

## **Remuneration Policy**

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Policy (Group)

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## About this document

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### Audience

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This policy applies to all Australian and UK directors and staff members of the Praemium Group.

All Praemium members of staff are expected to be familiar with, and to comply with this policy and any related/ancillary policies that apply to their business unit<sup>1</sup>.

### Objectives

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The aim of this policy is to provide remuneration principles and guidelines for Praemium executive and non-executive directors and members of staff.

### Scope

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This document outlines the policy that is approved by the Board of Directors.

### Related documentation

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- Code of conduct
- Remuneration Committee Charter / Board Charter
- Performance Appraisal process

### Next Review

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- Praemium will monitor and review this policy regularly to assess its effectiveness and compliance with the law at the time.
- This policy is due to be reviewed by the Remuneration Committee Dec 2011 or as the Board may otherwise request from time to time.

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<sup>1</sup> The UK Subsidiary Group may have additional requirements to ensure compliance with local requirements.

## 1. Policy Statement

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### Generally

- 1.1. The key objectives of this policy are to ensure that the Praemium Group:
- (a) Appropriately compensates employees for the services they provide to the Company;
  - (b) Provides a flexible and competitive remuneration structure which is:
    - (i) referenced to appropriate benchmarks;
    - (ii) reflects market practice;
    - (iii) is tailored to the specific circumstances of Praemium, so as to attract, motivate and retain highly skilled directors, executives and staff generally;
  - (c) Motivates employees to perform in the best interests of the Company and its stakeholders;
  - (d) Determines remuneration in a way that ensures a level of equity and consistency across the group; and
  - (e) Complies with all relevant legal requirements.

### Executives & Senior Managers

- 1.2. Specifically, with respect to Executives and senior management the objectives of Praemium's remuneration policy are to:
- (a) apply demanding key short term and long term performance indicators (KPIs) including financial and non-financial measures of performance;
  - (b) demonstrate a clear relationship between individual performance and remuneration;
  - (c) apply an appropriate balance between fixed and variable remuneration, reflecting the short and long term performance objectives appropriate to the Praemium Group's circumstances and goals;
  - (d) link rewards to the creation of value to shareholders; and
  - (e) limit severance payments on termination to the amounts required under applicable statute or pre-established contractual arrangements (as applicable) that do not commit the Group to making unjustified payments in the event of non-performance and ensure that the Group complies with the requirements of the relevant law.

## 2. Who is responsible for making decisions in respect to remuneration?

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- 2.1. The Board is responsible for making decisions in respect to the remuneration of directors and, in particular the Group CEO.
- 2.2. It does so with the assistance and advice of the Remuneration Committee.

- 2.3. The Group CEO is ultimately responsible for:
- (a) Recommendations to the Board relating to the remuneration of executive directors of all group entities; and
  - (b) Decisions relating to the remuneration of all staff.
- 2.4. The Group CEO:
- (a) Delegates responsibility for decisions relating to remuneration to line managers / supervisors; and
  - (b) May only make decisions relating to remuneration which are consistent with approved budgets (unless the Board approves otherwise).

### **3. Non executive directors' remuneration**

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#### **Determining and reviewing NED remuneration**

- 3.1. This section of this policy applies to the remuneration of non executive directors of:
- (a) The Company; and
  - (b) The board of any subsidiary of the Company (or advisory committee formed for any purpose).
- 3.2. Non-executive directors receive fees (including statutory superannuation / pension / national insurance etc as applicable) for their services plus the reimbursement of reasonable expenses. Non-executive directors' fees are reviewed annually and are determined by the Board (following consultation with the Remuneration Committee) having regard to fees paid to non-executive directors of comparable companies, and where considered necessary the Board may seek external advice on this subject.
- 3.3. The Board aims to set the aggregate remuneration at a level which provides the Group with the ability to attract and retain highly competent non executive directors. The aggregate remuneration level is determined from time to time by shareholders in general meeting, in accordance with the Company's Constitution. An amount not greater than the aggregate amount is then apportioned between the non executive directors as agreed, taking into account market comparisons, the director's responsibilities, and the time spent by the non-executive directors on Praemium matters.
- 3.4. The maximum aggregate of non executive director remuneration paid to non executive directors of the Company must not exceed the amount approved by the shareholders.
- 3.5. The maximum aggregate of non executive director remuneration paid to non executive directors of any subsidiary must not exceed the amount approved by the Board.
- 3.6. Non-executive directors do not receive performance-based bonuses.

