



Executive Reward Report

31 May 2024



The information in this summary is intended as a guide only and is not conclusive and should not be relied upon without consulting a PwC advisor. If more information on the report, the remuneration data it contains or any other remuneration related matter is required, please contact a member of our team.



The 2024 PwC Executive Reward Report shows:

- Median 'same incumbent' FAR movement was 4.3% for the last 12 months
- 67% of executives received an STI pay out in the last performance year
- 42% of participant companies had an LTI scheme in place for their executives

The following is a summary of findings from our 2024 Executive Reward Report

The 2024 Executive Reward Report contains remuneration data from 146 New Zealand organisations on over 2,500 individual CEO and executive roles. The full report covers:

- four CEO positions (Group CEO, Standalone CEO, Subsidiary CEO and Country Manager);
- 34 executive roles that report directly to the CEO; and
- 39 third tier roles representing key functional areas and specialist skills.

The report provides commentary on market trends, remuneration policy and practice, long term incentive information and trans-Tasman trends.

The 2024 PwC database is primarily comprised of privately-owned companies and large state-owned enterprises which operate with a commercial mandate. Industry coverage includes energy, financial services, ICT, infrastructure & transport, manufacturing, primary industry, property and retail.

The database for 2024 includes a diverse mix of large publicly-listed companies, co-operatives and small to medium-sized enterprises (SMEs).



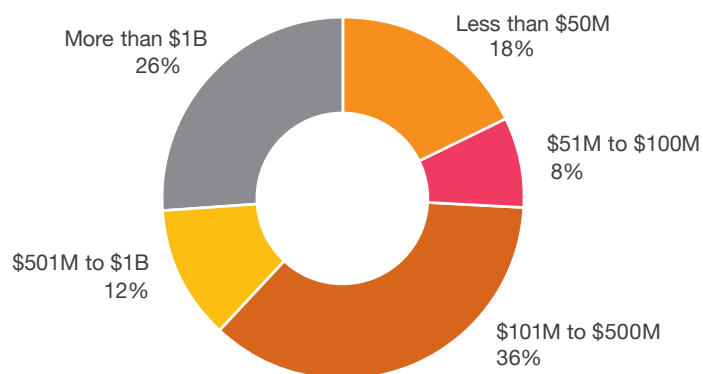
146
Companies



2,500+
Roles

A breakdown of the database participants by current annual revenue is illustrated below:

Annual revenue



The report provides data on:

- fixed annual remuneration;
- short term incentives (STI), including actual, target and deferred;
- annualised long term incentive (LTI) grant values; and
- aggregate data e.g. total remuneration, annual cost to company.

All references in this summary to 'companies', 'CEOs', 'executives' and 'SMEs' refer to survey participants only.



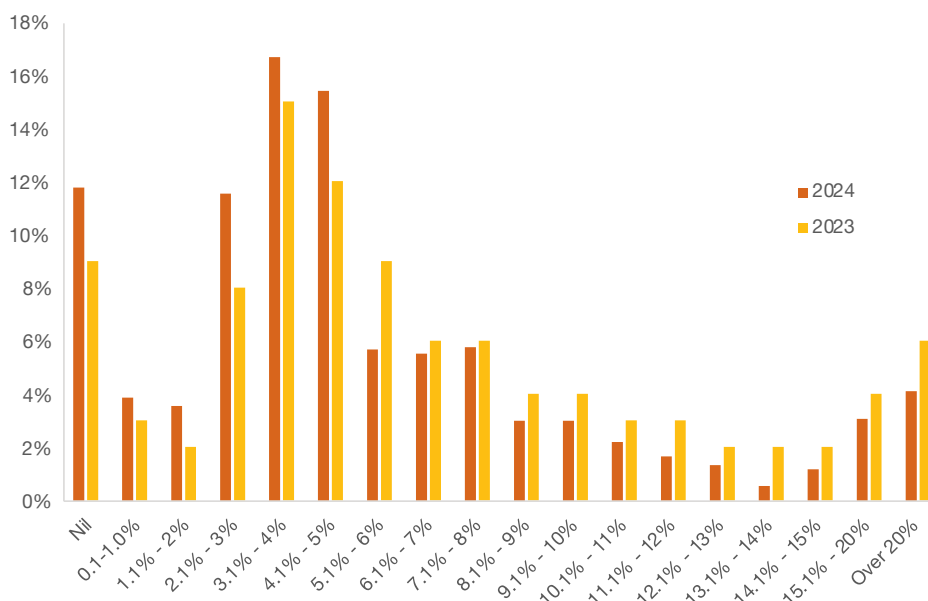
Report findings

Fixed annual remuneration

The median movement for fixed annual remuneration (FAR) for 'same incumbents' (those in the same job at the same company as in the 2023 report), was 4.3%, which is lower than the 5.0% median movement in 2023. The average FAR movement for 'same incumbents' ran slightly higher at 6.0%.

