

AUGUST 2019

Remuneration Policy



Remuneration Framework

1. The Chorus remuneration framework is designed to align employee and shareholder interests, and deliver against the Chorus remuneration principles, to ensure remuneration is fair, valued and simple and supports a performance focused culture.
2. It aims to attract, retain and motivate high-calibre people and reward performance, customer focus and support personal development.
3. The Board regularly reviews Chorus's remuneration design.

Directors

4. The total remuneration available to Directors (in that capacity) is approved by shareholders (overall Director fee pool).
5. Non-Executive Director remuneration is paid in fees. Executive Directors do not receive any remuneration in their capacity as Directors.
6. The Board determines the actual fees paid to Non-Executive Directors within the overall fee pool.
7. Individual fees reflect Non-Executive Director roles, responsibilities and contributions. Additional fees are paid to:
 - the Chair and Deputy Chair of the Board, and
 - each Board Committee member (except the Board Chair and Deputy Chair),to reflect the additional responsibilities of these positions.
8. The Board may determine that additional fees and allowances be paid to individual Non-Executive Directors to reflect additional services provided to Chorus.
9. Non-Executive Directors do not receive any:

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- 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 Non-Executive Director fee structure and fees paid are provided in the Chorus annual report.
11. The Board regularly reviews Non-Executive 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 base salary, targeted at the market median. Senior staff have 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. Both the LTI and STI schemes are by annual invitation. Any payments made under the STI are entirely at the Board's discretion.
14. Chorus may from time to time also provide other discretionary cash and non-cash benefits to employees including a broadband concession, life, income protection and trauma insurance, access to holiday homes, medical insurance through employee-funded membership, banking discounts through relationship banks, and various discounts through other suppliers.

Base Salaries

15. Chorus evaluates roles using a recognised external methodology and groups roles with similar key accountabilities into career levels. Each career level has a pay band which Chorus uses when setting individual salaries. Chorus positions its pay band midpoints at the median of the market for base salaries and an individual's salary relative to the market, takes into account an individual's skills, knowledge, experience and performance as well as consideration of pay equity and internal relativity.
16. The Chorus pay bands are reviewed each year based on data from independent salary survey 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 legislation.

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Short-term Incentive (STI)

18. The Chorus STI scheme is designed to differentiate performance and reward both company and individual delivery. Any payments made under the STI are entirely at the Board's discretion.
19. STI values are set as a percentage of base salary and vary by career level.
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 discretionary approval by the Board.

Long Term Incentive (LTI)

24. The Chorus 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 may receive shares depending on Chorus' performance over the longer (generally 3 year) term.
25. LTI values are set as a percentage of base salary aligned to market.

Ownership and Review

- Reviewer:** People, Performance and Culture Committee
- Ownership:** General Manager, People and Culture
- Review:** At least every two years