#### **Executive Directors**

- 3.7. No separate directors fee will be paid to any executive director of the Company or any of its subsidiaries.

### Retirement Benefits

- 3.8. Directors' fee payments to Non Executive Directors are determined on a basis which is fully inclusive of any legislated superannuation/pension / national insurance and other applicable statutory payment obligations.
- 3.9. The Company will pay the minimum superannuation/pension / national insurance and other applicable statutory contributions required under any applicable legislation to avoid any penalty, charge, tax or impost to nonexecutive directors.
- 3.10. Non Executive Directors are not entitled to retain retirement benefits beyond the statutory obligations which are required to be met by the Company.

## 4. What are the responsibilities of Managers/Supervisors in respect to remuneration for non-executive employees?

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- 4.1. The responsibilities of managers/supervisors in respect to remuneration for non-executive employees are:
- (a) Ensuring accurate role descriptions are in place, with sufficient detail on elements required to allow consistent assessments and comparison to be undertaken;
  - (b) Conducting effective assessments of employee performance; and
  - (c) To optimize alignment with the Company's remuneration practices and other employment matters.
- 4.2. Unless a position is not within the relevant budget / plan, approval for agreements will be through the relevant head of department. Approval to employ or create any position which is not within the relevant budget / plan must be obtained from the CEO who must seek the approval of the Board if the expense is outside the limits of the CEO's discretions as set from time to time by the finance policies.

## 5. Employee remuneration principles

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- 5.1. Praemium aligns its remuneration with that of comparable organisations for roles at all levels of the Company. A systematic role evaluation methodology is used to establish each employee's appropriate level of remuneration.
- 5.2. In determining remuneration budgets / planning for staff resourcing etc Praemium takes into account the performance of the business and each business unit.
- 5.3. Remuneration may comprise elements of fixed remuneration and performance-based (at-risk) remuneration.
- 5.4. At a minimum, all full-time and part-time employees have an element of their remuneration at-risk once they complete the qualifying period [ie. they are permanent employees], after which they are eligible to participate in the Employee & Directors Benefits Plan.
- 5.5. The proportion of an employee's total remuneration that is at-risk increases with seniority and with the individual's ability to impact the performance of the Company. At-risk elements of total remuneration comprise both short-term incentives as a reward for performance and

long-term incentives that align medium and long-term shareholder interests. The long-term incentive structure also encourages retention of high performance employees in the organisation.

- 5.6. There may be different methodologies for determining at-risk remuneration for different roles. In particular, the Group CEO's long and short term incentives will be determined by the Board with the advice of the Remuneration Committee.
- 5.7. An annual performance review process assesses the degree to which each employee is satisfying the requirements of his/her role and the degree to which established performance objectives have been achieved.
- 5.8. TEC will be a combination of base salaries and incentives. Accordingly in determining fixed and variable components of TEC, the Company may include elements of market and performance consideration as well as reflecting a principle strategy of discriminating for superior performance.
- 5.9. Praemium operates on an October – September 'pay year'. Salary reviews are undertaken at the end of each 'pay year' for implementation (if applicable) in the following pay year.

## 6. Executive remuneration

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### Remuneration composition

- 6.1. The Company aims to reward the Group CEO, and senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company, and so as to:
  - (a) reward them for business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
  - (b) align their interests with those of shareholders;
  - (c) link their reward with the strategic goals and performance of the Company; and
  - (d) ensure their total remuneration is competitive by market standards.
- 6.2. In determining the level and make-up of the Group CEO's and senior Executive's remuneration, the Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given remuneration trends of other companies, from which the recommendations are made to the Board.
- 6.3. Remuneration consists of both fixed and variable remuneration components.
- 6.4. The variable remuneration component consists of a Short-term Incentive Plan ("STI") and a Long-term Incentive Plan ("LTI"). The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) is established for the Group CEO and each senior Executive by the Remuneration Committee.
- 6.5. The Group CEO's remuneration package is subject to Board approval.
- 6.6. Senior Executives remuneration packages must be approved by the Group CEO within the budgetary limits determined by the Board from time to time.

