
Pushpay

Directors' Fees Review

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Overview

Shane Sampson, CFO of Pushpay has requested from Strategic Pay a report to assist in reviewing directors fees, specifically around the appropriate fee level range for a high profile individual with very specific skills. These skills/criteria include:

- Experienced director with large organisation/listed company background
- Accounting knowledge at a level to lead Board subcommittees
- Depth of IT experience
- International experience
- Female

The Board wishes a view on the range of fee levels appropriate to meet the market and be able to attract such an individual. We believe these stringent criteria will require Pushpay to canvas a wider market than would usually be the case in an organisation of the size and structure that it currently is.

This report presents the following:

- 1 Background;
- 2 Recommendation Summary
- 3 Market Data
- 4 Committee Fees

Appendices:

- a. Appendix 1 – New Zealand Directors' Fee Survey – February 2019
- b. Appendix 2 – About Strategic Pay Ltd.

1. Background

ORGANISATION DEMOGRAPHICS

Organisation Demographics / Dimensions	
Organisation Type	Private Sector
Ownership	Listed Company
Industry	IT
Annual Turnover / Budget	\$USD122.5 - 125.5M
Market Capitalisation	\$858M
Number of Full Time Equivalent Employees	370 (NZ and USA)

The Board of Pushpay consists currently of five directors (all male). We note the organisation has grown rapidly in recent years with the majority of its revenue now being generated in the United States.