Although lower than the levels in 2023, this data reflects the ongoing pressure on the remuneration market influenced - in part - by the high inflationary environment and the increased cost of living.

Percentage changes in FAR (same incumbent)



Changes in FAR (same incumbent)

The percentage of nil movement for FAR for same incumbents showed a slight increase on prior year at 12% (up 3%).

Same incumbent FAR increases between the 3.1% - 4% range had the highest incidence in the past 12 months, accounting for 17% of the same incumbent sample. This was closely followed by the 4.1% - 5% range, which accounted for 15% of same incumbents. Additionally, 7% of same incumbents received an increase to FAR of above 15%.

4.3%

was the median fixed pay movement for same incumbents across our database.

12%

of same incumbents did not receive an increase to fixed pay.



Short-term variable pay

The incidence of STI payments was down by 3% compared to 2023 report levels, with 67% of executives in the survey receiving an STI payment this year (70% in 2023).

The median STI payment across the whole database was \$57,300, a slight decrease compared to last year's median of \$59,000.

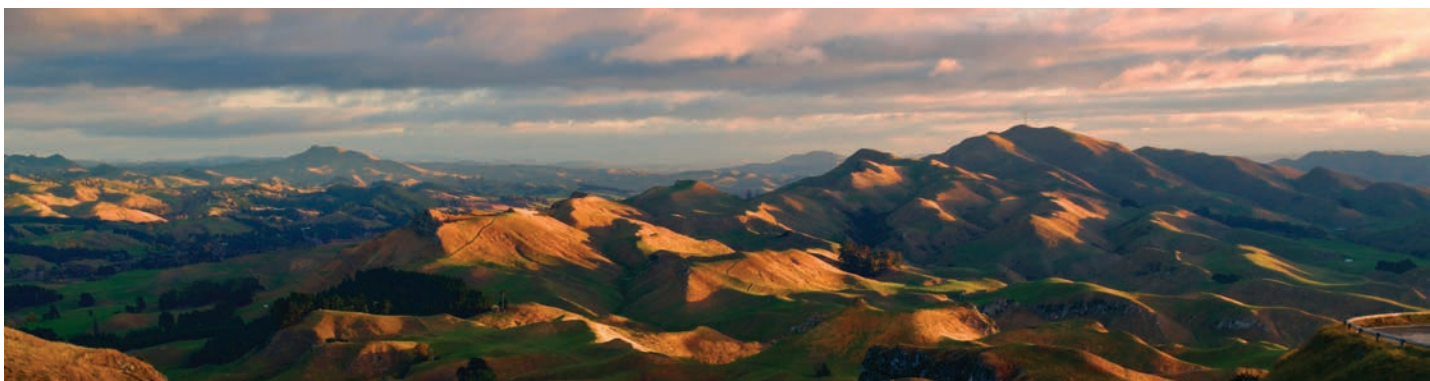
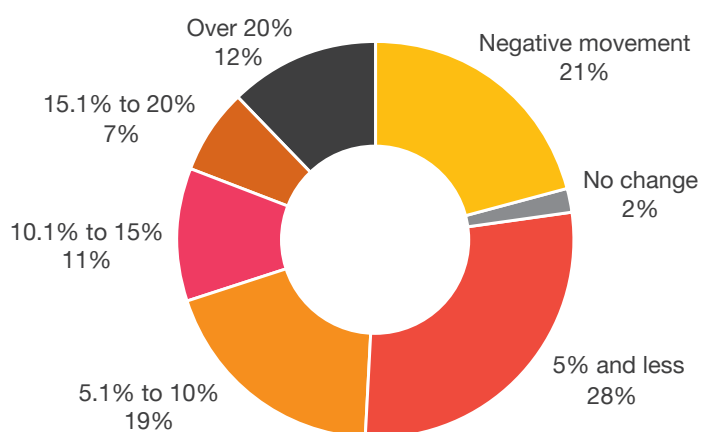
Total remuneration (FAR plus STI and/or bonuses)

The median same incumbent movement to total remuneration (FAR plus short-term variable pay) has decreased, with a median increase of 4.8%, compared to 7.4% in our 2023 report.

The combined total of negative movement and no change to total remuneration levels was 23% this year, which is higher than the levels in 2023 (18%).

The chart below shows a breakdown of total remuneration movement outcomes.

Total remuneration increase trends (same incumbent)





Reward components

STI remained a common package component, with 67% incidence this year.

Twenty-six (26%) of CEO and executive roles received an LTI grant in the last 12 months, fairly consistent with last year's findings of 28%.

The incidence of KiwiSaver (on top of FAR) has decreased from 65% to 62% year-on-year.

Policy and practice findings

(based on participant questionnaires, not PwC's analysis of actual data)

For CEOs, the median reported increase over the past 12 months was 4.0% for FAR, consistent with our 2023 findings.

