

Fisher & Paykel Healthcare Limited

Review of Directors Fees

Summary of EY report dated 19th June 2017

1. Introduction

Fisher & Paykel Healthcare Corporation Limited (F&P Healthcare) has engaged Ernst & Young (EY) to provide market data in relation to Chair fees, Non-Executive Director (NED) fees, and Committee fees. In preparing the report on which this summary is based, we have exercised and acted with due independence.

2. Approach

The comparator group used by EY has been considered F&P Healthcare Board to be an appropriate New Zealand comparator set, details of which are set out below.

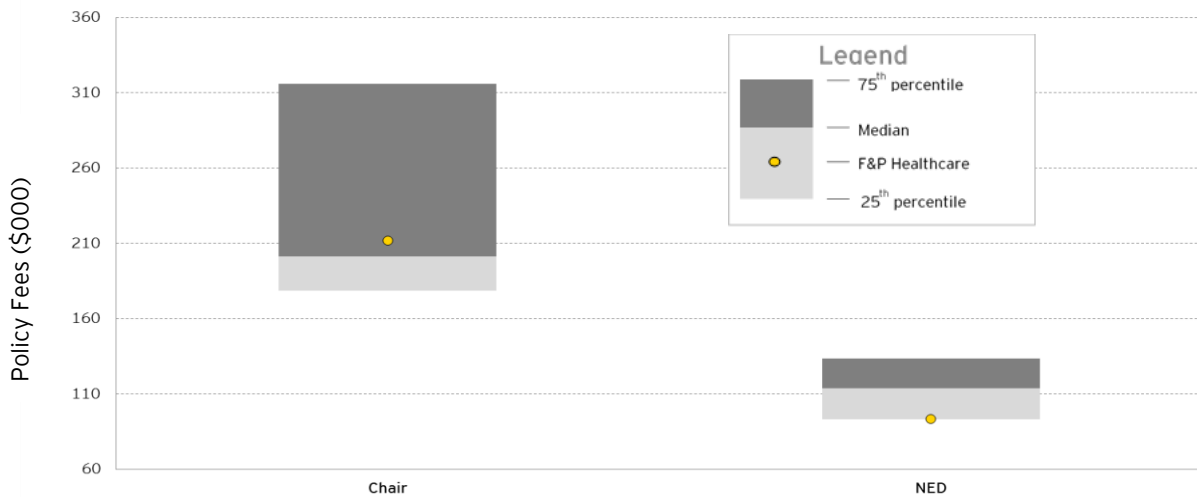
Comparator group		
Company	12-month average market capitalisation to 19 May 2017 (\$m)	Revenue as at most recent year end (\$m)
Fonterra Co-Operative Group Limited	9,480	17,199
Auckland International Airport Limited	8,068	574
Meridian Energy Limited	6,931	2,375
Spark New Zealand Limited	6,671	3,497
Fletcher Building Limited	6,667	9,004
Mercury NZ Limited	4,490	1,564
Ryman Healthcare Limited	4,449	261
Contact Energy Limited	3,581	2,163
Vector Limited	3,280	1,114
Z Energy Limited	3,036	3,871
Sky City Entertainment Group Limited	2,847	998
Number of companies	11	11
25th percentile (\$m)	3,431	1,056
Median (\$m)	4,490	2,163
75th percentile (\$m)	6,801	3,684
Average (\$m)	5,409	3,875
Fisher & Paykel Healthcare Limited	6,286 Between the median and 75th percentile	894 Below the 25th percentile

F&P Healthcare's market capitalisation is between the **median** and **75th percentile** of the comparator group, revenue is below the **25th percentile** relative to the comparator group. Positioning of fees in this statement should be considered in conjunction with the F&P Healthcare's market capitalisation and revenue position against the relevant comparator group.