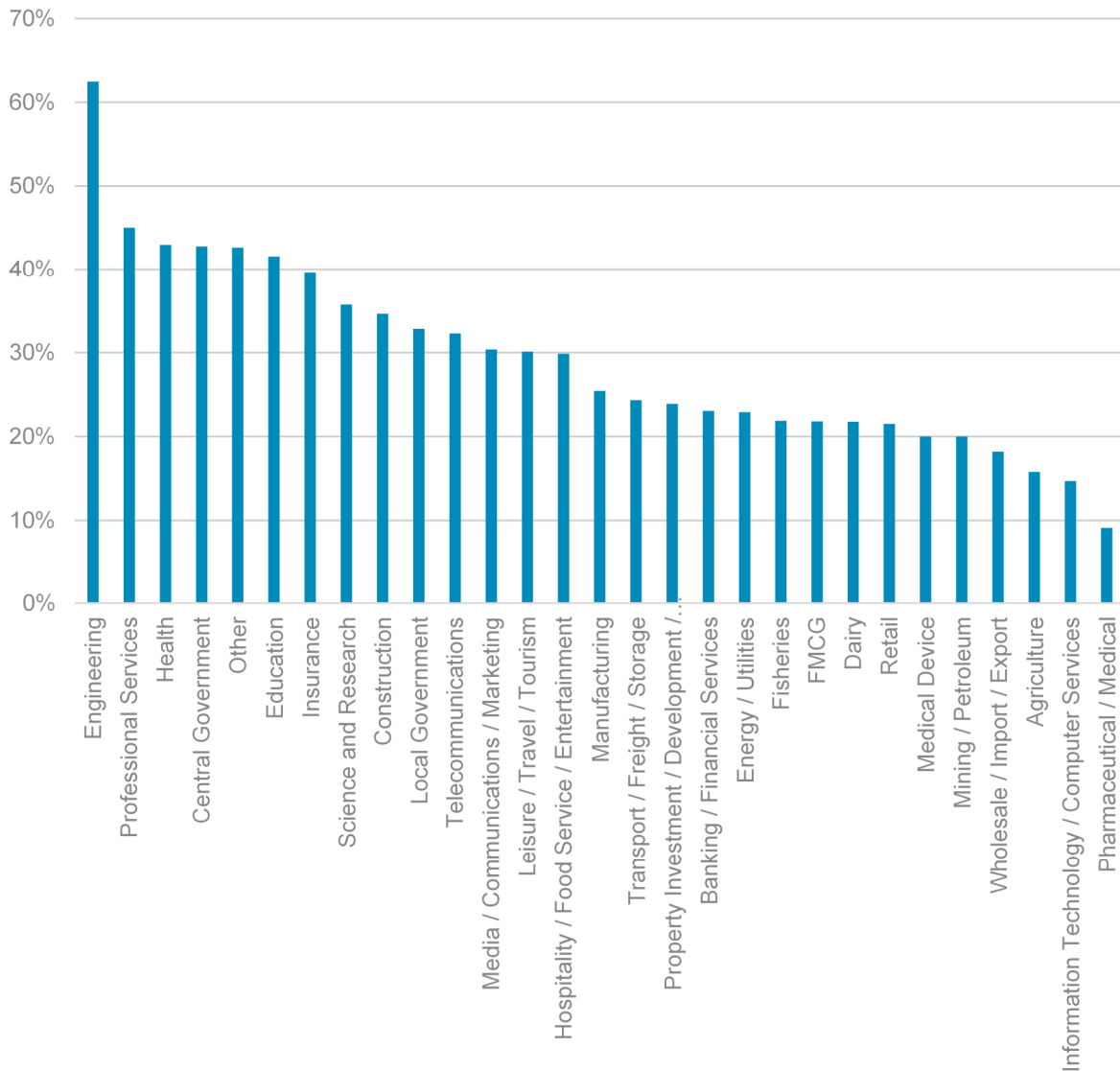
Gender Representation on Boards

Female board members are generally under-represented in medium/large listed organisations and as such the pool of potential candidates is small. This pool becomes even smaller when the other criteria noted above are taken into account. Data on gender representation follows in a table from our 2019 Survey of Directors Fees. The table clearly shows that female directors range in representation from 20% to 40% of most Boards.

Female board members are most prevalent in engineering (63%) and professional services (45%), although those industries have a small sample sizes, therefore making the prevalence more pronounced, compared to health (43%) and central government (43%) which have much larger sample sizes.

Women are less likely to be included on boards found in the information technology/computer services and pharmaceutical/medical industries.

FEMALE BOARD MEMBERS PER INDUSTRY



Candidate Pool and Criteria for Setting Fee Levels

The pool of potential candidates is relatively small in NZ given the size of our economy. In making our assessment we have used private sector NZ listed organisations and market capitalisation over \$800M as the relevant comparator group in which to use for setting the fee levels for this Director. The organisations in this sample are noted later in this report. This group of organisations represents large corporates in New Zealand where the likely candidate is to be found.

To allow for the relative scarcity of any candidates within that pool a range around the Upper Quartile of data is, in our view, the relevant benchmark in which the directors fees level should be set. The use of a range is common to many of our reports and will give the Board a degree of flexibility in making their final determination.

We note this range represents a level of directors fees found only in the largest organisations in New Zealand and Pushpay will be aware that this may cause distortions in the relativity of fee levels with the rest of the Board. However, we have taken the view that potential candidates would be most likely only be found in large corporates it follows then that meeting those fee levels will give Pushpay the best chance of attracting such individuals to their Board. We understand also that Pushpay is likely to hiring a US based Non-Executive Director in the near future and that appointment will likely be at higher fee levels to those found in New Zealand.

2. Recommendation Summary

In preparing this advice we are took particular note of the following:

- The scarcity of candidates with the required background and experience in New Zealand
- The ability of attracting a suitable female candidate from this already small pool
- The likelihood that such a candidate would only be found in a large listed NZ organisation
- The importance of separating base fees and committee fees

The range, which is a gross figure so includes allowance for committee fees, is:

Midpoint less 15%	Midpoint	Midpoint plus 15%
\$110,500	\$130,000	\$149,500

Note: All figures are in NZ\$

As noted earlier in this report the fee levels we highlight are dependent on acceptance of the policy position that to attract an exceptional individual currently operating at the level required Pushpay will likely have to pay in the recommended range as noted. These levels are noticeably higher than what we usually expect to see paid for directors in an organisation of this size and complexity.

3. Market Data

Directors Fee Market Data – Market Capitalisation

This data is taken from our 2019 Survey of Directors Fees. The table below details Directors' total annual fee for 27 private sector listed organisations with market capitalisation exceeding \$800M. There are 145 Directors in the sample.

TABLE 1: TOTAL FEES IN PRIVATE SECTOR LISTED ORGANISATIONS WITH MARKET CAPITALISATION OVER \$800 M.

\$	Lower Quartile	Median	Upper Quartile	Average
Non-Executive Directors	\$100,000	\$112,000	\$130,000	\$116,859

Organisations in the Sample

A2 Milk Corporation Limited
Air New Zealand Limited
Auckland International Airport Limited
Chorus Limited
Contact Energy Limited
EBOS Group Limited
Fisher & Paykel Healthcare Corporation Limited
Fletcher Building Limited
Freightways Limited
Genesis Energy Limited
Goodman Property Trust
Heartland Bank Limited
Infratil Limited
Mainfreight Limited
Mercury NZ Limited
Meridian Energy Limited
Port of Tauranga Limited
Precinct Properties New Zealand Limited
Restaurant Brands New Zealand Limited
SKYCITY Entertainment Group Limited
Spark New Zealand Limited (Telecom)
Summerset Group Holdings Limited
Synlait Milk Limited
Trade Me Group Limited
TrustPower Limited
Vector Limited
Z Energy Limited

4. 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.

Typically, Committee Chair fees stand at a 2:1 ratio to respective Committee member fees. Specifically, across the New Zealand market, median New Zealand annual committee fees are **\$10,000** for Audit Committee Chairs and **\$7,750** for Remuneration Committee Chairs, with member fees at roughly two thirds of those levels.

