

Review of Current Non-Executive Director Fee Practices

Stride Property Group

May 2021

1. Executive Summary

Stride Property Group (Stride) has engaged Ernst & Young Limited (EY) to prepare a report in relation to Non-Executive Directors' (NED) fees. We confirm that our report has been prepared independently and is not subject to any influence from the management or any board member of Stride New Zealand or any third party.

Stride is made up of the following entities:

- ▶ Stride Property Limited (SPL), a property investment vehicle which meets a minimum of 5 times each year. In 2020, the Board met 8 times.
- ▶ Stride Investment Management Limited (SIML) which is real estate investment management business. The SIML Board schedules a minimum of 8 meetings each year and met 10 times in FY20.

The SPL Board and the SIML Board are each responsible for the proper direction and control of the legal responsibilities and activities of their respective entity.

Consistent with the following notation in the Annual Report 2020, we have approached the Director fees review for Stride as a combined entity:

"Directors are collectively paid through a contribution from both SIML and SPL. However, under waivers granted by NZX, there is no requirement that Directors' remuneration be authorised by separate resolutions of SPL and SIML¹".

The findings in this section summarise the market positioning of Stride's Chair, NED and committee fees compared to the market data. Fees are 'at' the relevant market reference point if positioned within 10% of the market data reference point.

The market information pertaining to fee practices within the comparator group has been sourced from EY's Directors' fees database, supplemented with data from the most recent financial year end annual reports. The information from annual reports is publicly available information. The comparator group has been determined based on organisations of similar size and scope and as agreed in previous discussions with Stride.

We acknowledge that there is a time lag in remuneration disclosures from the chosen organisations. Generally, Ernst & Young does not support 'ageing' market data to account for this time lag. Therefore, the data used in this analysis is factual and has not been aged.

1.1 Summary of market data - policy fees

As Stride has both New Zealand and Australia based NED's, EY has been requested to include an Australian comparator group along with the New Zealand group in this report. At Stride's request, we have performed a supplementary analysis based on an extended comparator group of ASX listed organisations within the Property Investment industry, although, in our view, this analysis is for noting only, given the size differential between Stride and the Australian comparators (Stride's revenue and market capitalisation both equate to 6% of the median of the sample). We have used the following exchange rate to compare Stride fees disclosed in NZD to the Australian market data: NZD 1 = AUD 0.95.

The New Zealand comparator group forms the primary basis from our recommendations are based on. The Australian comparator group is provided for NED fee comparison to the Australian market as Australian-based directors sit on Stride's board. This provided multiple viewpoints, enabling a thorough scan of market practice covering the key determinants of Director fee practices that are pertinent to Stride compared with the comparator groups, namely:

¹ Stride Property Group Annual Report 2020 p126

- ▶ Revenue: Stride ranks equal 12th out of the 14 organisations in the New Zealand group.
- ▶ Market capitalisation: When ranked for market capitalisation, Stride is 10th out of the 14 organisations for whom data was available in the New Zealand group.
- ▶ Total Assets: Stride ranks 10th out of the 14 organisations for whom data was available in the New Zealand group.
- ▶ Australian market: Stride ranks 16th out of the 16 organisations included in the Australian comparator group for revenue, market capitalisation and total assets.

The tables below compares the fees paid to Stride's Chair, NEDs, committee fees and fee pool to disclosed market data in the comparator group.

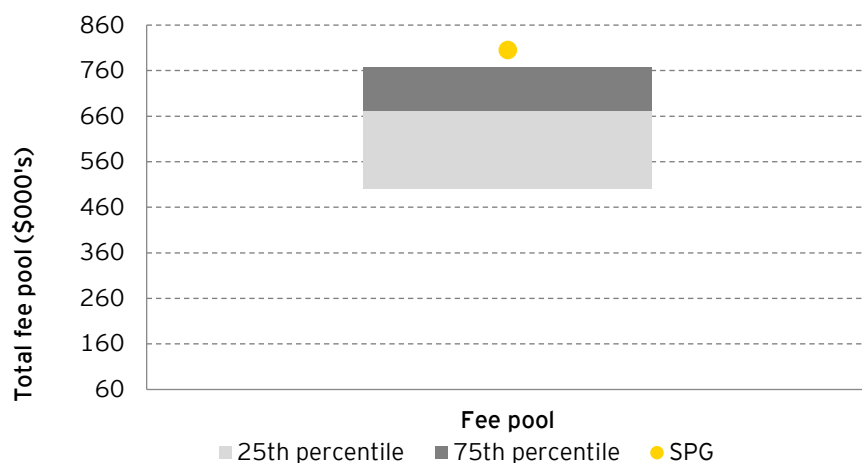
	SPG	Median	Comparison to median	Sample size
Chair	167,500	160,000	Between the median and upper quartile	12
NEDs (Base fees)	96,000	86,250	At the upper quartile	12
NEDs (Base fees including committee fees)*	96,000	91,571	At the upper quartile	12
Audit and Risk Committee Chair	13,000	15,000	Between the lower quartile and median	11
Sustainability Committee - Chair	**	7,500	-	8
Sustainability Committee - Member	**	4,250	-	6
Total NED fee pool	805,000	672,500	Above the upper quartile	9

* As Stride does not currently committee member fees, this group provides information on NED base fees including committee member fees

** No current fees exist for the Sustainability Committee

	Stride*	Median	Comparison to median	Sample size
Chair	159,125	430,000	Below the lower quartile	11
NEDs	91,200	213,000	Below the lower quartile	11
Audit and Risk Committee Chair fee policy	12,350	40,000	Below the lower quartile	11
Audit and Risk Committee Member fee policy	-	30,750	Below the lower quartile	11
Market Capitalisation (\$million)	1,074	9,173	Below the lower quartile	11
Revenue (\$million)	90	798	Below the lower quartile	11

The following diagram compares Stride's approved maximum aggregate NED fee pool to the approved maximum aggregate NED fee pools of the selected comparator group.



