

29 April 2019

Property for Industry Ltd (PFI)

The company will hold its Annual Shareholders Meeting **11.00am Wednesday 8 May 2019**.

The location is **the Level 4 Lounge, South Stand, Eden Park, Gate P5, Reimers Ave, Mount Eden, Auckland**.

As its name suggests the company owns a portfolio of industrial property across New Zealand. It has 94 properties valued at \$1.322 Billion with 99.3% occupancy and a WALT (weighted average lease term) of 5.3 years. LVR (loan to value ratio) is 30.3%.

Rental and management fees were up 9.5% at \$89.7 million with property revaluations at \$66.3 million. NPAT was \$110 million.

The dividend for the year was 7.55 cents per share up from 7.45 cents per share.

Board Composition

The Board comprises an Independent Chair, three Independent Directors and a Non-Executive Director, Greg Reidy, who was previously Managing Director appointed in 2012. It is pleasing that Simon Woodhams his successor who was previously General Manager is Chief Executive Officer rather than Managing Director.

NZSA generally does not favour the CEO also being a Director. This is to ensure there is a clear separation of the management and governance functions.

During the year Peter Masfen, a long serving Director and Chair, retired and was replaced as Chair by Anthony Beverley who was appointed to the Board in 2001. We note that Humphry Rolleston was appointed to the Board in 1994. Whilst both are described as Independent, internationally it is considered that a Director ceases to be independent after they have served 12 years. This recognises the probability that their long tenure will have brought them close to the management and questions their ability to act at arm's length from these relationships.

While it may be sensible to have a period of stability after the management internalisation and the retirement of Mr Masfen, we would suggest the Board considers these long tenures and puts in place a structured succession plan.

The executive backgrounds of the Board are in the industry, banking and the law. The company is well run and we consider the skill sets appropriate.

Resolutions

1. To re-elect Susan Peterson as an Independent Director.

Susan Peterson was appointed to the Board in 2016. She is a Director of ASB Bank Limited, Trustpower Limited, Vista Group International Limited and Xero Limited. She is also a Trustee on the Board of Global Women and a Tribunal Member of the NZ Markets Disciplinary Tribunal.

We would be concerned if she were to add any further roles to her already heavy workload.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To change the Director Fees structure to a per Director rate.

NZSA has met with the company and heard its explanation of the new structure it is proposing. Companies traditionally have a fee pool out of which directors' fees are paid. The company has indicated that it may appoint a new director to allow for succession planning and this fee structure will allow clarity of fees payment without the usual process of a pool which has "headroom" for subsequent appointments. NZSA is always chary of headroom as it can be used to allow an increase in fees to existing directors without recourse to shareholders for approval.

NZSA considers that fees are at the top end for the size of the company, but that is partly mitigated by the lack of committee fees, excepting chairs whose new rate is acceptable. The previous Chair fee was low due to specific circumstances. The premium for the board chair is now at an appropriate ratio.

We are concerned that no limit has been placed on the quantum for extra hourly work and had hoped the company would accept a figure of say \$60k. We expect that such fees should only come into play for transformative or particularly large transactions. The directors are not employed as management and should not be expected to fulfil that role.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. Special Resolution. To adopt a new Constitution to comply with the NZX Listing Rules 1st January 2019.

The NZX made a number of changes to its listing rules and the Association agrees with these. These require companies to either amend or adopt a new Constitution. The details are in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at: <https://www.investorvote.com.au/Login>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **11.00am Monday 6 May 2019**

Please note you can appoint the Association as your proxy. We will have a representative at the meeting.

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The Team at NZSA