

Restaurant Brands NZ Limited

Directors' Fees Review

Private and Confidential

Overview

Grant Ellis, Chief Financial Officer of Restaurant Brands NZ Limited has commissioned Strategic Pay Ltd to provide a review of its Board of Director fees. Mr Ellis supplied our background information. The last formal fee review was provided by Strategic Pay Ltd in March 2014.

Our approach involves constructing relevant, customised market samples from our February 2016 Director Fee Survey database to determine and position appropriate Board fee levels for Restaurant Brands NZ.

We then “cross-check” our data results using our proprietary Director Evaluation Methodology which considers nine factors, the majority of which are qualitative and address issues of complexity, risk and stakeholder management.

This report presents the following:

1. Background information and context;
2. Recommendation Summary;
3. Customised market samples;
4. Results of Director Evaluation Methodology;
5. Committee Fees, Chair Pay Practice;
6. Recommendation;
7. Appendix 1 - 2016 Director Survey highlights;
8. Appendix 2 - Overview of Director Remuneration Issues in New Zealand;
9. Appendix 3 - Director Evaluation Methodology and factors;
10. Appendix 4 – Strategic Pay Ltd – Capabilities and Offerings.

Background

Established in 1997, Restaurant Brands NZ Ltd is an NZSX publicly listed company that owns and manages approximately 173 restaurant/stores including Pizza Hut, KFC, Starbucks Coffee and Carl's Jr. restaurants in New Zealand. Restaurant Brands NZ has just acquired the largest KFC franchisee in New South Wales – QSR Pty Ltd - a transaction that adds another 42 stores and adds A\$100 million in annual revenues.

For the financial year to 29 February 2016, annual revenues are reported at \$404 million on a total asset base of \$140 million. Current market capitalisation on the NZSX is just over \$500 million. With the QSR acquisition, over 5,000 employees will work at Restaurant Brands NZ.

The post-acquisition Board will be composed of four directors, two of whom are independent, and an independent Chairman. This is an atypically small board for a listed company of this size and profile. (Per the Strategic Pay Ltd 2016 Director Survey, the typical New Zealand Board is comprised of a Chairman and five Directors.) The Non-Executive Directors are each paid an annual base fee of \$60,000 and the Chairman receives an annual base fee of \$100,000. There are no committee fees paid.

We understand that with retirements and new appointments, the size of the Board may fluctuate in the coming year of transition, making cost estimates difficult.

Board meetings are held monthly with periodic conference calls between meetings. The Audit Committee meets 2 to 3 times annually in conjunction with the main Board meeting. The Remuneration and Appointments Committee meets once annually. In terms of actual Board workings, we understand that all Board members participate in all committee activities.

Restaurant Brands NZ has restructured and remodelled over time, adding the Carl's Jr. chain and making the KFC acquisition in Australia. Profit and growth results suggest the Board has added value by developing and driving clear and compelling growth and operating strategies.

The philosophy of the Board regarding fees continues to evolve. We have been advised that Restaurant Brands NZ desires to pay fully competitive base annual fees – reflecting market median levels for comparable-sized publicly listed companies. Additionally, the Company prefers to adopt the typical 2.0:1X ratio between Director and Chair base fees to reflect the appropriate relationship between Director and Chair responsibilities, liabilities and work load.

Finally, while committee fees have not been paid in the past, with the growth in the business there is a willingness to consider such fees going forward.

Recommendation Summary

We recommend that base annual fees for Directors of Restaurant Brands NZ be increased from **\$60,000** into a range from **\$65,000 to \$70,000**.

Likewise, we recommend that base annual fees for the Chair be increased from **\$100,000** into a range from **\$130,000 to \$140,000** – applying the typical, longstanding NZ market 2.0:1X ratio between Chair and Director base fees to the proposed Director fee range above.

In our view, the recommended ranges represent appropriate, competitive, and median-oriented levels for publicly listed companies in the NZ market. While these levels suggest percentage increases of up to 16.6% for Directors and 40% for the Board Chair, we note the significant organic growth in revenues, profitability and market capitalisation since our 2014 report, and also recognise the growth and challenges inherent in the Australian KFC acquisition.

