



REPORT ON DIRECTORS FEE POOL

for



BLIS TECHNOLOGIES LIMITED

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Level 3, 18 Shortland Street
P.O. Box 4046, Auckland 1140, New Zealand
www.signium.co.nz

Telephone + 64 9 309 0886
Mobile +64 21 611 155

Stephen.Ellett@signium.co.nz

OFFICES WORLDWIDE

BLIS Technologies

Director Fee Recommendations

The Chair of the BLIS Technologies (“BLIS”) has requested SIGNIUM Executive Search International provide an independent market analysis of Director’s Fee Pool relevant to BLIS.

Statement of Independence

SIGNIUM and its officers have no shareholding in the company and provides this advice for a fixed professional fee. SIGNIUM is currently and has previously provided governance advice and executive recruitment services and are independent in providing these Director Fee recommendations.

SIGNIUM New Zealand

SIGNIUM is a long-standing global executive search company that has partnered with Boards of both large and small New Zealand companies on their Independent Director appointments and Evaluation of Directors. SIGNIUM is appropriately qualified to provide this advice.

Changes in Market Expectations of Directors

It is become increasingly recognised that the burden of responsibility on Directors is rising. Government Reviews such as the Banking Royal Commission in Australia have elevated regulatory and governance compliance requirements. The current coronavirus pandemic, while fuelling global demand for BLIS’s probiotic products, has further reinforced that strong and effective governance in biotech, nutraceutical, pharmaceutical and other health-related organisations is just as important now as ever.

When accompanied by growing concern around cybersecurity, privacy and climate change, Directors are now expected to become more intimately involved in the businesses they govern. This commitment has significantly increased the time, demands and expectations on Directors especially those on the boards of publicly listed companies. Consequently, Directors are limiting their governance portfolio to meet these new obligations. Thus, there is an expectation that Directors are more adequately compensated for their services.

Regular adjustments to Director’s Fees

As a consequence, companies should ensure the Director’s fees are regularly market-adjusted to reflect these new and changing demands, liabilities and responsibilities. Market-level fees enable companies to appoint appropriately qualified Directors who are prepared to carry the risk and attract those whose depth of experience, both as a Director and in functional leadership, can guide the company to attain its long-term strategic objectives.

BLIS Director's Fees

Our analysis (refer Appendix A below) is that BLIS's Director's Fee Pool of \$265,000 is below comparative organisations. The current pool is allocated as follows:

| <u>Board Role</u> | <u>Fees (per annum)</u> |
|-------------------------------|-------------------------|
| Chair | \$66,000 |
| Deputy Chair | \$45,000 |
| Director (base fee) | \$35,000 |
| <i>Supplementary Fees</i> | |
| Audit Committee Chair | \$10,000 |
| Remuneration Committee Chair | \$4,000 |
| Member of Audit Committee | \$5,000 |

The location of BLIS and the time required to deliver the services as a Director, are factors BLIS must contend with when securing Directors. When all things are taken into consideration, in comparison with relevant companies, a Director's fee of \$35,000 is out of line with the market and will impair the Board in attracting the calibre of Director the company must appoint.

The Director Fee Pool for BLIS needs to be increased. Now that the BLIS has achieved profitability, the company will require Directors with different skills, experience and competencies who can contribute to the achievement of the company's strategic growth plan. Shareholders will acknowledge that the responsibilities and quality of its Directors will impact heavily on the future performance of BLIS which justifies an immediate increase in the Director's Fee Pool to ensure the company continues to have an appropriately skilled and competent Board.

Recommendation

BLIS Technologies have adopted an aggregated Director Fee Pool approach as per NZX Listing Rules. We recommend that the Board seek approval from the Shareholders to increase the Director's aggregate remuneration pool for non-executive Directors of \$265,000 per annum agreed in 2017 to \$309,000, an increase of 16.6%.

This should be put to the shareholders of BLIS Technologies for adoption at the next AGM thereby enabling the company to sustain the governance of a balanced Board and, when required attract talented Directors. When passed, we would expect fees to be allocated along the following lines: -

| <u>Board Role</u> | <u>Fees (per annum)</u> |
|-------------------------------|-------------------------|
| Chair | \$85,500 |
| Deputy chair | \$58,500 |
| Director (base fee) | \$45,000 |
| <i>Supplementary Fees</i> | |
| Audit Committee Chair | \$12,500 |
| Remuneration Committee Chair | \$7,500 |
| Member of Audit Committee | \$5,000 |

These suggestions follow the generally accepted practice of paying the Chair about twice that of a Director and Deputy Chair up to 1½ times the standard Director's fee. It also acknowledges the added responsibilities of the Chair and Members of the Audit Committee and the Chair of the Remuneration Committee.