The median reported fixed pay movement for executives, middle management and general staff tracked lower than 2023, with medians of 4.2%, 4.5% and 4.6% respectively (2023: 5.0% across all three employee categories).

Consistent with the 2023 findings, the percentage of companies reporting nil increases was 27% for CEOs.

The percentage of companies reporting nil increases lifted from 3% to 9% for executives and from 0% to 3% for middle management, year-on-year. No respondents reported a zero increase at general staff level (2023: also 0%).

The median projected fixed pay increases (next 12 months) for CEOs was consistent with our 2023 (and 2022) findings of 4.0%. The median forecast fixed pay movement for executives, middle management and general staff was 4.0% (2023: 5.0% for all three categories).

More than half (57%) of the responding participants anchored their remuneration policy position to the market median, with a further 7% positioning pay at 'median plus a premium'. Eleven percent (11%) of reporting companies positioned their executive remuneration at the 75th percentile of the market.



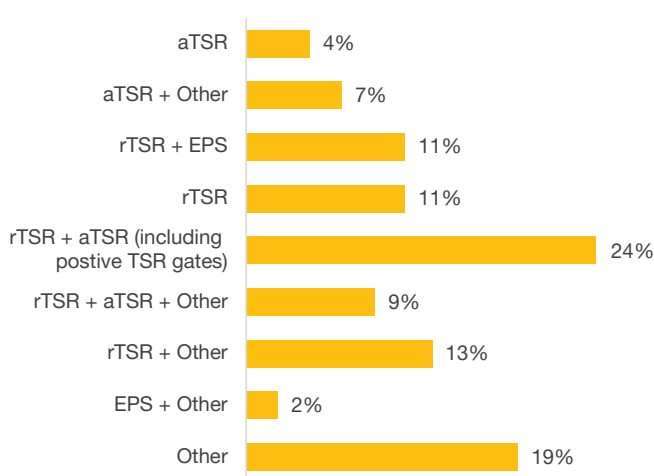


LTI schemes

Forty-two percent (42%) of survey participants had a current executive LTI scheme in place. Of those companies providing LTIs, the majority (78%) had an 'equity based' plan/s in place.

Share rights plans and variations thereof were the most prevalent LTI structure (92%), with relative total shareholder return (rTSR) utilised in isolation (or together with another metric) remaining the most common performance measurement approach.

LTI performance measures



Across the sample of share rights plans in our database this year, the majority (83%) were granted on a face value basis with the balance adopting a fair value approach.

Allocating equity on a face value basis has increased in incidence in the NZ market over the past few years, in line with predominant Australian practice. Where options are utilised, typically a fair value approach is adopted.

SME analysis

A quarter (25%) of survey participants represented companies with revenues of up to \$100 million or less, which we classify as small to medium-sized enterprises (SMEs) for survey purposes.

The median SME CEO increase to fixed pay (same incumbents) at 4.2%, was lower than our 2023 findings of 6.9%.

For SME executive roles, the median same incumbent fixed pay movement decreased from 5.6% in 2023 to 4.5% this year.

The incidence of STI in SME organisations remains low compared to larger entities. Fifty-five percent (55%) of SME CEOs received an STI payment this past year, compared to 75% of CEOs in larger organisations (revenues larger than \$100m).

With the inclusion of bonuses/profit share however, the figure lifts to 69% (variable pay incidence for SME CEOs).

Twenty-four percent (24%) of SME CEOs received an LTI grant this past year, with a median value of 20% of fixed pay



Australian market update

In 2023, salary budgets in Australia saw a significant increase due to high inflation and higher than anticipated employee turnover.

Similar to the New Zealand market, high inflation levels continue to create challenges for organisations with respect to managing reward costs while retaining executive talent.

Mercer's Australia Total Remuneration Survey 2024 cited employees in the same role within the same organisation received a median pay increase of 4%.

Shareholder scrutiny of executive remuneration arrangements continues, with twenty-three organisations listed on the ASX-200 experiencing a strike (>25% of votes cast) against their Remuneration Report). Areas of critique included a lack of alignment between executive pay outcomes and company performance.

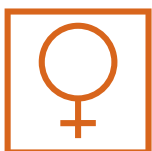
Gender and pay

Our analyses showed that the incidence of women in executive roles continued to trail men, as did median pay levels.

Eighty-two percent (82%) of CEO positions in our database were held by men. The incidence of women in first tier roles increased by 2% compared to our 2023 report.

The incidence of women in executive direct report roles was fairly consistent with our 2023 findings (33% to 34% year-on-year). For this second-tier level, men led the sample's fixed pay median by 3%, while women were collectively paid at a 7% discount to the overall sample median for fixed pay.

The incidence of women in third tier roles increased by 4% (34% to 38% year-on-year). The male median fixed pay was positioned at 101% of the whole sample median, with the female median positioned at 97% of the overall sample median.



34%

of executive direct report roles in our database were held by women.



4%

increase of women in third tier roles across our database this year.







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