

# **Remuneration and Nomination Committee Charter**

**Althea Group Holdings Limited**  
ACN 626 966 943

# Remuneration and Nomination Committee Charter

## 1 Introduction

- 1.1 This Charter governs the composition, membership, roles and responsibilities of the Remuneration and Nomination Committee (**Committee**) of Althea Group Holdings Limited (**Company**).
- 1.2 The operation of the Committee is also governed, where applicable, by the constitution of the Company (**Constitution**).

## 2 Objectives

- 2.1 The purpose of the Committee is to provide advice, recommendations and assistance to the board of directors of the Company (**Board**) with respect to:
- (1) identifying nominees for directorships and other key executive appointments;
  - (2) the composition of the Board including the appointment and re-election of directors;
  - (3) ensuring that effective induction and education procedures exist for new Board appointees and key executives;
  - (4) ensuring that appropriate procedures exist to assess and review the performance of the chair of the Board (**Chair**), non-executive directors, Senior Executives (including senior and key officers of the Company) (**Senior Executives**) in Board Committees and the Board as a whole;
  - (5) putting in place remuneration policies which are designed to attract and retain high quality directors, and attract, retain and motivate Senior Executives, with the expertise to enhance the performance and growth of the Company and create value for security holders;
  - (6) putting in place remuneration policies that clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and Senior Executives;
  - (7) ensuring that the level and composition of remuneration packages are fair, reasonable and responsible and:
    - (a) in the case of executive directors and Senior Executives, encourage them to pursue the growth and success of the Company (both in the short term and over the longer term) without taking undue risks; and
    - (b) in the case of non-executive directors, do not conflict with their obligation to bring an independent judgement to matters before the board; and
  - (8) making recommendations as to whether there is any gender or other inappropriate bias in remuneration for directors, Senior Executives or other employees.
- 2.2 The Committee should provide the Board with sufficient information to make informed decisions with respect to the remuneration of executive directors and senior management.

- 2.3 Ultimate responsibility for the Company's remuneration policy rests with the full Board, notwithstanding the establishment of the Committee.

### **3 Composition**

#### **3.1 Members**

- (1) To the extent practicable given the size and composition of the Board from time to time, the Committee should have at least three members, a majority of whom are independent directors.
- (2) The members of the Committee will be appointed and removed by the Board.
- (3) To the extent practicable given the size and composition of the Board from time to time, the Committee should have appropriate diversity of membership to avoid entrenching unconscious bias.

#### **3.2 Expertise**

Members of the Committee must have an appropriate level of understanding of:

- (1) the principles of corporate governance, including knowledge of the Australian Securities Exchange (**ASX**) Corporate Governance Council's Principles and Recommendations;
- (2) the Company's businesses and organisation structure;
- (3) the functions of the Board and the various roles and responsibilities of directors and other Senior Executive positions;
- (4) Company management, at a senior management level;
- (5) the disclosure requirements under the *Corporations Act 2001* (Cth) and the ASX Listing Rules in respect to executive and director remuneration; and
- (6) the complexities involved in negotiating and determining executive remuneration packages.

#### **3.3 Chair and Secretary**

- (1) To the extent practicable given the size and composition of the Board from time to time, the Committee will be chaired by an independent director.
- (2) The Company secretary will act as secretary of the Committee (**Secretary**) unless determined otherwise by the Board.

### **4 Meetings**

#### **4.1 Frequency**

The Committee will meet as frequently as required but must, at a minimum, meet twice a year.

The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee or Board.

#### 4.2 **Agenda and notice**

The Secretary will be responsible, in conjunction with the Chair, for drawing up the agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Secretary must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible.

#### 4.3 **Quorum**

A quorum for Committee meetings will be at least 2 members. To the extent that a member of the Committee is an independent director, one of the members of the quorum must be an independent director.

#### 4.4 **Minutes**

The Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable after the close of the meeting.

#### 4.5 **Attendance**

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Voting at Committee meetings is restricted to Committee members. Any member of the Board may attend a meeting on request.