3. Results of review

3.1. Chair and NEDs policy fee positioning

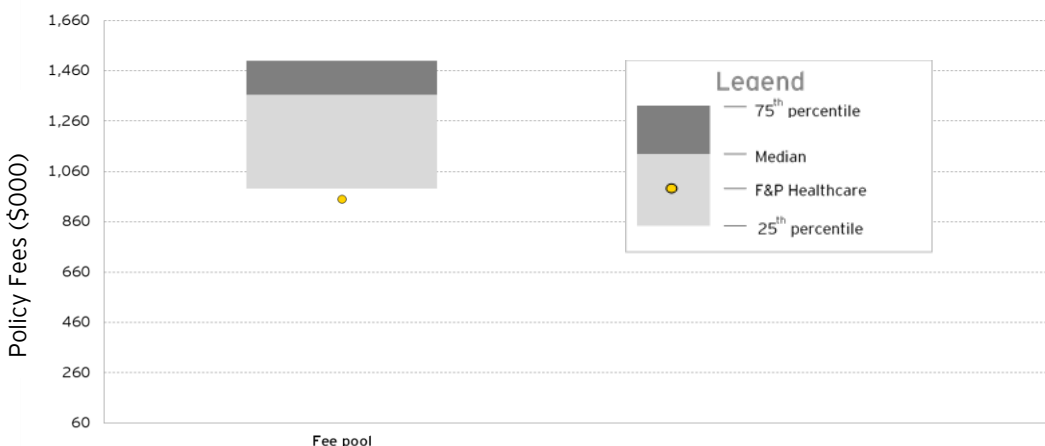
The diagram below compares market data for disclosed Chair and NEDs policy base fees of companies in the comparator group to the current fee policy at F&P Healthcare.



- ▶ **Chair:** F&P Healthcare's policy fee is positioned between the **median** and **75th percentile** of the comparator group.
- ▶ **Other NEDs:** F&P Healthcare's NEDs policy fee is positioned at the **25th percentile** of the comparator group.

3.2. Fee pool

The diagram below shows the positioning of F&P Healthcare's approved aggregate NED fee pool to the approved maximum aggregate NED fee pool of the comparator group.



- ▶ The Fee Pool for F&P Healthcare is positioned at the **25th percentile** of the comparator group.

4. Conclusion

The findings from review including the position of F&P Healthcare’s committee fees are summarised in the table below.

Fee element		F&P Healthcare compared to comparator group	
Board Fees	Chair	Between median and 75th percentile.	
	NED	At the 25th percentile.	
Committee Fees	Audit Committee	Chair	At the 25th percentile
		Member	At the median .
	Remuneration and Human Resource Committee	Chair*	-
		Member	Between the 25th percentile and median .
	Quality Safety and Regulatory Committee	Chair	At the median
		Member	Above the median
NED Fee Pool		At the 25th percentile	
Number of NEDs		At the median	

*F&P Healthcare’s Remuneration and Human Resource Committee Chair does not receive a fee.



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Appendix A Methodology

4.1. Methodology

4.1.1. Data source

4.1.2. Remuneration data

- ▶ Market remuneration data used in the analysis has been sourced from a combination of Annual Reports and EY's Institute of Directors Remuneration Survey.

4.1.3. Market data presented

- ▶ The market data includes individuals who were in their role for the full financial year.
- ▶ Policy fees are typically more useful for determining underlying fee structures, especially for other NEDs, as they differentiate between board and committee fees. However, as disclosure of policy amounts for board and committee fees are voluntary, data may not be available for all companies in the comparator group.

4.1.4. Sample sizes

- ▶ The 25th and 75th percentiles for each element are presented provided the market sample size contained seven data points or more. The median is presented where there were four data points or more. The average is presented where there were three data points or more. Where less than three data points were available, line-by-line data is provided.

4.1.5. Committee fees

- ▶ F&P Healthcare's committees (based on committee titles) were matched to disclosed market committees based on the below classification:

Committee name	Classification criteria
▶ Audit Committee	▶ Any committee with "Audit" in the name
▶ Remuneration and Human Resource Committee	▶ Any committee with "Remuneration" in the name, and if a company does not have a committee with "Remuneration" in the name, any committee that focuses on people or human resources (e.g., Human Resources committee or People Committee)
▶ Quality, Safety & Regulatory Committee	▶ Any committee "Health and Safety" or "Risk" in the name.

4.1.6. Number of NEDs

Analysis of the number of NEDs serving on boards includes:

- ▶ NEDs in their role for the entirety of the relevant financial year; and
- ▶ NEDs commencing in their role during the relevant financial year.

4.1.7. Market positioning

- ▶ Fees were considered to be 'at' the relevant market reference point if F&P Healthcare's incumbent fees were positioned within 10% of the market data reference point.

4.1.8. Ageing of market data

- ▶ Generally, Ernst & Young does not support 'ageing' market data to account for the time lag in remuneration disclosures. The data used in the analysis has not been aged.

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