- 6.7. Remuneration packages may contain any or all of the following:
- (a) Fixed annual remuneration:
    - (i) which is based on conditions and the relevant market;
    - (ii) with provision to recognise the value of the individual's personal performance and their ability and experience; and
    - (iii) structured so the Group CEO and senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as a motor vehicle and car parking. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining this fixed annual remuneration.
  - (b) Variable remuneration - short term incentive payments ("STI Plan"):
    - (i) comprising special targeted short term incentive payments and other measures available to reward individuals and teams following a particular outstanding business contribution; and
    - (ii) with the objective to link the achievement of annual operational targets with the remuneration received by the Group CEO and senior Executives charged with meeting those targets.
    - (iii) the total potential STI available is set at a level so as to provide sufficient incentive to the Group CEO and senior Executives to achieve the operational targets such that the cost to the Company is reasonable in the circumstances.
    - (iv) actual STI payments granted to the and Group CEO and each senior Executive depend on the extent to which specific operating targets, set at the beginning of the year, are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance.
    - (v) typically, KPI's and assessment criteria include:
      - o meeting of pre-determined growth in revenues / consolidated entity net profit after tax over the prior year;
      - o meeting strategic and operational objectives; and
      - o assessed personal effort and contribution.
    - (vi) the Company applies predetermined benchmarks which must be met in order to trigger payments under the STI, with the measures chosen so as they directly align the individual's STI reward to the KPI's of the Company and to its strategies and performance.
  - (c) Variable remuneration - long term incentive payments ("LTI Plan"):
    - (i) the Company's LTI Plan shall be designed to link the Group CEO and senior Executives' reward with key performance indicators that drive sustainable growth in shareholder value over the long term.

- (ii) The objectives of the LTI Plan are to:
  - align the Group CEO's and senior Executives' incentives with shareholders interests;
  - balance the short term with the long term Company focus; and
  - retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.
- (iii) Under the LTI Plan, the Group CEO and senior Executives may at the Board's discretion and in accordance with the LTI Plan be granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer may be made under the LTI Plan to the Group CEO and senior Executives each financial year and is based on individual performance as assessed by the annual appraisal process. If the Group CEO or any senior Executive does not sustain a consistent level of high performance they will not be nominated for LTI Plan participation.
- (iv) The Remuneration Committee reviews all nominated senior Executives with participation subject to final Board approval.
- (v) In accordance with the ASX Listing Rules approval from shareholders is obtained before participation in the LTI Plan commences for any Executive Director (including the Group CEO).
- (vi) Each grant of performance rights is subject to specific performance hurdles. The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of a three year Performance Period.
- (vii) The Board has retained the discretion to vary the performance hurdles and criteria.

### **Other remuneration**

- 6.8. Other benefits such as additional holidays in excess of statutory requirements may be utilised from time to time with the consent of the Group CEO

## **7. Setting remuneration and establishing review protocols**

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### **Group CEO**

- 7.1. Each year the Remuneration Committee will:
- (a) review the remuneration of the Group CEO (including base pay, STI and LTI payments, equity based awards, superannuation and other retirement rights, employment contracts);
  - (b) make recommendations to the Board for any changes to the Group CEO's remuneration package; and
  - (c) recommend proposed STI and / or LTI performance awards after performance evaluation procedures.

- 7.2. The Remuneration Committee's review will consider individual performance, comparative remuneration in the market and where appropriate, external advice.
- 7.3. The Remuneration Committee will provide this information together with a recommendation to the Board for consideration.

### **Other Executives**

- 7.4. The Remuneration Committee will work with the Group CEO to determine the appropriate level and structure of the respective remuneration packages of the senior Executive team.
- 7.5. Each year the Remuneration Committee will:
  - (a) review the remuneration of senior Executives (including base pay, STI and LTI payments, equity based awards, superannuation and other retirement rights, employment contracts);
  - (b) make recommendations to the Board for any changes to those remuneration packages; and
  - (c) recommend proposed STI and / or LTI performance awards after performance evaluation procedures on the recommendation of the Group CEO.
- 7.6. The Group CEO's review will consider individual performance, comparative remuneration in the market and where appropriate, external advice.
- 7.7. The Remuneration Committee will provide this information together with a recommendation to the Board for consideration.