At upper quartile levels, the 2019 [NZ Directors' Fees Survey](#) indicates **\$15,500** for Audit Committee Chairs and **\$15,000** for Remuneration Committee Chairs.

We have chosen not to specify the actual breakdown of committee and base fees for this role as we see Pushpay as being better informed on how to manage this.

APPENDIX 1: NEW ZEALAND DIRECTORS' FEE SURVEY – FEBRUARY 2019

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 27th annual survey of its type conducted by Strategic Pay Ltd (the longest running survey of directors' fees in the country). 382 organisations contributed data to the 2019 New Zealand Directors' Fees Survey. 2,444 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 2019.

Annual Movements in Median and Average Fees 2009 – 2019

Non-Executive Chairs and Directors - All Organisations

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

Period	Chairs	Directors
	Median	Median
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%
2013	1.3%	1.2%
2012	3.8%	-4.0%
2011	8.3%	8.2%
2010	-*	2.9%
2009	7.1%	3.6%

* Movement not reported in 2010

Increases in the Year to February 2019

Three Year Rolling Trend in Median and Average Fees 2015 – 2019

Non-Executive Directors - Whole Sample

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.

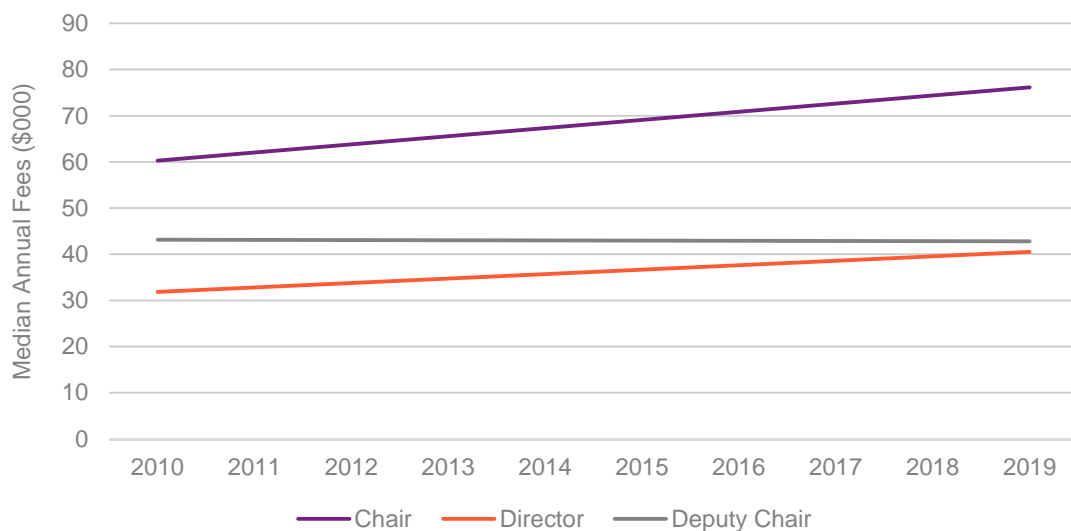
Period	Chairs	Directors
	Median	Median
2017 - 2019	1.5%	3.4%
2016 - 2018	2.0%	2.4%
2015 - 2017	2.4%	2.0%

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.

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.

OVERALL TREND IN MEDIAN DIRECTOR FEES 2010 – 2019

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 2010 to 2019.



Market Trends for Chairs, Deputy Chairs and Directors

Non-Executive Chairs

- Fee levels of 347 non-executive chairs were analysed in 2019 (sample size in 2018 was 347).
- Of the 347 chairs, 259 are the same individuals as in 2018.
- The median base annual fee paid to a non-executive chair in 2019 is \$75,000, up from \$74,200 in 2018.
- Highest fees were paid to non-executive chairs within the construction industry and lowest fees to chairs within the education industry.
- Chairs of private sector publicly listed companies are paid 44% more (at the median) than those of unlisted private sector organisations.

Non-Executive Deputy Chairs

- Fee levels of 94 deputy chairs were analysed in 2019 (sample size in 2018 was 113).
- The median base annual fee paid to non-executive deputy chairs in 2019 is \$45,000 up from \$44,807 in 2018.
- Highest fees were paid to non-executive deputy chairs within the agriculture industry and lowest fees to deputy chairs within the education industry.

Non-Executive Directors

- Fee levels of 1,811 non-executive directors were analysed in 2019 (sample size in 2018 was 1,784).
- Of the 1,811 directors, 1,315 are the same individuals as in 2018.
- The median base annual fee paid to non-executive directors in 2019 is \$40,000 up from \$38,250 in 2018.
- Highest fees were paid to non-executive directors within the dairy and manufacturing industries, and lowest fees to directors within the education sector.
- Directors of private sector publicly listed companies are paid 67% more (at the median) than those of unlisted private sector organisations.

APPENDIX 2: 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 200,000 employees from nearly 1,200 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