

Non-Executive Director Fees Review

SKYCITY Entertainment Limited

1 May 2018

1. Executive Summary

Ernst & Young Limited (EY) has been engaged by SKYCITY Entertainment Group (SKYCITY) to summarise the market positioning of SKYCITY's Chair, Non-Executive Director (NED), Committee fees and provide recommendations on changes to fees. Fees are considered to be 'at' the relevant market reference point if positioned within 10% of the market data reference point. We confirm that our report has been prepared independently, and not subject to any influence from the management or any board member of SKYCITY or any third party.

1.1 Approach and review inputs

The market information pertaining to fee practices within the comparator group has been sourced from EY's Directors' Fees database, supplemented with data from the most recent Annual Reports for some organisations. The information from Annual Reports is publicly available information.

The data for the comparator group was provided to EY by SKYCITY for the purposes of this report. The group includes both New Zealand and Australian companies with a ratio of 60:40 New Zealand / Australian companies.

- ▶ **New Zealand:** The 13 New Zealand based companies in this group are in the NZX50 and fall within the range of 50% - 200% of SKYCITY's current market capitalisation. These organisations were selected by SKYCITY based on their size and relative complexity.
- ▶ **Australia:** The 10 Australian based comparator companies are in the ASX300, within the Consumer Discretionary sector and fall within the range of 50% - 200% of SKYCITY's current market capitalisation. These organisations were selected by SKYCITY based on size and / or exposure to the Gaming / Entertainment industry.

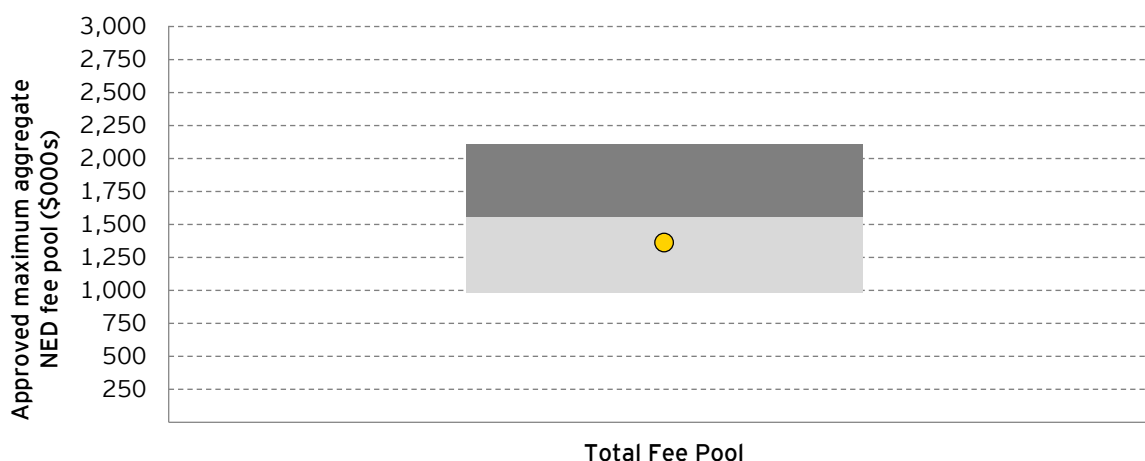
We acknowledge that there is a time lag in remuneration disclosures from the chosen organisations. Generally, EY does not support 'ageing' market data to account for this time lag. The data used in the analysis has not been aged.

For the purposes of this report, all figures are presented in NZD and we have used a twelve-month average exchange rate of NZD 1 = AUD 0.93 to convert Australian data (year ending 30 June 2017).

1.2 Summary of key findings

The diagram below shows the positioning of SKYCITY's approved maximum NED fee pool to the approved maximum NED fee pool of the comparator group.

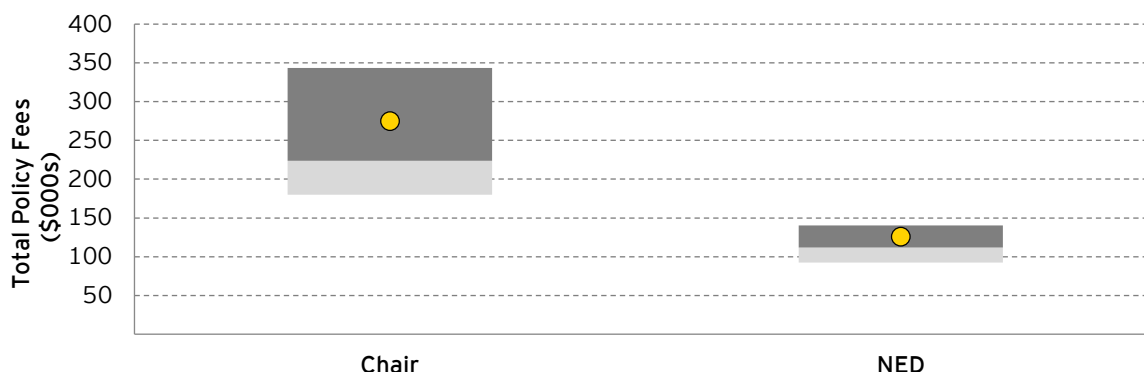
- ▶ **Fee Pool:** The fee pool for SKYCITY is positioned between the 25th percentile and the **median** of the comparator group.



1.2.1 Chair and NED fee policy positioning

The diagram below compares SKYCITY’s Chair and Other NED fees to the market data for the comparator group, together with the internal relativity of SKYCITY’s Chair and Other NEDs.

- ▶ **Chair:** The Chair fee policy for SKYCITY is positioned between the **median** and the **75th** percentile of comparator group.
- ▶ **Other NEDs:** SKYCITY’s NED fee policy is also positioned between the **median** and the **75th** percentile of the comparator group.



1.2.2 Headroom

The average headroom across the comparator group (defined as the total fee pool less current fees paid, and expressed as a multiple of base NED fees) is between **1.5x** and **2.5x**. SKYCITY’s current headroom equates to **1.3x** base NED fees.

1.3 Recommendations

Assuming the existing committee structure of the board remains unchanged, our recommended fee structure is set out below. These increases have been proposed based on the current market movements for Director fees, acknowledging that SKYCITY intend to review fees annually.

Role	SKYCITY's Current Fee Policy (\$)	Recommended fee (\$)	Increase (%)
Chair Base Fee	275,000	280,000	2%
Deputy Chair Base Fee	157,500	157,500	0%
NED Base Fee	126,000	128,500	2%
NED fee pool	1,365,000	1,480,000	8%
Committee Fees:			
Audit, Risk and Financial Committee - Chair	35,000	35,000	0%
Audit, Risk and Finance Committee - Member	15,000	16,000	7%
Remuneration and Human Resources Committee Chair	35,000	35,000	0%
Remuneration and Human Resources Committee Member	15,000	15,000	0%
Corporate Social Responsibility Committee - Chair	25,000	29,000	16%
Corporate Social Responsibility Committee - Member	15,000	16,000	7%
Governance and Nominations Committee	-	-	-

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Our report may be relied upon by SKYCITY Entertainment Group Limited for the purpose of understanding market remuneration only pursuant to the terms of our engagement letter dated 09 March 2018. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

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