LGFA
New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

LGFA REMUNERATION POLICY

Approved: August 2024Policy Type: Board

Purpose

The purpose of this policy is to outline the remuneration philosophy and framework including the principles and procedures to ensure the remuneration practice is fair and appropriate for LGFA and its directors and staff.

Principles and Objectives

The remuneration policy for LGFA directors and staff recognises the need for LGFA to attract, motivate and retain highly skilled people to undertake the responsibilities of these roles. The remuneration policy also recognises that the Board is responsible to the shareholders to ensure that interests of the directors and staff of LGFA are aligned with the interests of the shareholders. The approach taken is needed to be fair and balanced.

LGFA Approach to Director Remuneration

Director remuneration plays a role in attracting and retaining appropriately qualified and experienced individuals to serve as directors of LGFA.

Directors are remunerated to include attending board and committee meetings, meeting preparation, stakeholder management and any other agreed tasks. Remuneration levels should acknowledge the significant risks and responsibilities that directors bear, and that time spent on LGFA business could otherwise be used by directors in alternative board appointments or professional activities.

Director remuneration is set at median levels for directors of New Zealand businesses that are of a comparable size and complexity. Market rates and medians will be established through consultation with independent experts in the field of director remuneration during biennial reviews initiated by the Board. An increase in director fees for the year in between the biennial fee review will be recommended for shareholder approval based upon the prevailing CPI.

An additional fee is paid for each the Board Chair and the Chair of the Audit and Risk Committee.

To recognise the value to LGFA from ongoing professional development, LGFA will reimburse directors for an amount up to $2,000 per annum for course fees or membership of a professional body where relevant to their role as director of LGFA.

It is expected that director will not undertake consulting work for LGFA. If an exception to this rule appears appropriate, the Board Chair should seek approval in advance from the Shareholder Council.

Any changes to director remuneration require shareholder approval. The Board consults on any proposed changes to director remuneration with the Shareholder Council before seeking Shareholder approval at the AGM.

LGFA Approach to Staff Remuneration

LGFA is committed to applying fair and equitable remuneration and reward practices in the workplace, considering internal and external relativity, the commercial environment, the ability to achieve the Company's business objectives, and the creation of shareholder value.

Under the remuneration framework, individual performance and market relativity are key considerations in all remuneration-based decisions, balanced by the organisational context.

Remuneration includes a mix of fixed and variable components. Total Remuneration is the sum of the above fixed remuneration and potential incentive remuneration values.

- Fixed remuneration is base salary and relates to the base requirements of the role.
- A discretionary Short-Term Incentive (STI) may be offered for permanent staff, at the discretion of the Board. The structure of such incentives is approved by the Board.

Fixed Remuneration includes base salary and relates to the base requirements of the role. Roles are evaluated using a standardised external consultancy methodology. Roles of a similar level are then grouped into a band. The remuneration midpoint for each band is determined with reference to LGFA's remuneration comparator group.

Base salary is determined by role size and the remuneration midpoint applicable to that role. Individual salary is generally set between 80% and 120% of the midpoint, dependent upon competency and performance. The Company undertakes a biennial remuneration review, during February-March each year, informed by an assessment of relative external market data and organisational context. Individual remuneration will be reviewed dependent upon performance and remuneration relativity. Any increase to an employee's base salary is at the Company's sole discretion and will take effect for the following financial year commencing 1 July.

An increase in base salary for the year in between the biennial remuneration review will be set based upon the prevailing CPI for the year to March and will take effect for the following financial year commencing 1 July.

There will be no out of cycle remuneration increases nor one-off discretionary payments.

Discretionary Remuneration can be made by the Board who may approve the availability of Short Term Incentive (STI) schemes for some or all staff, to operate in each year.

Short Term Incentive (STI) is a cash payment set at a target of percentage of TFR and capped at a maximum value of 10% of TFR for staff and discretionary for the Chief Executive. To achieve the target STI the performance criteria require the annual Key Performance Indicators to be met. The performance indicators for STI comprise a combination of key financial and nonfinancial indicators which can be appropriately measured. The split between financial and non-financial indicators are to be reviewed each year by the Board.

There are no Long-Term Incentives offered by LGFA to staff.

KiwiSaver contributions by staff to a KiwiSaver scheme will receive matched employer contributions of up to 4% of gross earnings, paid to their KiwiSaver account in accordance with applicable legislation. Employer contributions to KiwiSaver are not considered part of the remuneration package.

Permanent Part-time Employees are employees who work specific hours and days as determined by the requirements of the position and as detailed in their employment documentation. They are entitled to the same benefits as fulltime employees provided they work more than 20 hours per week.

Procedure

The Board establishes the Remuneration Policy of the Company for directors and staff.

The Board assesses the appropriateness of director and Chief Executive remuneration on an annual basis by reference to the principles of this policy, overall employment market conditions and with the benefit of independent advice on market remuneration and practices.

The Chief Executive assesses the appropriateness of staff remuneration on an annual basis by reference to the principles of this policy, overall employment market conditions and with the benefit of independent advice on market remuneration and practices.

The Board recommends remuneration for the directors to the Shareholder Council for feedback before seeking Shareholder approval at the AGM.

This remuneration policy is available on the LGFA website, www.lgfa.co.nz

Responsibility for this Policy and Review

All LGFA policies are either classified as ARC/Board policies or Board policies. All ARC/Board policies are reviewed and approved by the Audit and Risk Committee (ARC) if there are no substantial changes made to a policy. If there are substantial changes made to a policy, or if the policy is a new policy then ARC reviews the policy and the policy is approved by the LGFA Board. All Board policies are reviewed and approved by the Board.

The Board is ultimately responsible for setting this policy and does so with the assistance of the Chief Executive. This policy will have a full review and approval every two years. Notwithstanding planned policy review dates, this policy remains effective and applies until a revised version is distributed.

This policy was last reviewed in August 2024. The next scheduled review is for August 2026.