

CORP 4 - REMUNERATION POLICY

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CONTENTS

Purpose	3
Scope	3
Directors	3
Senior Executives	4
Chief Executive Officer (CEO)	5
Review	6

Purpose

The purpose of this policy is to provide guidelines for structuring the remuneration of Directors and senior executives of Freightways.

The Company recognises that remuneration should be structured to align the interests of Directors and senior executives with those of the shareholders. The remuneration model adopted should be simple, clear and fair. It should take into account an individual's skills and aim to attract, retain and motivate high-calibre Directors and senior executives, while driving performance.

Scope

This policy relates to Freightways Directors and senior executives while in the employment of Freightways.

Directors

Remuneration of Directors is paid in the form of Directors' fees.

The aggregate fee pool available for Directors' fees is approved by shareholders. The Board determines the actual fees paid to Directors from the aggregate fee pool.

Individual fees reflect Director roles and responsibilities. Additional fees are paid to the Chairman of each of the following to reflect the additional responsibilities of these positions:

- the Board;
- the Audit & Risk Committee; and
- the People & Remuneration Committee.

The Board may determine that additional fees and allowances be paid to individual Directors to reflect additional services provided to Freightways.

Non-executive Directors do not receive any:

- performance or equity-based remuneration; or
- superannuation (or any other scheme) entitlements or retirement benefits.

Details of the Directors' fee structure and actual fees paid are disclosed in the Freightways Annual Report.

The Board regularly reviews Directors' remuneration to ensure it:

- continues to attract competent Directors with the skills and experience the Board is seeking; and
- sets remuneration levels that are fair and reasonable in a competitive market (in accordance with the NZX Listing Rules and the constitution).

Factors that the Board considers during fees reviews include the size & complexity of the business and industry, the requirements of the role and related time demands, risk inherent in the business, regulatory requirements and delivery of financial results to shareholders.

Senior Executives

All senior executives (including the Chief Executive Officer) have fixed remuneration targeted at the median market benchmark and the potential to earn a discretionary short-term incentive (STI). A long-term incentive (LTI) may also be offered to members of the Freightways Senior Executive leadership team, as approved by the Board at its discretion.

Both the STI and LTI are variable elements of remuneration and will only be paid if performance targets are met and then only at the discretion of the Board.

➤ Fixed remuneration

Freightways evaluates roles based on the responsibilities an individual is accountable for in the context of the complexity and scale of the relevant business(es). Freightways positions individuals' fixed remuneration relative to the median of the market, taking into account their skills, knowledge, experience and performance.

Fixed remuneration will be reviewed and adjusted annually. The annual adjustment will be made by reference to data from independent remuneration specialists, at least every 3 years.

If the senior executive is a member of a KiwiSaver scheme, their fixed remuneration is inclusive of any compulsory employer contributions to a KiwiSaver scheme that Freightways is required to make in accordance with applicable legislation.

Fixed remuneration may be structured to include medical insurance and/or a motor vehicle or motor vehicle allowance, calculated on a total cost to Company basis.

➤ STI

Freightways' STI is designed to reward performance.

STI values are set as a percentage of total targeted remuneration (i.e. the sum of fixed remuneration and STI) based on the scale and complexity of the role and related performance requirements and expectations.

STI targets may comprise financial and non-financial objectives and performance goals.

STI targets are set to align performance with shareholder value creation and are reviewed 6-monthly by the Board. Financial target examples may include performance against budget in respect of earnings outcomes and cash collection for the business that an individual executive has responsibility for. An example of a non-financial target would be a specific Health & Safety outcome.

STI payments are determined following completion of Freightways' half year and full year results, respectively.

➤ LTI

Freightways' LTI is designed to incentivise and assist retention of key executives, align the interests of senior executives and shareholders and encourage a balance between short-term and long-term decision-making.

The LTI is operated in accordance with the Freightways Senior Executive Performance Share Plan Rules, as approved by the Board.

LTI participants are annually allocated partly-paid shares at an issue price calculated by reference to the volume weighted average price (VWAP) of Freightways' shares for the 10 business days following the announcement of the applicable financial year's result. The quantum allocated is based on a percentage of the senior executive's fixed remuneration determined by the Board. The senior executives must pay-up the allocated shares to one cent per share.

Partly-paid shares issued as LTI are subject to a 3-year vesting period and are subject to financial performance hurdles, as follows:

- 50% vest upon achievement of the budgeted EPS growth rate applicable for the year of vesting (or for either of the next 2 years, at the Board's discretion); and
- Up to 50% vest on a pro-rata basis if Freightways' total shareholder return (TSR) performance is at least at the median and up to 75% of the performance of the constituents of the NZX50 gross index measured over the 3-year vesting period. If Freightways' TSR reaches or exceeds 75% of the NZX50 measure, the shares subject to this hurdle vest fully.

Partly-paid shares that have not vested within 5 years of their issuance, will be redeemed by Freightways and cancelled.

Chief Executive Officer (CEO)

The CEO is remunerated in a consistent manner to the other senior executives, as set out in this policy, other than in relation to the quantum and weighting between fixed and 'at-risk' remuneration.

The remuneration of the CEO will include the following components:

- Fixed salary;
- Medical insurance;
- Company motor vehicle or equivalent motor vehicle allowance;
- STI, calculated as a percentage of total targeted remuneration (i.e. the sum of fixed remuneration plus STI, but excluding LTI), as determined by the Board at its discretion; and
- LTI annual allocation as a percentage of total fixed remuneration (i.e. excluding STI), as determined by the Board at its discretion.

Details of the CEO's remuneration structure and actual amounts paid are disclosed in the Freightways Annual Report.

Review

The Remuneration Committee of the Board of Directors shall review this policy at least annually.