### 5 **Objectivity**

- 5.1 The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfil its responsibilities.
- 5.2 Senior Executives must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties.
- 5.3 The Committee must ensure that it obtains sufficient information to enable it to make informed decisions with respect to the advice and recommendations it provides to the Board.
- 5.4 A member of the Committee is not entitled to be present at a Committee meeting, nor give advice or recommendations to the Board, regarding:
  - (1) the level or composition of his or her remuneration; and
  - (2) the evaluation of his or her performance as a director of the Company.
- 5.5 The Committee may seek input from individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration.
- 5.6 If the Committee includes an executive director, they should be alive to the potential conflict of interest in being involved in setting the remuneration for other executives which may indirectly affect their own (for example, through setting a benchmark or because of relationships).

## 6 Responsibilities of the Committee

### 6.1 Executive remuneration policy

- (1) The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of an executive director and Senior Executive remuneration policy that:
  - (a) is designed to attract, maintain and motivate executive directors and Senior Executives with the aim of enhancing the performance and long-term growth of the Company; and
  - (b) clearly sets out the relationship between the individual's performance and remuneration.
- (2) The Committee must review the remuneration policy and other relevant policies on an ongoing basis and recommend any necessary changes to the Board.
- (3) The Committee must aim to ensure that the remuneration packages of executive directors and Senior Executives:
  - (a) display a balance between fixed and performance-based pay which is tailored to the Company's short and long-term performance objectives appropriate to the Company's circumstances and goals;
  - (b) provide for a link between rewards and the performance of the Company and the individual; and
  - (c) are consistent with the Company's remuneration policy and any other relevant Company policies.
- (4) The fixed component of each executive remuneration package should be reasonable and fair, taking into account:
  - (a) the core performance requirements, responsibilities, track record and expectations of the individual;
  - (b) the Company's obligations at law and labour market conditions; and
  - (c) the scale and complexity of the business.
- (5) The performance-based component of each executive remuneration package must be clearly linked to specified performance targets. These targets should be aligned to the Company's short and long-term performance objectives and should be appropriate to its circumstances, goals and risk appetite. They should also reflect the matters over which the individual has understanding and influence. The Committee should specifically consider whether there are appropriate key performance indicators for executive directors and Senior Executives to measure the achievement of diversity objectives and whether remuneration can in part be linked (either directly or as part of a "balanced scorecard" approach) to achievement of those objectives.
- (6) The Committee must ensure that, where applicable, any payments of equity-based remuneration are made in accordance with the Company's Constitution and any thresholds approved by the Company's shareholders. These thresholds should be aligned to the Company's longer-term performance objectives. Committee members must be aware at all times of the limitations of equity-based remuneration. The terms of such schemes should clearly prohibit entering into

transactions or arrangements (whether through the use of derivatives or otherwise) which limit the economic risk of participating in these schemes. This is because allowing participants in an equity-based remuneration scheme to hedge or otherwise limit the economic risk of the scheme may act counter to the aims of the scheme and blur the relationship between remuneration and performance. The exercise of any entitlements under these schemes should be timed to coincide with any trading windows under the Company's Securities Dealing Policy.

## 6.2 **Nomination, appointment and removal**

The Committee is responsible for:

- (1) identifying specific individuals for nomination for directorship and Senior Executive roles; and
- (2) providing advice and recommendations to the Board with respect to the appointment and removal of Directors and Senior Executives.

The Committee must ensure that there is a formal process in place for selecting and appointing new Directors and Senior Executives and that the process is transparent.

## 6.3 **Director competencies**

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of:

- (1) a plan for identifying, assessing and enhancing director competencies; and
- (2) a succession plan that is designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board and among Senior Executives.

Prior to identifying an individual for nomination for directorship, the Committee must evaluate the range of skills, knowledge, experience, expertise, independence and diversity currently existing on the Board to ensure that the Committee identifies the particular skills, knowledge, experience, expertise, independence and diversity that will most effectively complement the Board's current composition. In light of this evaluation, the Committee should prepare a description of the role and capabilities required for a particular appointment.

The Committee should develop and then update as required, a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

## 6.4 **Board composition**

- (1) The Committee is responsible for aiming to ensure, to the extent practicable, that the Board is of a size and composition that allows for:
  - (a) decisions to be made expediently;
  - (b) a range of different perspectives to be put forward regarding issues before the Board;
  - (c) a range of different skills to be brought to Board deliberations; and

- (d) Board decisions to be made in the best interests of the Company as a whole rather than being made in the interests of individual shareholders or interest groups.
- (2) The Committee is responsible for ensuring that the internal board limit set by the Board in accordance with the *Corporations Act 2001* (Cth) and the Company's Constitution is appropriate given the nature and size of the Company.

