

**ADALTA LIMITED**

**ABN 92 120 332 925**

**CORPORATE GOVERNANCE POLICIES**

**REMUNERATION & NOMINATION COMMITTEE CHARTER**

The charter below describes the goals to which the Company shall aspire in relation to its remuneration and nomination strategies to the extent to which it is relevant.

***Functions and responsibilities***

The Remuneration & Nomination Committee is a committee of the Board with its principle functions being:

- (h)** review the composition of the Board and ensure that the Board has an appropriate mix of skills and experience to properly fulfil its responsibilities;
- (i)** ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;
- (a)** to review and recommend to the Board the overall strategies in relation to executive remuneration policies;
- (b)** to review and make recommendations to the Board in respect of the compensation arrangements for the Managing Director / CEO, all other executive directors and all non-executive directors;
- (c)** to review the effectiveness of performance incentive plans; and
- (d)** to review and make recommendations to the Board in respect of all equity based remuneration plans.

In consultation with the Managing Director / CEO, the Committee will review and recommend to the Board for approval, the Company's general approach to compensation and will oversee the development and implementation of the compensation regime.

***Composition***

The Committee shall comprise at least three members of the Board the majority of whom where possible will be independent directors. Directors serving on the Remuneration & Nomination Committee should have diverse, complementary backgrounds. The Chairman of the Committee shall, where possible, be an independent director.

The Company Secretary will be the secretary of the Committee and will act as the principal liaison between executive management and the committee on remuneration matters.

## **Meetings**

The Committee shall meet as frequently as required, but not less than annually.

The Committee shall have access to professional advice as required.

Two members of the Committee shall comprise a quorum. Where only two members are present, the unanimous vote of the two members will constitute an act of the Committee. Where the committee comprises more than two committee members, the vote of a majority of the members present will constitute an act of the Committee.

## **Remuneration policy**

This policy governs the operations of the Remuneration & Nomination Committee.

### *General director remuneration*

Shareholder approval must be obtained in relation to the overall limit set for non-executive directors' fees. The directors shall set individual Board fees within the limit approved by shareholders.

Shareholders must also approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by the shareholders.

### *Executive remuneration*

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration & Nomination Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- (a)** reward reflects the competitive market in which the Company operates;
- (b)** individual reward should be linked to performance criteria; and
- (c)** executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives and other senior managers consists of the following:

- (a)** salary - executives director and senior manager receive a fixed sum payable monthly in cash;
- (b)** bonus - executive directors and nominated senior managers are eligible to participate in a bonus plan if deemed appropriate;
- (c)** long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and
- (d)** other benefits - executive directors and senior managers are eligible to participate in superannuation schemes.

Remuneration of other executives consists of the following:

- (a)** salary - senior executive receives a fixed sum payable monthly in cash;
- (b)** bonus - each executive is eligible to participate in a bonus plan if deemed appropriate;
- (c)** long term incentives - each senior executive may participate in share option schemes which have been approved by shareholders; and
- (d)** other benefits – senior executive are eligible to participate in superannuation schemes.

#### *Non-executive remuneration*

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration & Nomination Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for directors is currently \$350,000.

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small if non-executive directors are included in the operations of the Company more intimately than may be the case with larger companies, the non-executive directors may be entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

#### Bonus plan

Performance incentives may be offered to executive directors and senior management of the Company through the operation of a bonus plan at the ultimate discretion of the Board.

## **Access**

Members of the Committee have rights of access to the books and records of the Company to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.

The Committee may consult independent experts where the Committee considers this necessary to carry out its duties and responsibilities. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

## **Responsibilities - Nomination**

The Committee shall periodically review and consider the structure and balance of the Board and make recommendations regarding appointments, retirements and terms of office of directors. In particular, the Committee is to:

- (a)** identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company;
- (b)** approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities;
- (c)** assess and consider the time required to be committed by a non-executive director to properly fulfil their duty to the Company and advise the Board.
- (d)** consider and recommend to the Board candidates for election or re-election to the Board at each annual shareholders' meeting;
- (e)** review directorships in other public companies held by or offered to directors and senior executives of the Company;
- (f)** review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board;
- (g)** make recommendations to the Board on the appropriate size and composition of the Board; and
- (h)** make recommendations to the Board on the terms and conditions of appointment to, and removal and retirement from, the Board.