Stride's total NED fee pool is above the upper quartile of the comparator group.

1.2 Recommendations

When developing the recommendations below, we have considered the following factors:

- ▶ Both the minimum number of Board meetings stated in the Board charters (13) and the actual number held for SIML (10) and SPL (8) are significantly above the upper quartile of the comparator sample (9).
- ▶ Current market movements and trends for NED fees.
- ▶ Stride's relative positioning: at the lower quartile for revenue, between the median and upper quartile for market capitalisation and between the lower quartile and median for assets.
- ▶ The nature of Stride's committee practices: Stride operates an Audit and Risk Committee, on which all board members of both SPL and SIML sit. Stride have not formed a Remuneration and Nominations Committee and these functions are undertaken by the SPL and SIML Boards as a whole.
- ▶ Stride has established a Sustainability Committee, which intends to meet a minimum of four times per year. Three board members sit on the committee and no current fee policy has been set. We have provided potential Chair and member fees for Stride to consider. Given the planned number of meetings and anticipated time commitment, these are aligned to the market median for additional committee fees (excluding Audit & Risk and Remuneration committee fees).
- ▶ The organisation continues to broaden its focus from a property management organisation to have an increased emphasis on funds management.

Based on the considerations above, information provided by Stride and the EY Directors' fee database, our recommended Stride fee structure is set out below.

Role	Stride's Current Practice (\$)	Recommended Fee (\$)	Increase (%)
Chair Base Fee	167,500	172,500	3.0%
NED Base Fee	96,000	97,500	1.6%
Audit and Risk Committee - Chair	13,000	13,500	3.8%
Sustainability Committee - Chair	*	7,500	*
Sustainability Committee - Member	*	4,250	*

* No current fees exist for the Sustainability Committee

The current available fee pool is \$805,000. The remuneration and other benefits, excluding reimbursements, received by the NEDs of Stride during 2019/20 was \$652,494.

We understand the current fee pool was increased following our previous review. If the above recommendations are adopted, the fees paid to directors would fall within the current \$805,000 fee pool. However, in order to ensure that Stride has sufficient headroom, EY recommends that the fee pool is increased to \$835,750. This will allow Stride to make changes to the size or composition of the Board should the need arise.

Increasing the fee pool to \$835,750 will ensure that Stride's headroom equates to 1.5x the proposed NED base fee.

Thank you for the opportunity to assist Stride with this assignment.



Una Diver
Partner - People Advisory Services
Ernst & Young Limited

Appendix - Stride comparator groups company financial comparisons

► New Zealand comparator group (n=12)

Organisation	Revenue (\$millions)	Market Capitalisation (\$ millions)*	Total Assets (\$millions)	Chair fees	NED fees	Audit & Risk: Committee Chairman
Property for Industry Limited	229	1,007	1,523	160,000	82,500	15,000
Oceania Healthcare Limited	192	588	1,549	180,000	90,000	20,000
Kiwi Property Group Limited	169	1,475	244	172,500	94,000	20,000
Arvida Group Limited	164	677	1,907	150,000	82,000	12,000
Summerset Group Holdings Limited	154	1,236	3,338	180,000	90,000	18,000
Precinct Properties New Zealand Limited	152	2,247	3,185	182,340	91,170	15,000
Argosy Property Limited	100	744	1,930	165,000	82,500	12,500
Goodman Property Trust	87	2,973	3,168	-***	-***	***
NZX Limited	70	306	213	160,000	90,000	20,000
Kingfish Limited	8	321	346	155,000	90,000	10,000
Augusta Capital**	-	-	-	-	-	-
Metlifecare Limited**	-	-	-	-	-	-
Stride	95	1,130****	1,400	167,500	96,000	13,000
	Between the lower quartile and median	Between the median and upper quartile	Between the lower quartile and median	Between the median and upper quartile	At the upper quartile	Between the lower quartile and median

* Market capitalisation was calculated as at 31 March 2020

** Please note we are unable to disclose information for privately held organisations; however, all board information has been included in our overall analysis

*** Fees not disclosed

**** Stride market capitalisation as at 27 January 2021

► Australian comparator group (n=11)

Organisation	Revenue (\$millions AUD)	Market Capitalisation (\$ millions AUD)	Chair fees (AUD)	NED fees (AUD)	Audit & Risk: Committee Chairman (AUD)
Stockland	2,768	9,312	500,000	175,000	40,000
Scentre Group	2,616	14,260	717,500	210,125	60,000
Mirvac Group	2,186	10,116	480,000	185,000	30,000
Goodman Group	1,719	28,241	625,000	230,000	50,000
Vicinity Centres	1,287	7,164	463,500	164,800	41,200
GPT Group	798	9,173	430,000	170,000	40,000
Dexus	795	11,193	400,000	170,000	30,000
Charter Hall Group	379	4,985	384,000	153,750	41,000
Cromwell Property Group	315	2,564	220,189	101,168	20,600
Growthpoint Properties Australia	277	2,762	203,872	104,335	20,177
Abacus Property Group	270	1,987	232,142	105,000	27,300
Stride	90	1,074	159,125	91,200	12,350
	Below the lower quartile	Below the lower quartile	Below the lower quartile	Below the lower quartile	Below the lower quartile

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