



# Remuneration Policy

*Approved Date: 23 August 2019*

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## POLICY STATEMENT

Meridian's remuneration policy supports the company to attract, retain and motivate high calibre people to achieve the Company's business objectives and create shareholder value.

Meridian's remuneration policy is guided by the principles that remuneration practice should:

- Be clearly aligned with Meridian's values, culture and corporate strategy;
- Support the attraction, retention and engagement of employees;
- Be understood by employees;
- Be equitable and flexible;
- Appropriately reflect market conditions and organisational context;
- Recognise individual performance and competency, rewarding individuals for achieving high performance; and
- Recognise team and company performance and the creation of shareholder value.

## PURPOSE OF THIS POLICY

The purpose of this policy is to outline the remuneration principles which apply to all employees to ensure that remuneration practices within the Meridian Group are fair and appropriate for the organisation and its employees, and there is a clear link between remuneration and performance.

## SCOPE AND FIT

This policy applies to all Meridian Group employees engaged on individual employment agreements (including the Senior Executive team).

The policy principles are supported by other documents and guidelines which cover the detail of specific remuneration processes and provisions.

For Meridian subsidiaries, different remuneration frameworks may apply, as agreed with the Meridian Chief Executive and approved by the Meridian Board's Remuneration & Human Resources Committee, pursuant to the Committee charter.

This policy may be reviewed and amended, replaced or withdrawn by Meridian at any time.

## MERIDIAN'S APPROACH TO REMUNERATION

Meridian is committed to applying fair and equitable remuneration and reward practices in the workplace, taking into account internal and external relativity, the commercial environment, the ability to achieve the Company's business objectives, and the creation of shareholder value. In New Zealand, Meridian companies pay no less than the Living Wage to permanent and fixed term employees.

Under Meridian New Zealand's remuneration framework:

- Individual performance and market relativity are key considerations in all remuneration-based decisions, balanced by the organisational context.
- Meridian strives to achieve gender pay parity and will ensure that there is equitable remuneration for males and females undertaking the same role.
- Remuneration includes a mix of fixed and variable components.

A summary of the current provisions is set out below:

- Fixed remuneration includes base salary and employer KiwiSaver contributions, and relates to the base requirements of the role.
- Discretionary incentive schemes may be offered to permanent employees, at the sole discretion of the Board. The structure of any such incentives is approved by the Board and may vary from year to year in accordance with separately documented incentive schemes guidelines.
- Total Remuneration is the sum of the above fixed remuneration and potential incentive remuneration values.

In addition, Meridian companies at their discretion may offer provisions which have a monetary benefit to employees, but are not considered part of remuneration.

### **Fixed Remuneration**

Fixed remuneration includes base salary and employer KiwiSaver contributions, 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 Meridian's remuneration comparator group.

### **Base Salary**

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 an annual remuneration review, as at 1 July 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 Meridian's sole discretion.

## **KiwiSaver**

Employees who contribute 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.

## **MERIDIAN INCENTIVE SCHEMES (DISCRETIONARY REMUNERATION)**

The Meridian Board may approve the availability of Meridian short term incentive (STI) schemes for some or all permanent employees, to operate in a given year.

In general, any STI scheme offered by Meridian:

- will apply for the year of offer only;
- will be fully discretionary, such that there is no guarantee of an invitation to participate in a scheme, nor a payment in any given year. Any employee or particular category of employees may be included or excluded from participation at the Chief Executive's absolute discretion. If invited to participate, participation may be revoked or the amount of any incentive payment adjusted at the Chief Executive's absolute discretion. The nominal and potential value of any such incentive will be determined by job level and incentive scheme type;
- will be designed to reward individual performance and contribution toward business outcomes;
- will be performance-based with any incentive payment being conditional on the achievement of specific, objective measures of company performance, and the manager's assessment of a person's overall individual performance and behaviour, but is also entirely discretionary;
- will be self-funding, so that the value to the organisation of performance outcomes achieved exceeds the cost of potential incentive payments possible under the plan; and
- will be outlined in an applicable STI Schemes Guidelines document.