Furthermore, we suggest you consider addition of separate Committee Chair fees, as warranted by the committee workload and responsibilities, as follows:

- + Audit and Risk Committee Chair: **\$10,000 annual fee;**
- + Remuneration Committee Chair: **\$5,000 annual fee.**

These recommended committee fee levels are placed at or above market median levels, but still below upper quartile levels, per the discussion on page 7. We believe this is appropriate positioning.

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

The full recommendation appears on pages 8 and 9.

Recommendation Summary

| Fees | Current (\$) | Number | Proposed (\$) | Number | Proposed Total (\$) |
|------------------------|----------------|--------|--------------------|--------|---------------------------|
| Chair | 100,000 | 1 | 120,000 to 125,000 | 1 | 130,000 to 140,000 |
| Directors | 60,000 | 3 | 65,000 to 70,000 | 4 | 260,000 to 280,000 |
| Chair – Audit and Risk | - | 1 | 10,000 | 1 | 10,000 |
| Chair - Remuneration | - | 1 | 5,000 | 1 | 5,000 |
| Total | 280,000 | | | | 405,000 to 435,000 |

Appendix 4: Strategic Pay Ltd

Strategic Pay is at the leading edge of developments in strategic remuneration and performance management solutions, offering a powerful combination of resources to help organisations improve their performance, ensuring remuneration and rewards are closely linked to business objectives.

Ensuring business success

Superior organisation performance is having a future proof strategy, an organisational model and structure that supports the strategy and the right people matched to the accountabilities best designed to deliver the strategy. Strategic Pay's PLUS+ business consists of experienced consultants delivering the PLUS+ suite of change management tools.

Strategic consultancy

The highly experienced consultancy team at Strategic Pay offers clients a depth of remuneration and performance expertise unmatched in the New Zealand market. Our team uses a sophisticated set of proprietary tools designed to integrate remuneration, performance and rewards management.

This includes:

- + Remuneration and reward strategy
- + Executive remuneration and performance
- + Incentive schemes, including STIs and LTIs
- + Base pay systems, including points, grades, bands or benchmarks using our proprietary job evaluation systems SP5®, SP10® and JobWise®
- + Salary review management, including processes, tools and training
- + Performance management systems, including customised design and implementation
- + Remuneration audit tools and processes

New Zealand's largest data services offering

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry sector market surveys, based on a database of pay information for over 128,000 New Zealand employees from over 1,000 organisations. This rich data source gives our clients access to better and broader comparative information to effectively benchmark their remuneration and rewards packages.

Our key nation-wide surveys and reports include:

- | | |
|---|---|
| + NZ Remuneration Report (<i>published 6 monthly</i>) | + Corporate Services and Executive Management |
| + CEO and Top Executive Remuneration Report | + Directors' Fees Report |
| + New Zealand Benchmark Report | + HR Metrics Survey |

Our specialist industry sector surveys include:

- | | |
|---|---|
| + Association of Consulting Engineers NZ | + Law Firms |
| + Central Government | + Local Government (<i>published 6 monthly</i>) |
| + Chartered Accounting Firms | + Medical Technology Association of NZ |
| + Electricity Transmission, Distribution and Asset Management | + Not for Profit Sector |
| + Financial Services | + Patent Attorney |
| + HRINZ HR Practitioners | + Pharmaceutical |
| + Independent Schools of New Zealand | + Property |
| + Institutes of Technology and Polytechnics | + Retail Industry |
| | + Wine Industry |

Smart technology

We understand the needs of busy HR practitioners and have developed a range of smart automated tools to manage your remuneration and survey submission needs.

- + RemWise® – salary management software for managing every aspect of remuneration management.
- + spectREM® – Strategic Pay’s Web-enabled database.
- + PayCalculator – survey data at your fingertips.
- + Rem On-Demand® – provides access to accurate and exhaustive ‘real time’ information on remuneration trends and topical human resource issues in New Zealand.

Building client capability

We offer a suite of educational programmes designed to help you build your organisation’s management capability and understanding in reward management. The Strategic Pay Academy provides clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance.