

# Director and Executive Remuneration Policy

## 1. Policy Statement

- 1.1 The purpose of this policy is to outline the guiding principles and structure of SPNZ's remuneration to the Board and executives, together with the review process and reporting requirements.

## 2. Background and Definitions

- 2.1 This policy outlines the structure of director and executive remuneration, the formal process for shareholder review, transparency and reporting of actual remuneration paid and bi-annual review of the remuneration policy and process.
- 2.2 *Director Fee* – a sum of money paid to directors to remunerate for their time and responsibilities of participating on the Board.
- 2.3 *Chairperson* – a director elected by the Board of Directors to chair board and shareholder meetings.
- 2.4 *Committee Chair* – a director elected by the Board of Directors to chair meetings of a sub-committee. This is the Audit and Risk Committee.
- 2.5 *Director* – a member of the Board of Directors providing governance for SPNZ and its business operation. They report to the Chair of the Board.
- 2.6 *Chief Executive Officer* – the most senior employee charged with leading the business and senior executive team. He/she reports to the Chair of the Board.
- 2.7 *Fixed Remuneration* – refers to base salary, superannuation and medical insurance paid for the requirements of the role as outlined in an Individual Employment Agreement.
- 2.8 *Variable Remuneration* – refers to remuneration that is 'at risk' and linked to individual and organisational performance with clearly defined metrics.
- Short Term Incentive (STI) – refers to a discretionary form of payment that may be offered and paid upon the achievement of pre-determined levels of performance. STI achievement requirements may vary from one year to the next to reflect business needs.
  - Long Term Incentive (LTI) – refers to a performance right to equity upon the achievement of pre-determined levels of performance over an extended period of time. Performance and vesting periods are linked to the creation of shareholder value. LTI achievement requirements may vary from one year to the next to reflect business needs. SPNZ currently does not offer LTI's to directors or employees.

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- 2.9 SPNZ does not have a separate Remuneration Committee. Instead, the following functions are carried out by the entire SPNZ Board:
- Setting and reviewing the remuneration policies and practices of the Company;
  - Setting and reviewing as appropriate, the terms of employment agreements including the remuneration structure and annual performance for the CEO and any other senior executives as the Board may from time to time determine;
  - Monitoring people practices in areas of management succession and senior organisation structure;
  - Considering such other matters relating to employment and regulatory compliance issues.

### 3. Guiding Principles

- 3.1 The guiding principles of this policy are that the remuneration of directors and executives will be transparent, fair and reasonable to meet the needs of the business, corporate governance bodies and shareholders. When setting levels of remuneration, consideration will be given to the creation of shareholder value as the Board promotes the alignment of the interests of directors, the CEO and other executives with the long term interests of shareholders. SPNZ’s policy on remuneration position is that remuneration will be at market median level. Remuneration is calculated on a total cost to company basis.
- 3.2 The Board seeks to ensure that directors and executives receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.
- 3.3 The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive director remuneration.

### 4. Director Fees

- 4.1 Each Board member receives an annual fee for their time and expertise given to the Board and any committee they are a member of commensurate with the responsibilities of the role. These fees are paid from a pool of funds approved by shareholders at the Annual Meeting of shareholders.
- 4.2 The fees payable are reviewed each year by the Board, in accordance with the principles of this policy. Any proposal for a change in the individual level for director, or committee payment, or to the pool of funds, has to be approved by the Board.
- 4.3 Any Board approved increase in the amount of funds pooled will then be taken by the Chairman of the Board to the Annual General Meeting of Shareholders for their approval.
- 4.4 Revised amounts payable may be made effective at the commencement of the financial year in which the annual meeting is held.

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4.5 A suitably qualified and experienced external consulting company is engaged as appropriate to review the market relativity of Board and committee member fees.

4.6 All fees payable to Board members are disclosed in the company's annual report.

## 5. Chief Executive Officer Remuneration

5.1 The CEO's salary is made up of fixed and variable remuneration that reflect the CEO's expertise, contribution and performance in the Company. Variable remuneration includes only short term incentives. The total remuneration paid is reviewed each year by the Board in accordance with the principles of this policy. Any changes agreed are made effective in accordance with the terms of the CEO's individual employment agreement.

5.2 A suitably qualified and experienced external consulting company is engaged as appropriate to review the market relativity of the CEO's remuneration. An evaluation against comparable peer groups is also undertaken.

5.3 All remuneration paid to the CEO is disclosed in the company's annual report.

## 6. Executive/Management Remuneration

6.1 The remuneration for direct reports to the CEO will be reviewed each year by the CEO and the Board in accordance with the principles of this policy. Any changes agreed are made effective in accordance with the terms of the individual manager's employment agreement.

6.2 A suitably qualified and experienced external consulting company is engaged as appropriate to review the market relativity of the management's remuneration. An evaluation against comparable peer groups is also undertaken.

## 7. Governance

7.1 The deployment and review of this policy will be managed by the CEO and Finance Manager under consultation with the Board. It will be reviewed on a bi-annual basis.

***SPNZ reserves the right to amend, update or withdraw this policy without prior notice and will review this policy as required in the event of a change in legislation or practice.***

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