Stephen Ellett (BCom, MBA)
Director
SIGNIUM Executive Search International Limited

Appendix A

Relevant comparisons include listed companies similar in size and complexity to BLIS – March 2020.

| <u>Company</u> | <u>Market Cap</u> (<u>'000s</u>) | <u>Revenue</u> (<u>'000s</u>) | <u>Profit</u> (<u>'000s</u>) | <u>Net Profit Margin</u> | <u>Directors Fee Pool</u> | <u>No of NEDs</u> | <u>Directors Pool / # of NEDs</u> | <u>Chair Fees (Base)</u> | <u>Deputy Chair Fees (Base)</u> | <u>Director Fees (Base)</u> | <u>Chair Audit Committee</u> | <u>Chair Rem. Committee</u> |
|--------------------------|---------------------------------------|------------------------------------|-----------------------------------|--------------------------|---------------------------|-------------------|-----------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------------|-----------------------------|
| Future Mobility | \$4,276 | \$52,134 | -\$6,395 | -12.3% | \$145,000 | 2 | \$72,500 | N/A | N/A | \$40,000 | | |
| Good Spirits Hospitality | \$5,846 | \$25,429 | \$512 | 2.0% | \$220,000 | 4 | \$55,000 | \$70,000 | N/A | \$40,000 | \$9,000 | \$9,000 |
| AFT Pharmaceuticals | \$296,789 | \$85,127 | -\$2,427 | -2.9% | \$575,000 | 5 | \$115,000 | \$95,000 | N/A | \$40,000 | \$7,500 | \$7,500 |
| Serko Ltd | \$316,408 | \$24,576 | \$1,507 | 6.1% | \$350,000 | 3 | \$116,667 | \$128,000 | N/A | \$80,000 | \$16,000 | \$16,000 |
| Pacific Edge Limited | \$99,719 | \$5,129 | \$17,921 | -349.4% | \$302,000 | 5 | \$60,400 | \$80,000 | \$50,000 | \$44,000 | \$5,000 | \$5,000 |
| Cooks Global Limited | \$33,776 | \$6,039 | -\$4,813 | -79.7% | \$80,000 | 2 | \$40,000 | N/A | N/A | \$40,000 | | |
| GEO Limited | \$6,696 | \$5,595 | -\$5,318 | -95.0% | \$250,000 | 4 | \$62,500 | \$75,000 | N/A | \$45,000 | \$5,000 | \$5,000 |
| QEX Logistics | \$43,137 | \$59,446 | \$1,944 | 3.3% | \$95,000 | 2 | \$47,500 | \$55,000 | N/A | \$40,000 | | |
| Smartpay | \$33,491 | \$21,097 | -\$1,849 | -8.8% | \$300,000 | 5 | \$60,000 | N/A | N/A | \$60,000 | | |
| Mercer Group | \$11,613 | \$38,127 | -\$1,029 | -2.7% | \$127,000 | 3 | \$42,333 | \$76,250 | N/A | \$43,250 | | |
| Sample Average | \$85,175 | \$32,270 | -\$3,579 | -11.1% | \$244,400 | 4 | \$69,829 | \$82,750 | \$50,000 | \$47,225 | \$8,500 | \$8,500 |
| Blis Technologies* | \$44,360 | \$8,400 | \$381 | 4.5% | \$265,000 | 5 | \$53,000 | \$66,000 | \$45,000 | \$35,000 | \$10,000 | \$4,000 |

* Current level of Director Fees. Members of the Audit Committee also receive \$5,000

Our analysis of the fees paid to BLIS Directors was also compared to the recommended Director's fees paid under the authority of the State Services Commission. These fees range from \$18,000-\$41,000 for a Director and between \$36,000-\$82,000 for a Chair, the ranges being aligned with the responsibilities taking into account factors such as size, frequency of meetings and commerciality/risks of the organisation.