## **Procedures for selection and appointment of Directors**

Over time the Board shall work towards ensuring, collectively, it has the appropriate range and expertise to properly fulfil its responsibilities, including:

- (a)** accounting and legal;
- (b)** business development and risk management;
- (c)** industry and public company experience; and

- (d)** an appropriate ratio and skills matrix for executive and non-executive directors.

In the circumstances where the Board believes there is a need to appoint another director, whether due to retirement of a director or growth or complexity of the Company, certain procedures will be followed, including the following:

- (a)** determine the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board;
- (b)** agree the process and timetable for seeking such a person, which may involve an external search firm;
- (c)** a short list of candidates will be prepared for the Board's consideration and interview. The selection process will encourage visitation to the Company's operating sites and an understanding of management information systems. Candidates will be assessed on the following basis:
  - (i) competencies and qualifications;
  - (ii) independence;
  - (iii) other directorships;
  - (iv) time availability;
  - (v) contribution to the overall balance of the composition of the Board; and
  - (vi) depth of understanding of the role of and legal obligations, of a director.

The Company will undertake appropriate checks (including criminal record and bankruptcy checks) before appointing a person, or putting forward to shareholders a candidate for election as a director.

The Board composition and size shall be regularly reviewed to ensure it is appropriate for the size of the Company and provides the balance of skills and experience necessary for the conduct of the Company's activities.

If an invitation to become a director is accepted, the Board will appoint the new director during the year and that person will then stand for re-election by shareholders at the next annual general meeting. Shareholders will be provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director.

The Company will have a written agreement with each director setting out the terms of their appointment. When appointed to the Board, a new director will receive an induction appropriate to their experience.

The Company will provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

All directors are entitled to the benefit of the Company's standard Deed of Access, Indemnity and Insurance.

### **Performance Evaluation Practices**

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The Board also reviews the appropriate criteria for Board membership collectively.

The Board shall establish formal processes to review its own performance and the performance of individual directors and the committees of the Board, annually.

#### *Board*

A process shall be established to review and evaluate the performance of the Board. The Board shall meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months, including comparison with others, and examining ways in which the Board can better perform its duties. The review will incorporate the performance of the Board.

The annual review includes consideration of the following measures:

- (a)** comparison of the performance of the Board against the requirements of the Board charter;
- (b)** assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- (c)** review the Board's interaction with management;
- (d)** identification of any particular goals and objectives of the Board for the next year;
- (e)** review the type and timing of information provided to the directors; and
- (f)** identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and which may include a Board self-assessment checklist to be completed by each director. The Board may also use an independent adviser to assist in the review.

#### *Committees*

Similar procedures to those for the Board review are applied to evaluate the performance of each of the Board committees.

An assessment will be made of the performance of each committee against each charter and areas identified where improvements can be made.

### *Non-executive directors*

The Chairman will have primary responsibility for conducting performance appraisals of non-executive directors in conjunction with them, having particular regard to:

- (a)** contribution to Board discussion and function;
- (b)** degree of independence including relevance of any conflicts of interest;
- (c)** availability for and attendance at Board meetings and other relevant events;
- (d)** contribution to Company strategy;
- (e)** membership of and contribution to any Board committees; and
- (f)** suitability to Board structure and composition.

Where the Chairman, following a performance appraisal, considers that action must be taken in relation to a director's performance, the Chairman must consult with the remainder of the Board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.

### *Managing Director / CEO*

The Board will annually review the performance of the Managing Director / CEO. At the commencement of each financial year, the Board and the Managing Director / CEO will agree a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

- (a)** financial measures of the Company's performance;
- (b)** the extent to which key operational goals and strategic objectives are achieved;
- (c)** development of management and staff;
- (d)** compliance with legal and Company policy requirements; and
- (e)** achievement of key performance indicators.

### *Senior executives*

The Managing Director / CEO is responsible for assessing the performance of the key executives within the Company. This is to be performed through a formal process involving a formal meeting with each senior executive.

The basis of evaluation of senior executives will be on agreed performance measures.

Any questions in relation to this Policy should be directed to the Chairman of the Remuneration & Nomination Committee.

This policy is reviewed **annually** by the Board.