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## Serko Limited

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### Directors' Fees Summary Report

July 2021

**Private and Confidential**

*Strategic Pay Limited is independent of Serko Limited. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from management of Serko Limited, any board member of Serko Limited, or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.*

## Overview

Serko Limited (“Serko” hereafter), has commissioned Strategic Pay Limited to provide a review of its Board of Director fees. We were supplied our background information by the Chair. Board fees were last reviewed in 2019.

Our approach involves constructing relevant, customised market samples from our February 2021 **New Zealand Director Fees Survey** database to determine and position appropriate Board fee levels for Serko.

## Background

Serko has been leading the way with innovative, integrated travel and expense solutions since 2007. Since then they have listed on the New Zealand and Australian Stock Exchanges (Ticker: SKO), built a global team of around 300 people, and continues to scale business, and developed a blue-chip customer base in many countries around the world.

Today more than 6,000 customers across Asia Pacific, North America, the UK and Europe rely on Serko to help them manage their corporate travel programs and make sense of their corporate expenses.

As of financial year-end 31 March 2021, Serko reported \$111 million in total assets, generating total income (including grants) of \$16.9 million (COVID impacted). Market capitalisation on the NZX stands at \$783 million at 12 July 2021.

The Board of Directors consists of an independent Chair plus four Directors. The Board comprises three independent directors and two Executive Directors. The Chair currently receives base annual fees of **\$150,000 (AU\$140,000)**, and each independent Director receives base annual fees of **\$101,000 (AU\$95,000)**.

The Audit and Risk Committee Chair received **\$21,000 (AU\$20,000)** and **\$10,000 (AU\$9,000)** to committee members. The Nomination and Remuneration Committee Chair similarly receives **\$21,000 (AU\$20,000)** and **\$10,000 (AU\$9,000)** to committee members.

Board meetings are held approximately twelve times annually, plus additional special meetings as required, this can be up to thirteen meetings. This is a high workload relative to other peer group organisations.

The Audit and Risk Committee meets four times per year and consists of a Chair and 2 members. The Nomination and Remuneration Committee meets four times a year and consists of a Chair and 2 members.

*You advise that the Board’s policy in setting Board fees is “Serko is looking to create a Remuneration scheme that is competitive and attractive with the top players in NZ and which makes Serko attractive to top talent offshore (specifically US and Australia). Our current remuneration seems to be around the midpoint of the market and the company is aggressively positioning itself for growth and need to attract talent to support that growth. Serko is also looking to increase the fee pool to bring in a 4th NED in late calendar 2021 or early 2022”.*

We note that Serko sits around the median of the identified peer group organisations in practice therefore applying the boards policy.

## DIRECTORS FEE MARKET DATA – CUSTOMISED INDUSTRY PEER GROUP

Table 1 below provides details of directors' remuneration for 13 NZ, and Australian listed companies of similar size and scale, or industry. We have identified and agreed with you on these companies as relevant comparators.

We have researched websites and reviewed most recent published annual reports to present the most current base annual fee and financial data possible:

- Atlassian
- Corporate Travel Management Ltd.
- EROAD Limited
- Fisher & Paykel Healthcare Corporation Limited
- Gentrack Group Limited
- Iress
- Pushpay Holdings Limited
- Serko Limited
- SKY Network Television Limited
- Synlait Milk Limited
- Tourism Holdings Limited
- Vista Group
- Xero

TABLE 1: BASE ANNUAL DIRECTORS' FEES IN 13 LISTED NZ, AND AUS PEER GROUP COMPANIES:

Sample - 10	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Average (\$)
Chair	\$136,448	\$174,000	\$317,317	\$230,786
Directors	\$83,333	\$102,099	\$148,920	\$139,796

This sample yields median annual base fee levels for Chairs of **\$174,000** and median base annual fees of **\$102,099** for Directors.

Latest available financial data for this peer group appears below. Based on this analysis, placement around the median levels of the peer group sample is most appropriate for Serko.

### Demographic Types' Quartiles

	Turnover	Total Assets	Shareholders Funds	Employees	Market Capitalisation
Lower Quartile	\$144,500,000	\$243,600,000	\$160,494,000	700	\$376,700,164
Median	\$580,614,100	\$837,936,000	\$422,366,000	1,000	\$384,906,410
Upper Quartile	\$1,263,700,000	\$1,435,000,000	\$629,012,340	1,951	\$1,177,443,095

## DIRECTORS FEES

Our analysis is based on several factors including the financial size, ownership, and industry of Serko, your own guidance, and the market data presented above.

We have also considered the scope and responsibilities carried by the Board of Directors.

## DIRECTORS FEES

We recommend setting base annual Director fees within the range **\$75,000 to \$102,000 (\$AU70,000 to AU\$96,000)** based on the data below:

TABLE 3: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR SERKO:

Sample	Positioning	Base Annual Fee (NZ\$)
Revenue	Upper Quartile	75,000
Assets	Upper Quartile	70,725
Market Capitalisation	Median	75,658
Market Capitalisation	Upper Quartile	93,500
Headcount	Median	75,000
Industry Peer Group	Median	102,099

## CHAIR FEES

Similarly, we recommend setting base annual Chair fees within the range **\$150,000 to \$174,000 (\$AU140,000 to AU\$163,500)** based on the data results below:

TABLE 4: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR SERKO:

Sample	Positioning	Base Annual Fee (NZ\$)
Revenue	Upper Quartile	140,483
Assets	Upper Quartile	138,250
Market Capitalisation	Median	155,234
Market Capitalisation	Upper Quartile	165,216
Headcount	Median	150,000
Industry Peer Group	Median	174,000

## RECOMMENDATION SUMMARY

Based on market sample results, Serko's ownership and industry as well as Serko's own guidance, we present the following recommendation.

We recommend that base annual fees for the Chair remain within the range of **\$150,000 to \$174,000 (\$AU140,000 to AU\$163,500)**. This positions Chair fee levels paid, at comparably sized NZ listed companies, including the peer group which has a strong international focus and the majority of revenue derived overseas.

We further recommend that base annual Director fees remain within the range of **\$75,000 to \$102,000 (\$AU70,000 to AU\$ 96,000)**. This range reflects pay levels at comparably sized NZ listed companies, including the peer group which has a strong international focus and the majority of revenue derived overseas.

We recommend that committee chair and member fees remain unchanged. This reflects market practice of NZ listed companies and is consistent with median committee fees paid amongst the selected peer group sample.

This recommendation allows the Serko Board to achieve close to the 2:1X Chair to Director fee premium consistently seen across the NZ market, reflecting a Chair's greater responsibilities, liabilities, and workload.

TABLE 2: RECOMMENDATION SUMMARY:

Fees	Number	Proposed (NZ\$)	Proposed Total (NZ\$)
Chair	1	150,000 to 174,000	150,000 to 174,000
Independent Director	4	75,000 to 102,000	300,000 to 408,000
Audit & Risk Committee Chair	1	21,000	21,000
Audit & Risk Committee member	2	10,000	20,000
Nomination & Rem Committee Chair	1	21,000	21,000
Nomination & Rem Committee member	2	10,000	20,000
<b>Total</b>			<b>532,000 to 664,000</b>

**Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by Board members.**

## APPENDIX 1: ABOUT STRATEGIC PAY LTD

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 180,000 employees from nearly 1,100 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](http://www.strategicpay.co.nz)