#### 6.5 Board commitment

The Committee is responsible for monitoring, on an ongoing basis, the time required for non-executive directors to adequately fulfil their duties and the extent to which non-executive directors are meeting these time requirements.

Prior to the nomination of prospective non-executive directors the Committee must obtain from the prospective candidate:

- (1) details of other commitments of the prospective candidate and an indication of the time involved to meet these requirements; and
- (2) an acknowledgment that the prospective candidate will have sufficient time to meet the requirements of a non-executive director with the Company.

Once appointed, a non-executive director also should inform the Chair of the Board and the chair of the Committee before accepting any new appointment as a director of another listed entity, any other material directorship or any other position with a significant time commitment attached.

#### 6.6 Election of directors

The Committee must ensure that any notice of meeting relating to the election of directors provides the Company's shareholders with the information necessary to allow the shareholders to make an informed decision on the election.

The Committee must ensure that non-executive directors are appointed for specific terms subject to re-election and to the ASX Listing Rules and the *Corporations Act 2001* (Cth) provisions regarding the removal of directors.

#### 6.7 Induction and education procedures

The Committee must implement an effective induction process for new Board appointees and Senior Executives. This induction process must include:

- (1) information about the Company;
- (2) information about the industry within which the Company operates; and
- (3) an induction program that enables new directors and executives to gain an understanding of:
  - (a) the Company's financial, strategic, operational and risk management position;
  - (b) their rights, duties and responsibilities; and
  - (c) the role of any Board committees.

The Committee must review the induction process annually to ensure that it is up to date and effective.

The Committee must ensure that Board appointees and executives have access to continuing education to update and enhance their skills and knowledge. This may include education concerning key developments in the Company and within the industry and environments within which it operates.

## 6.8 Evaluation and review

The Committee is responsible for the:

- (1) evaluation and review of the performance of the Board against both measurable and qualitative indicators to be established by the Committee;
- (2) evaluation and review of the performance of individual directors against both measurable and qualitative indicators to be established by the Committee;
- (3) review of and making of recommendations on the size and structure of the Board; and
- (4) review of the effectiveness and programme of Board meetings.

## 7 Board selection

7.1 In filling Board positions, the Board will:

- (1) seek input from sources in addition to the board and consider using an external consultant to provide a list of prospective candidates which includes candidates with diverse skills, backgrounds and experience as part of any recruitment process;
- (2) ensure appropriate checks are undertaken, including as to the person's character, experience, education, criminal record and bankruptcy history;
- (3) when submitting to shareholders the names of candidates for election as directors, ensure each submission is accompanied by the following information:
  - (a) biographical details of the candidate, including competencies, qualifications, experience and the skills they bring to the Board;
  - (b) in the case of a candidate standing for election for the first time, information sufficient to enable an assessment of the independence of the candidate, including details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its security holders;
  - (c) in the case of a candidate standing for re-election as a director, the term of office currently served by the Director;
  - (d) if the Board considers that:
    - (i) the candidate will, if elected, qualify as an independent director; or
    - (ii) the director subject to re-election is an independent director,a statement to that effect;



- (e) in the case of a candidate standing for election for the first time, any material information revealed by the checks referred to in paragraph 7.1(2) above;
- (f) a statement by the board as to whether it supports the nomination or re-election of the proposed candidate;
- (g) details of the relationship between the candidate and the:
  - (i) Company; and
  - (ii) directors of the Company;
- (h) material directorships currently held;
- (i) particulars of other positions which involve significant time commitments;
- (j) the term of office served by any directors subject to re-election; and
- (k) any other material information in the Board's possession and particulars required by law.

## **8 Incentive schemes**

- 8.1 The Committee is responsible for reviewing and providing recommendations to the Board with respect to:
- (1) the Company's policies with respect to incentive schemes; and
  - (2) the incentive schemes of Senior Executives, executive directors and other employees.
- 8.2 The Committee will assist the Board in the development of appropriate benchmarks for use in designing incentive schemes. Incentive schemes should be designed around appropriate performance benchmarks that measure relative performance and provide rewards for materially improved company performance.

