

25 AUGUST 2017

# Remuneration Policy



## Introduction

1. This is a Board approved policy. The approach to corporate governance in Chorus Limited (Chorus) is set out in the Board and Board Committee Charters and related documents illustrated in Appendix A to the Chorus Board Charter.

## Policy Statement

2. Our remuneration model is designed to align employee and shareholder interests and to be simple, clear and fair. It aims to attract, retain and motivate high-calibre employees to all levels, at the same time driving performance, customer focus and personal development.
3. The Board regularly reviews our remuneration design.

## Directors

4. Director remuneration is paid in the form of Director fees.
5. The total fees available to Directors (overall Director fee pool) is approved by shareholders.
6. The Board determines the actual fees paid to Directors within the overall fee pool.
7. Individual fees reflect Director roles, responsibilities and contributions. Additional fees are paid to:
  - The Chairman and Deputy Chairman of the Board; and
  - Each Board Committee member (except the Board Chairman and Deputy Chairman),to reflect the additional responsibilities of these positions.
8. The Board may determine that additional fees and allowances be paid to individual Directors to reflect additional services provided to Chorus.

## Remuneration Policy

---

### Remuneration Policy

9. Non-executive Directors do not receive any:
  - Performance or equity-based remuneration (but are encouraged to hold Chorus shares); or
  - Superannuation or any other scheme entitlements or retirement benefits.
10. Details of the Director fee structure and fees paid are provided in our annual report.
11. The Board regularly reviews Director remuneration to ensure it:
  - Continues to attract competent Directors with the skills and experience the Board is seeking;
  - Reflects Chorus' complex operating environment; and
  - Sets remuneration levels that are fair and reasonable in a competitive market.

### Employees

12. All employees (including the CEO and senior executives) have fixed remuneration, targeted at the market and the potential to earn a discretionary short term incentive (STI). A long term incentive (LTI) may be also offered to the CEO and members of the executive leadership team as approved by the Board.
13. Both the STI and LTI are variable elements of remuneration and are only paid if performance targets are met.
14. Chorus may from time to time also provide other discretionary cash and non-cash benefits to its employees including a broadband concession, access to holiday homes, medical insurance through employee-funded membership, banking discounts through relationship banks, and various discounts through other suppliers.

### Fixed Remuneration

15. We evaluate roles using a standardised external methodology and group roles with similar key accountabilities into bands. Each band has a remuneration range which we use when setting individual remuneration packages. We position ourselves at the median of the market for fixed remuneration and an individual's remuneration relative to the market, taking into account their skills, knowledge, experience and performance.
16. Fixed remuneration is adjusted each year based on data from independent remuneration specialists.
17. Employees who contribute to a KiwiSaver scheme receive matched Employer contributions of up to 3% of gross earnings, paid to their KiwiSaver account in accordance with applicable legislation.

## Remuneration Policy

---

### STI

18. Our STI is designed to differentiate performance and reward delivery.
19. STI values are set as a percentage of fixed remuneration based on role scale, complexity and performance requirements and expectations.
20. STI targets comprise company and individual performance goals.
21. Company performance goals are set and reviewed annually by the Board to align with shareholder value. For example, company performance goals may include EBITDA and budget performance, and achieving strategic initiatives. If Company goals are not met, including a preliminary “gateway” goal, no STI is payable.
22. Individual performance goals are tailored to achievement in individual roles.
23. STI payments are determined following a review of company and individual performance and paid out at multipliers reflecting the scale and complexity of the role.

### LTI

24. Our LTI is designed to incentivise and retain key executives, align the interests of executives and shareholders and encourage longer term decision making. Under the LTI participants are awarded shares depending on Chorus’ performance over the longer (generally 3 year) term.
25. LTI values are set as a percentage of fixed remuneration based on role scale, complexity and performance requirements and expectations.

## Ownership and Review

<b>Approver:</b>	Chorus Board
<b>Reviewer:</b>	People, Performance and Culture Committee
<b>Ownership:</b>	General Manager, People and Culture
<b>Review:</b>	At least every two years