

# The Warehouse Group Limited

Non-executive directors' fees benchmarking  
Summary report

26 October 2021



# Independence declaration

PwC's Reward Services team was engaged by The Warehouse Group Limited's (TWG) Board of Directors (the Board) to provide independent remuneration benchmarking services in relation to TWG's Directors' fees (the Services).

As lead engagement Partner for the provision of the Services to the Board, I declare that no influence has been brought to bear upon me or, to the best of my knowledge and belief, any member of the PwC Reward Services team, by any Board member, employee or executive of TWG or any other party regarding the Services or outcomes of the Services.

In my professional opinion, all members of the PwC engagement team are therefore independent for the purposes of the Services as outlined in the commentary to Recommendation 5.2 of the NZX Corporate Governance Code 2017

Dated: 26 October 2021



Chris Place

Partner  
PricewaterhouseCoopers

# Summary

PwC was engaged by TWG Board to provide NED fee benchmarking. The scope of our work was limited to providing market data only, with no recommendations sought or provided regarding how TWG’s NED fees should be positioned relative to the market data. For the purposes of providing market data, two separate comparator groups were agreed with the Board:

- One group was compiled using comparable market capitalisation (see Appendix 1); and
- The second group was compiled using comparable annual revenue (see Appendix 2).

NZX-listed companies that fell within a size range of circa 50% - 200% of TWG (as the subject company) of the respective primary dimensions (i.e. market capitalisation or annual revenue as the case may be) were the foundation point for these two peer comparator groups. Where companies fell outside this range (some lower, some higher) these were included for one or more of the following reasons:

- To achieve a relatively even weighting of companies smaller than and larger than TWG for that dimension;
- To ensure TWG’s size for each dimension was relatively aligned with the median of the peer group; and/or
- Due to direct industry relevance e.g. inclusion of Hallenstein Glasson Holdings in the market capitalisation group, although it is smaller than 50% of TWG by market capitalisation.

The market data table overleaf summarises the market median position of specified Board roles against the median of each of these two groups, together with a comparative ratio to the median for each TWG role. Data has been sourced from publicly available information, including annual reports and NZX disclosures.

In terms of overall market alignment for TWG:

Market capitalisation comparator group alignment	Annual revenue comparator group alignment
<ul style="list-style-type: none"> <li>• TWG Board Chair &amp; NED roles lag the market median (95% and 87% respectively), as does the Chair of the <i>Health, Safety &amp; Wellbeing Committee</i> (86%).</li> <li>• The Chairs of the <i>Audit &amp; Risk Committee</i> and the <i>People &amp; Remuneration Committee</i> both lead the market median of this data set (each with a 167% comparative ratio to the median).</li> <li>• TWG pool fee and total fees paid both lead the respective market medians of this peer group (115% and 108% respectively).</li> <li>• There were limited <i>Member of committee</i> roles across this data set which attracted fees, therefore member data was not provided for these positions, based on the sample sizes available.</li> </ul>	<ul style="list-style-type: none"> <li>• TWG Board Chair &amp; NED roles lag the market median of this data set at 82% and 75% respectively.</li> <li>• Alignment for Chair of Committee roles varies. The Chair of the People &amp; Remuneration Committee is market median aligned (100%). The Chairs of the Audit &amp; Risk and the Health, Safety &amp; Wellbeing Committees both lag the corresponding market median of the data set at 71% and 58% respectively.</li> <li>• Member data for the Audit &amp; Risk Committee is positioned at 45% of the market median, whilst People &amp; Rem. Committee members also lag the median, with a comparative ration of 60%.</li> <li>• For total fee pool and total fees paid, TWG is positioned at 77% and 71% of this group’s market median respectively.</li> <li>• Fee levels for all roles in this group lead those of the market capitalisation comparator group.</li> </ul>

In our experience there is a closer correlation between market capitalisation and Director fees than the correlation between annual revenues and Directors’ fees. However, where the Board chooses to position its fees against the market data summarised in the table on the following page will depend on the Board’s view of the overall relevance of each comparator group and specifically TWG’s perceived relative complexity of operations, relative scale, ranking (by scale), risk profile and Director work loads as compared with those of the comparator companies that comprise each group.

