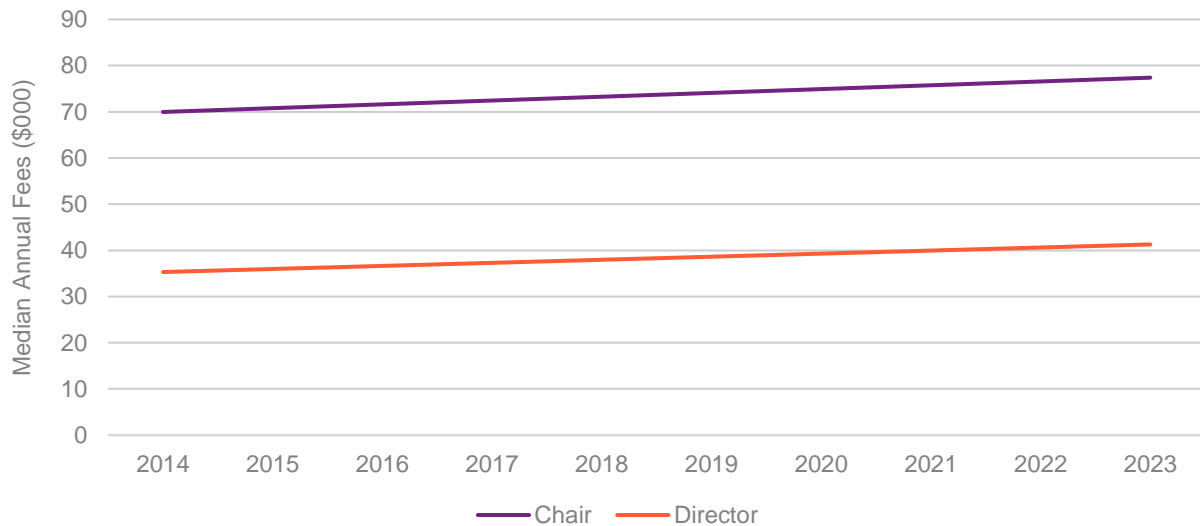
This year we have seen Chair and Director fees remain unchanged from 2021, with organisations being cautious about increases during this stage of the recovery cycle of the pandemic economy. This is an overall movement from the General Market, where higher movements from the private sector this year were tempered by the lower movement in fees in the public sector.

The following table summarises median movements of the overall sample, by director category, year on year, based on the actual fees reported, from the General Market.

Period	Chairs	Directors
	Median	Median
2023	0.0%	0.0%
2022	0.0%	0.0%
2021	-6.3%	-2.4%
2020	6.7%	2.5%
2019	1.1%	4.6%
2018	1.6%	3.5%
2017	1.8%	2.1%
2016	2.4%	1.5%
2015	2.9%	2.5%
2014	3.3%	2.4%

Overall Trend in Median Director Fees 2014 – 2023

As illustrated below, the rate of increase may vary more for chairs than for directors. The graph illustrates the overall trend in median director fees from 2014 to 2023.



INCREASES IN THE YEAR TO FEBRUARY 2023

Three Year Rolling Trend in Median 2019 – 2023

Non-Executive Chairs and Directors – General Market

Traditionally our data has shown quite variable movements from one year to the next, with subsequent difficulty in using it as a guide for setting directors’ fees. We have included a three-year rolling average for median to assist organisations in tracking overall trends. We recommend the use of the following figures when applying market movements to set current directors’ fees.

Period	Chairs	Directors
	Median	Median
2021 – 2023	-2.1%	-0.8%
2020 – 2022	0.1%	0.0%
2019 – 2021	0.5%	1.5%

An additional factor in market movements is that fees are not always increased annually so fluctuations are common and analysing movements over a longer time span is necessary, particularly if there has been a disruption in the market.

Strategic Pay recommends a formal annual review of Directors’ Fees, which may or may not result in an increase. This ensures that costs are known and minimises larger periodic increases/catch-ups.

APPENDIX 2: STRATEGIC PAY DIRECTOR FEE METHODOLOGY

Strategic Pay has developed an evaluation methodology to assess the relative complexity, risk and scale of an organisation. The methodology has a number of factors we believe can be applied to any organisation to provide a means of assessing appropriate director fees. This is not an evaluation of the individual directors, or the performance of the organisation, but an evaluation of the organisation as a whole, in relation to the role of the directors. The factors are also based on the fundamentals of the organisation, not the skills or requirements of individual directors.

The methodology can be applied to a governance board for any type of organisation. **We have distilled the key factors that affect the complexity, workload, responsibility and risk carried by directors, and that therefore should have some influence on overall fees.**

All of the factors we have selected are interdependent and potentially impact on each other. However, we have tried to capture the most important elements that may impact on the complexity of the governance role and how this should be rewarded.

As a whole, these factors provide a good measure of the overall relative size, complexity and responsibility of the directors.

DirectorRate[®] Factors

- Complexity of Operating Environment
This factor evaluates the complexity of the environment in which the organisation operates.
- Innovation/Technology/Intellectual Complexity
Organisations have varying levels of complexity of the products or services that they provide. This adds to the difficulty of the directors' role.
- Board Discretion/Autonomy
Whilst a governance board always has overall responsibility for the direction and strategy of the organisation, this can vary greatly between organisations.
- Stakeholder Management
The level of interaction required with shareholders also adds to the complexity of the directors' role.
- Revenue/Capital Risk
Some organisations have very little risk regarding their income and funding, whilst for others income can be highly variable and requiring constant monitoring by the board.
- Liability Risk to Organisation
The risk of insolvency, or serious financial uncertainty, or potential for serious health and safety events is a significant responsibility for directors.
- Public Perception/Organisation Profile Risk
Most directors will evaluate the potential reputational risk in joining a board.
- Organisation Revenues and Assets
Annual revenues/turnover and Total Assets of the organisation

APPENDIX 3: ABOUT STRATEGIC PAY

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 227,000 employees from over 1,400 organisations.

Our key nation-wide surveys and reports include:

- NZ Remuneration Report (published 6 monthly)
- CEO and Top Executive Remuneration Report
- NZ Benchmark Report
- Corporate Services and Executive Management
- Directors' Fees Report
- HR Metrics Survey

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