
Rakon Limited

Directors' Fees Summary Report

May 2021

Private and Confidential

Strategic Pay Limited is independent of Rakon Limited. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from management of Rakon Limited, any board member of Rakon Limited, or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

Overview

Rakon Limited, has commissioned Strategic Pay Limited to provide a review of its Board of Director fees. We were supplied our background information by the Company Secretary.

Our approach involves constructing relevant, customised market samples from our February 2021 **New Zealand Director Fees Survey** database to determine and position appropriate Board fee levels for Rakon Limited.

Background

Listed on the NZSX in 2006, Rakon Limited is a global technology company that designs and manufactures world leading frequency control solutions. Rakon Limited products are found at the forefront of communications where speed and reliability are paramount.

As of financial year-end Rakon Limited reported \$150 million in total assets, generating total revenue of \$119 million (COVID impacted). Market capitalisation on the NZSX stands at \$201 million at 18 May 2021.

The Board of Directors consists of an independent Chair plus five Directors, three of whom are independent, one is a non-executive director and one who is an Executive Director. The Chair currently receives base annual fees of \$120,000, and each independent and non-executive Director receiving base annual fees of \$60,000.

You advise that the Board's policy in setting Board fees is "to pay market level remuneration which is fair and reasonable and attracts and retains high quality directors who can bring a valuable and diverse set of skills and experience to the Company." The "right" Directors are essential to realising Rakon's aspirations of best practice discipline, focus and professionalism.

DIRECTORS FEES

Our analysis is based on several factors including the financial size, ownership and your own guidance.

We have also considered the scope and responsibilities carried by the Board of Directors.

Non-Executive Directors

We recommend setting base annual Director fees within the range **\$63,000 to \$75,000** based on the data below:

TABLE 2: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR RAKON:

Sample	Positioning	Base Annual Fee (\$)
Revenue 100-200M (listed co's)	Median	75,000
Assets 100-200M (listed co's)	Median	60,000
Market Capitalisation 150-250M (listed co's)	Median	63,000
Headcount 500-1,000 (listed co's)	Median	78,570

Chair Fees

Similarly, we recommend setting base annual Chair fees within the range **\$120,000 to \$135,000** based on the data results below:

TABLE 3: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR RAKON:

Sample	Positioning	Base Annual Fee (\$)
Revenue 100-200M (listed co's)	Median	135,466
Assets 100-200M (listed co's)	Median	112,500
Market Capitalisation 150-250M (listed co's)	Median	120,000
Headcount 500-1,000 (listed co's)	Median	140,000

RECOMMENDATION SUMMARY

Based on market sample results, Rakon's ownership and size as well as Rakon's own guidance, we present the following recommendation.

We recommend that base annual fees for the Chair remain or move higher within the range of **\$120,000 to \$135,000**. This positions Chair fee levels paid, at comparably sized NZ listed companies.

We further recommend that base annual Director fees move to within the range of **\$63,000 to \$75,000**. This range reflects pay levels at comparably sized NZ listed companies.

This recommendation allows the Rakon Board to achieve close to the 2.0:1X Chair to Director fee premium consistently seen across the NZ market, reflecting a Chair's greater responsibilities, liabilities, and workload.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by Board members.

APPENDIX 1: ABOUT STRATEGIC PAY LTD

At Strategic Pay we provide innovative solutions to help organisations meet their strategic remuneration, performance development and performance improvement goals. We help improve your overall performance by ensuring employee effort, remuneration and rewards are closely aligned with business objectives.

Deliver Strategic Rewards

We work alongside you to provide a compelling proposition that attracts retains and motivates the best people.

Our adaptable solutions include:

- Remuneration and reward strategy development
- Executive remuneration and performance advice (including incentives)
- Salary options using job evaluation, grades, bands or benchmarks
- Salary review management, including processes, tools and training
- Performance development systems, including customised design and implementation

Access New Zealand's Largest Remuneration Data Services

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry and sector remuneration survey reports, based on a database of more than 180,000 employees from nearly 1,100 organisations.

Our key nation-wide surveys and reports include:

- NZ Remuneration Report (published 6 monthly)
- CEO and Top Executive Remuneration Report
- NZ Benchmark Report
- Corporate Services and Executive Management
- Directors' Fees Report
- HR Metrics Survey

Use Smart Technology

We understand busy HR practitioners' needs and offer a range of smart tools to manage remuneration and survey submissions:

- RemWise®: a remuneration tool to manage all aspects of your salary review, market data and survey submissions
- Rem On-Demand®: online access to remuneration reports, resources and insights
- PayCalculator: survey data at your fingertips

Drive Organisation Performance

Superior organisational performance is critical to delivering strategic business objectives. Speak to us today about using PLUS+ to develop a future proof strategy, an organisational model and structure that supports the strategy and matching the right people to accountabilities best designed to deliver the strategy in your organisation.

Build Capability

Through a range of workshops and the Strategic Pay Academy we provide clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance. We also offer training programmes that can be tailored to meet your specific requirements.

Consult Nationwide

Strategic Pay is nationwide, servicing clients across all parts of New Zealand from our various locations. Our consultants regularly travel to visit clients around the country and are happy to meet wherever you are. Find out more at www.strategicpay.co.nz