

### Renewables Benchmark Charting the Future

#### Actionable Intelligence

An essential driver of success in the Renewables Sector is the quality and commitment of your senior people. As the Sector becomes increasingly competitive, how you structure remuneration is a critical success factor.

There is no thorough industry-specific guide to remuneration in the Australasian market as yet.

We are producing the first comprehensive Australian – New Zealand **Renewables Remuneration Benchmark Report** covering directors, CEOs, and executives.

With the accelerating development going on in the Renewables Sector in Australia and New Zealand, companies are paying a premium to attract the right senior people.

#### Specialised Strategy

As a specialised strategic guide for the sector, we've formulated the principles regarding how a renewable company best develops its board and executive remuneration framework.

Remuneration practice should reflect the company stage of development, here grouped into three macro stages:

- 1. Developing:** this phase covers all the steps from project initiation and approvals through to commissioning.
- 2. Operating:** the company has commenced revenue generation and has one or more sites fully operational.
- 3. Maturing:** the company has a large operational site or multiple sites and has been active in the grid for three plus years.

Each stage requires a different remuneration mix. Getting the mix right balances affordability with the capacity to attract and retain capable directors, CEOs and executives.

**The key imperatives** to do this successfully are highlighted in the following pages.

*Continued on Page 2*



### Renewables Benchmark 2023 Now Underway

**We are now undertaking a benchmark specific to Renewable companies.** If your company is interested in being part of this initiative contact Geoff Nunn [gtnunn@gna.net.au](mailto:gtnunn@gna.net.au) for further information.

See: <https://www.gna.net.au/utilities-benchmark>

#### Geoff Nunn & Associates

Geoff Nunn & Associates was established in 1993 as an independent provider of remuneration and governance services to the government and corporate sectors. We specialise in working with Boards and CEOs in the areas of board and executive remuneration strategy, corporate governance, board dynamics and renewal, and governance structures.

#### Our Services

- Board & Executive Remuneration
- Innovative Remuneration Solutions
- Utilities and Renewables Benchmarking
- Remuneration Governance
- Board Governance Advice
- Focused Board Renewal
- Board Charter Drafting

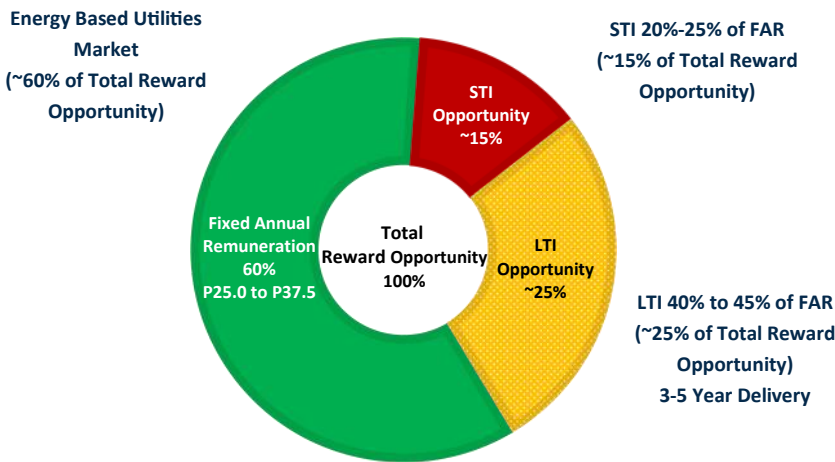
**Geoff Nunn**  
Board Advisor &  
Remuneration Specialist  
+61418 595 107  
[gtnunn@gna.net.au](mailto:gtnunn@gna.net.au)  
[www.gna.net.au](http://www.gna.net.au)

# Three Macro Stages of Development



## Stage 1: Developing

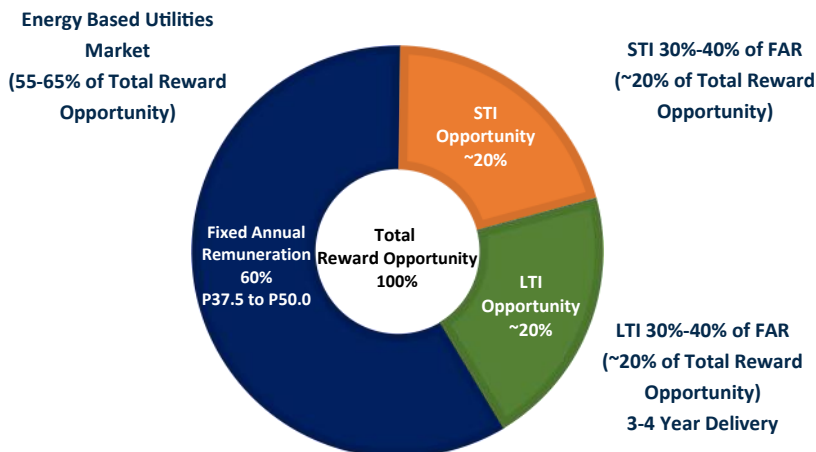
This stage covers inception through approvals to commissioning. Cash flow and affordability are likely to be issues for the developing company in the renewables space. Therefore CEO and executive team remuneration needs to emphasise future reward opportunities. Having said that Fixed Annual Remuneration (FAR) needs to be appropriate and pitched at the conservative end of the market. The following model might be appropriate for the CEO:



For the **Chair and other Non-Executive Directors** we expect board fees to be targeted at around Percentile 25 of the Energy-Based Utilities market. At this stage of the company's development we would not expect separate committee fees to be paid.