# Summary

**Table 1: Fee summary**

		Market capitalisation comparator group			Annual revenue comparator group		
Position	TWG fee policy	Sample size	Market median*	Comparison to the median	Sample size	Market median*	Comparison to the median
Board Chair	166,000	11	174,000	<b>95%</b>	11	201,300	<b>82%</b>
NED	78,525	13	90,000	<b>87%</b>	12	105,300	<b>75%</b>
Chair of Audit & Risk Committee	25,000	11	15,000	<b>167%</b>	9	35,000	<b>71%</b>
Chair of People & Rem. Committee	20,000	9	12,000	<b>167%</b>	10	20,000	<b>100%</b>
Chair of H, S & Wellbeing Committee	15,000	4	17,500	<b>86%</b>	5	26,000	<b>58%</b>
Member of Audit & Risk Committee	7,500	<b>Insufficient sample sizes</b>			9	16,500	<b>45%</b>
Member of People & Rem. Committee	6,000				10	10,000	<b>60%</b>
Member of H, S & Wellbeing Committee	Nil				5	13,000	-
Total approved pool fee	900,000	12	783,800	<b>115%</b>	10	1,166,200	<b>77%</b>
Total fees paid	703,000	13	652,500	<b>108%</b>	12	985,800	<b>71%</b>

\* Market fee data has been rounded up or down to the nearest hundred e.g. \$90,125 becomes \$90,100.

# Appendix 1 – Comparator group by comparable market capitalisation

**Table 2:**

Organisation name	Market Capitalisation (\$ millions) - 23/06/2021	Company total revenue (\$ millions)	Company total gross assets (\$ millions)
Freightways Limited	2,061	631	1,050
Air New Zealand Limited	1,774	4,836	7,543
Restaurant Brands New Zealand Ltd	1,737	925	1,173
Delegat Group Limited	1,517	303	820
Z Energy Limited	1,347	3,520	2,953
Briscoe Group Limited	1,277	653	697
Heartland Group Holdings Limited	1,201	217	5,318
Kathmandu Holdings Limited	1,142	802	1,573
Stride Stapled Group	1,131	59	1,140
Oceania Healthcare	1,024	193	1,549
Skellerup Holdings Limited	926	251	284
Synlait Milk Limited	831	1,302	1,492
Hallenstein Glasson Holdings Limited	442	288	211
<b>The Warehouse Group Ltd</b>	<b>1,172</b>	<b>3,173</b>	<b>1,855</b>
<b>Market median</b>	1,201	631	1,173
<b>TWG C/R to the median</b>	<b>98%</b>	<b>503%</b>	<b>158%</b>
<b>RELATIVITY TO TWG</b>	7 larger, 6 smaller	2 larger, 11 smaller	3 larger, 10 smaller

Source: Market capitalisation data: [www.nzx.com](http://www.nzx.com) June 2021, revenue and total assets data was taken from the latest annual reports

## Appendix 2 – Comparator group by comparable annual revenue

**Table 3:**

Organisation name	Market Capitalisation (\$ millions) - 23/06/2021	Company total revenue (\$ millions)	Company total gross assets (\$ millions)
Meridian Energy Limited	13,271	3,405	9,623
Spark New Zealand Limited	8,915	3,623	4,347
Mercury NZ Limited	8,869	1,768	6,885
Mainfreight Limited	7,562	3,095	2,305
Contact Energy Limited	6,232	2,073	4,896
Fletcher Building Limited	6,191	7,309	8,778
The a2 Milk Company Limited	4,832	1,731	1,453
Vector Limited	4,030	1,294	6,381
Genesis Energy Limited	3,527	2,592	4,582
Air New Zealand Limited	1,774	4,836	7,543
Z Energy Limited	1,347	3,520	2,953
T&G Global Limited	362	1,412	981
<b>The Warehouse Group Limited</b>	<b>1,172</b>	<b>3,173</b>	<b>1,855</b>
<b>Market median</b>	<b>5,512</b>	<b>2,843</b>	<b>4,739</b>
<b>TWG C/R to the median</b>	<b>21%</b>	<b>112%</b>	<b>39%</b>
<b>Relativity to TWG</b>	11 larger, 1 smaller	5 larger, 7 smaller	10 larger, 2 smaller

Source: Market capitalisation data: [www.nzx.com](http://www.nzx.com) June 2021, revenue and total assets data was taken from the latest annual reports