## **9 Non-executive director remuneration**

- 9.1 Subject to compliance with clause 5.4, the Committee is responsible for providing advice to the Board with respect to non-executive directors' remuneration.
- 9.2 The remuneration packages of non-executive directors should generally be cash fee based or non-cash benefits in-lieu of fees, such as salary sacrifice into superannuation or equity (which is acceptable as it aligns their interests with the interests of other security holders), and the Committee must ensure that:
- (1) there is a clear distinction between the structure of non-executive directors' and executive directors' remuneration;
  - (2) levels of fixed remuneration reflect the time commitment and responsibilities of the role; and
  - (3) non-executive directors do not:
    - (a) participate in remuneration schemes designed for executive directors; or

- (b) receive options with performance hurdles attached, performance rights, performance based remuneration (eg bonus payments) or retirement benefits other than statutory superannuation without the approval of the Company's shareholders.

## **10 Recruitment, retention and termination policies**

The Committee must review and make recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives.

## **11 Termination payments**

11.1 The Committee is responsible for providing advice and recommendations to the Board on the Company's termination and redundancy policies and the payments made to outgoing executive directors and Senior Executives. The Committee should ensure that termination payments:

- (1) are fair to the individual and the Company;
- (2) do not unreasonably or directly reward failure or misconduct; and
- (3) comply with the requirements of the *Corporations Act 2001* (Cth).

11.2 Applicable termination payments for executive directors and Senior Executives must be agreed in advance and must contain clearly defined provisions regarding the consequences of early termination. Agreements should clearly articulate performance expectations. Further, in providing advice and recommendations to the Board, the Committee should also consider the consequences of an appointment not being successful, and the costs and other impacts of early termination.

## **12 Superannuation**

12.1 The Committee is also responsible for advising and providing recommendations to the Board with respect to superannuation arrangements.

## **13 Access to internal or external resources**

13.1 In order to ensure the Board is able to discharge its responsibilities properly, the Committee should establish a process whereby directors:

- (1) can obtain independent legal, financial, remuneration or other professional advice when necessary at the expense of the Company;
- (2) are encouraged to, and in fact actively, request additional information where they consider that the information supplied by internal or external sources is insufficient to allow them to make informed decisions; and
- (3) can access the Secretary whenever required.

## **14 Committee's performance evaluation**

14.1 The Committee will review its performance from time to time and whenever there are major changes to the management of the Company.

- 14.2 The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this Charter.

## **15 Reporting**

### **15.1 Reporting to the Board**

- (1) The Committee must report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues. Such reports must include detailed disclosure of executive remuneration policies which are subject to an advisory vote by shareholders.
- (2) In complying with the 'Two-Strikes Rule', the Committee must provide guidance to the Board on remuneration strategy, particularly where there has been a 'first strike' against the Company's remuneration report upon being put to a meeting of shareholders.

### **15.2 Annual report**

- (1) The Committee is responsible for review of the remuneration report to be included in the Company's Annual Report, and subsequent recommendation to the Board of its adoption. The Committee should ensure that the material and disclosures which relate to the Company's remuneration policies and procedures, information concerning the directors and the performance evaluation of the Board and Senior Executives is included. The relationship between remuneration and performance and how it is aligned to the creation of value for shareholders should be clearly articulated to investors.
- (2) The Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance statement in the Annual Report which relate to the Company's nomination and remuneration policies and procedures.
- (3) Without limiting clause 15.2(1) or 15.2(2), the following material or a clear cross-reference to the location of the material should be included in the remuneration report or corporate governance statement:
  - (a) the number of times the Committee met since within the period to which the remuneration report or corporate governance statement relates;
  - (b) the names of the members of the Committee and their attendance at meetings of the Committee;
  - (c) the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and
  - (d) an explanation for the departures from the Recommendations.

### **15.3 Public availability of materials**

The Committee must ensure that the following materials are made publicly available on the Company's website in a clearly marked corporate governance section:

- (1) a copy of this Charter; and
- (2) a list of the members of the Committee.

## **16 Review of the Charter**

16.1 This Charter shall be reviewed annually and revised by the Board as required.

Adopted on 9<sup>th</sup> August 2018