

# Remuneration and Nomination Policy

## Introduction

The board has considered the need for a nominations committee and remuneration committee and believes that it is more appropriate for such responsibilities to be met by the full board rather than separate committees.

The Board will follow the procedures contained in this document when determining the remuneration of directors and nomination of directors.

## Purpose

In determining the remuneration of directors and nomination of directors the Board has a responsibility to its shareholders to ensure that:

- a) the board comprises individuals best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance; and
- b) the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders.

## Policy

Directors are selected based upon the specific skills, knowledge and experience that they possess. Candidates would be expected to have well established marketing, manufacturing, logistics, financial or business credentials, and suitable experience in distribution gateways would normally be well regarded.

A formal appointment letter setting out the key terms and conditions applicable to that appointment is provided to each new director. Upon commencement, an induction program is conducted involving meetings with other directors and senior management to facilitate the new director's understanding of the affairs of the Company.

A director appointed mid term by the Company must seek re-election at the next general meeting.

Whilst there are no set terms for a director to serve, the Constitution requires that one-third (or the number nearest to but not less than one-third) of the directors must retire from office at each annual general meeting.

A retiring director is eligible for re-election. Prior to the election of any director, candidate information with appropriate detail to support an informed decision is provided to shareholders. Formal appointment letters will also be provided upon re-election.

The remuneration of Directors and Executives for the year has predominantly been fixed, with one executive director having performance based options. The Board has decided to move remuneration toward providing a fixed component and a long-term incentives based on key performance areas affecting the economic entity's financial results. This move will better align director and executive objectives with shareholder and business objectives.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits. The board reviews

executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives will and must be linked to predetermined performance criteria.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, may however, choose to sacrifice part of their salary to increase payments towards superannuation or lease motor vehicles or other salary sacrifice packaging, but the total cost of the person's service to the Company must be equivalent to the agreed cash amount.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The entire board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

In determining the composition of the Board, the directors are required to:

- a) assess the skills required to discharge competently the board's duties having regard to the company's performance, financial position and strategic direction;
- b) as and when it considers it appropriate take into account such factors as independence, complexity and size of operations, assesses the skills represented on the board by the directors and determines whether those skills meet the skills identified as required;
- c) have regard to the skills required and the skills already represented on the board, the board will at the next appropriate opportunity implement a process to identify suitable candidates for appointment as a director and
- d) review the process for identifying suitable candidates which may include a search undertaken by an appropriately qualified independent third party acting on a brief prepared by the board which identifies the skills sought.

A majority of directors must agree to the appointment of a new director to the board.

In determining the remuneration of the chief executive officer and any directors, the directors are required to:

- (i) determine executive remuneration policy at least annually;
- (ii) consider the remuneration and other conditions of service of the chief executive officer and executive directors, if any;
- (iii) review the performance of the executive management team;
- (iv) make decisions on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time;
- (v) at its discretion, consults appropriately qualified consultants for advice on remuneration and other conditions of service;
- (vi) fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executive and the general pay environment;
- (vii) ensure that no non-executive director shall be paid as part or whole of his remuneration a commission on or a percentage of profits or a commission or a percentage of operating revenue, and no executive director shall be paid as whole or part of his remuneration a commission on or percentage of operating revenue;
- (viii) require that remuneration of non-executive Directors be determined by all the members of the Board; and
- (ix) ensure compliance with the provisions of the ASX Listing Rules and Corporations Law of Australia.

A majority of directors must approve the following prior to implementation:

- a) changes to the remuneration or contract terms of Executive Directors;
- b) the design of new, or amendments to current, equity plans or executive cash based incentive plans; and
- c) termination payments to Executive Directors