## Stage 2: Operating

Once the construction stage is complete and the renewable site becomes operational a different remuneration strategy might be appropriate. One that provides more immediate rewards for the CEO and executive Team. This would involve higher market positioning for FAR and a more even balance between STIs and LTIs as indicated in the following model:

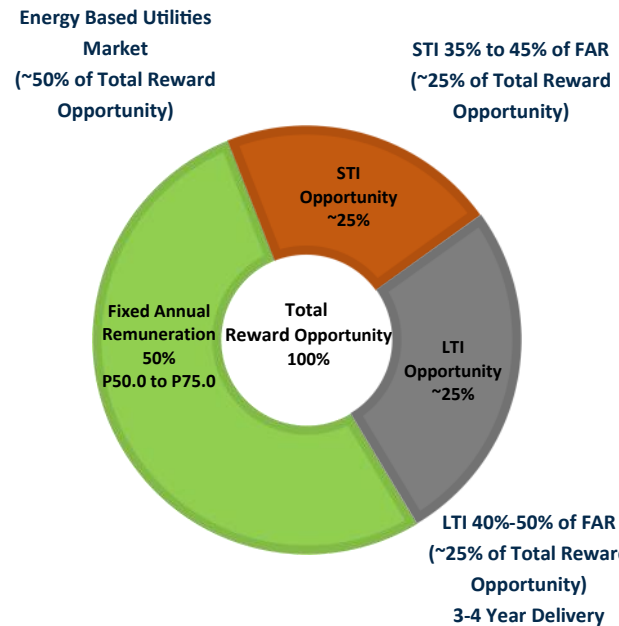


## Stage 2: Emerging Operator (Continued)

Board remuneration should now move closer to Percentile 50 of the market and committee fees paid for the Audit & Risk Committee. Membership of other committees would still be part of the base board fee.

## Stage 3: Maturing

Once operations reach the maturity stage with a strong positive cashflow a higher market positioning might be appropriate for the CEO and executive team. One that is more in-line with long term energy industry players. It could look something like this:



At this stage the chair and non-executive directors might be paid up to Percentile 75 and receive full fees for all committee work.

*Continued on Page 3*

**Geoff Nunn**  
Board Advisor &  
Remuneration Specialist  
+61418 595 107  
[gtnunn@gna.net.au](mailto:gtnunn@gna.net.au)  
[www.gna.net.au](http://www.gna.net.au)

# Renewables Remuneration Governance



## The Governance Landscape

Renewable energy companies have a considerable competitive advantage when it comes to the attraction of capable directors, CEOs and executives. The sector is very attractive from an ethical and environmental perspective. It has a lot of “pulling power” and people want to be associated with the future. They want to make a contribution to a cleaner and greener planet. Boards and remuneration committees can leverage this advantage. But it needs to be backed up with tangible and market aligned remuneration practices. We recommend that renewable companies follow the remuneration governance principles set out below:

- Remuneration levels should be sufficient to attract and retain capable directors and executives without being excessive and fueling the market. They need to take into account the company's stage of development.
- All remuneration decisions should be subject to a “one level removed” overview to ensure bias is minimized.
- Remuneration packages should be structured in such a way as to minimize flight risk.
- The overall remuneration strategy needs to be formulated in accordance with best practice governance, industry standards and the regulatory environment.

## Discussion (Continued from Page 2)

Formulating board, CEO and executive team remuneration strategy is an organic process and needs to take into account the company's stage of development, affordability and the view of owners and other key stakeholders. The models set out above are intended as a general guide only and we caution against an overly prescribed approach.

## Key Questions for Renewable Boards

The board or remuneration committee of a renewable company confronts a number of key questions when it comes to the development of executive remuneration strategy:

1. Is our market positioning for Fixed Annual Remuneration going to enable us to attract the best CEO and executive team who can deliver on our project development pipeline?
2. Is the balance of short and long term incentives appropriate to reward performance without compromising affordability and cashflow?
3. Have we got the right tracking mechanisms in place to enable us to effectively evaluate performance over the short, medium and longer term?
4. Is our risk management framework sufficiently robust to ensure that we are not rewarding inappropriately achieved outcomes?
5. Have we documented our board and executive remuneration strategy effectively and does it meet the governance requirements of our stakeholder and regulators?
6. Have we communicated effectively with our CEO and executives about the progressive development of our remuneration strategy?



Ensure that your board, CEO and executive remuneration strategy is appropriately documented. Contact Geoff if we can assist.

**Geoff Nunn**  
Board Advisor &  
Remuneration Specialist  
+61418 595 107  
[gtnunn@gna.net.au](mailto:gtnunn@gna.net.au)  
[www.gna.net.au](http://www.gna.net.au)