The detail of any Executive LTI Plan arrangement approved by the Board will be provided to eligible participants.

## **CASH-BASED PROVISIONS**

### **Insurance**

All permanent employees and those on fixed term contracts longer than 12 months are eligible to receive personal insurance cover through Meridian's Group Employee Insurance policy.

The Company may review or amend this provision at any time.

### **Leave Provision**

In accordance with the Holidays Act 2003, Meridian employees are entitled to four weeks paid holiday per annum, unless otherwise specified in an individual's employment agreement. The holiday entitlement for part-time employees is pro-rated to reflect part-time hours. Employees may elect to cash up the fourth week of their annual leave entitlement. In addition, Meridian provides employees three additional "Company Leave" days and allows employees to purchase additional leave by pay deduction. The Company may review or amend this provision at any time.

## **Paid Parental Leave**

To assist employees to balance their work and family commitments, Meridian NZ offers enhanced parental leave benefits. Following the birth or adoption of an employee's child, and to ease the transition back to work, Meridian provides parental leave support in excess of the minimum legislative provisions.

## **Redundancy Compensation**

Details of redundancy provisions, where applicable, are included in each employee's individual employment agreement.

For all permanent Meridian NZ employees, the redundancy compensation payable, where the employee is approved to cease employment under redundancy provisions, is:

For all permanent employees employed after 1 October 2012:

- 6 weeks base salary for up to the first year of current continuous service (from the date of commencement); and
- 2 weeks' salary for every subsequent year of current continuous service (or pro rata for part year) up to a maximum of 10 years' service. Under this provision, the total redundancy payment cannot exceed 26 weeks' salary.

For all permanent employees employed before 1 October 2012 the greater of either:

- 3 months base salary, or
- the 6 week/2 week formula described above.

## **NON CASH BENEFITS**

Meridian may also offer non-cash benefits / discounts / purchasing provisions for our employees, including via our relationships with other organisations and suppliers.

Permanent New Zealand-based employees may be offered the opportunity to purchase Meridian shares via the MyShare programme.

Other non-cash benefits include access to holiday homes / medical insurance through employee-funded membership, access to discounted healthcare, banking discounts through relationship banks, and various discounts through other suppliers.

Non-cash benefits are generally not a term of employment and provisions may vary from time to time at the discretion of Meridian or the applicable supplier.

## RESPONSIBILITIES

### **Meridian Board**

The Meridian Board is required to approve:

- The Company's remuneration policy.
- Remuneration proposals and performance decisions concerning the Chief Executive and executive management team, unless specifically delegated by the Board to the Remuneration & Human Resources Committee.
- The budget for the organisation's annual remuneration review.
- The structure of any incentive scheme(s) offered to Meridian employees.
- The outcome of any organisational performance measures under any Meridian incentive scheme and the overall decision about whether to make payments under discretionary non-sales Meridian incentive schemes.

### **Meridian Remuneration and Human Resources Committee**

The Meridian Remuneration and Human Resources Committee is required to review:

- Proposed changes to remuneration policy.
- Proposed remuneration for the executive management team.
- Objectives and performance ratings of the executive management team.

### **Meridian Chief Executive**

The Chief Executive is required to:

- Make recommendations to the Remuneration & Human Resources Committee on Executive remuneration matters.
- Make recommendations to the Remuneration & Human Resources Committee on incentive proposals and outcomes, and to propose changes to remuneration policy.
- Approve the outcome of the organisations remuneration review.

### **Managers**

All remuneration decisions or proposals must be consistent with Meridian's remuneration policy, principles and guidelines, and require "one up" approval, i.e. a manager may not change the remuneration terms of any person reporting to them, without the approval of their own manager.

## MORE INFORMATION

For guidelines and additional detailed information about provisions within this policy, refer to HR Online (including the Remuneration Framework, and the Meridian Short Term Incentive Schemes Guidelines).