### **General remuneration across the Praemium Group**

- 7.8. The Remuneration Committee also:
  - (a) recommends to the Board for approval the size of bonus / incentive pools as part of Praemium Group's annual plan based on consideration of pre-determined business performance indicators;
  - (b) reviews and notes annually the remuneration trends across the Group;
  - (c) ensures they are aware of and advise the Board on any major changes in employee benefit structures throughout the Praemium Group; and
  - (d) recommends to the Board for approval remuneration arrangements outside of policy relating to individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications

## **8. Retirement benefits**

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- 8.1. The employing entities within the group will make superannuation/pension contributions on bonus payments at the in accordance with applicable laws, including in respect to equity remuneration.

## **9. Termination payments**

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- 9.1. Termination payments are based on specific contractual arrangements as

set out in the Employees Terms and Conditions of Employment and the relevant legislative industrial instruments. The basis for determining entitlements in the event of termination is consistent with the contractual obligations set out in those documents, which in turn align with market norms and practice.

## 10. Disclosure of remuneration

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- 10.1. Unless an applicable law, regulation or listing rule requires otherwise, all information about an individual staff member's remuneration will be confidential. Disclosure of or discussions about remuneration with staff members other than between the direct manager / report are strictly forbidden and, where this policy is breached, the Group CEO may authorise sanctions that are considered appropriate in the circumstances (including suspension, withdrawal of any 'at-risk' entitlement or even dismissal).
- 10.2. Total remuneration reported will include appropriate values for all elements of remuneration, incorporating fixed remuneration, performance-based remuneration comprising payments made or value provided for at-risk components, superannuation/pension / national insurance and other applicable statutory requirements and value for benefits provided and equity-based components of remuneration. Where possible, reported remuneration will relate to the year in which the remuneration is earned.
- 10.3. Other than disclosure included in this document and annual reports, remuneration information is confidential between the Company and the employee.
- 10.4. Other than when disclosure is required by law, and there is a mutual obligation and expectation to retain that confidentiality.
- 10.5. Remuneration data may be used for valid internal benchmarking, review and analysis and may be disclosed pursuant to regulatory and compliance requirements, but is otherwise required to be dealt with sensitively and confidentially and in accordance with the Data Protection / Privacy Policy applicable to the relevant group entity in the relevant circumstances. Similarly, performance data is to be used only for performance management and related review processes.

## 11. Remuneration / Performance Measurement systems =

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- 11.1. In matters relating to remuneration, the Praemium Group entities must use systems which provide and ensure:
  - (a) Consistent role evaluation and methodology to establish appropriate remuneration levels;
  - (b) Framework for assessing the performance of individual employees relevant to objectives and providing an ongoing program to train managers, supervisors, employees etc in the effective application of the system;
  - (c) Structure designed to deliver fixed and performance based elements;
  - (d) Control procedures to ensure effective operation of the performance management and remuneration systems;

- (e) Appropriate disclosure of remuneration information;
  - (f) Provision of adequate, accurate and timely market information to enable the person or group responsible for decision making to make informed decision; and
  - (g) Comply with the requirements of the applicable laws, such as workplace laws
- 11.2. Each of the Group's businesses (in Australia and the UK) has a Performance Management System (PMS) which has been developed to assist management to determine whether an employee has effectively mastered a role and is performing at a fully satisfactory level. Where this is not the case, the PMS provides a structure for providing support to achieve the required levels of performance and to comply with the applicable employment laws in each relevant jurisdiction. In general, where an employee has reached the fully satisfactory level in both "workplace effectiveness" and "objective achievement" dimensions of his/her position, individual remuneration will be aligned to or move closer toward the market median for that position.
- 11.3. Performance that consistently exceeds expectations can result in remuneration paid at above median levels.
- 11.4. The fixed component of Total Employment Cost (TEC) basis may, with the approval of a senior employees departmental manager, be packaged to provide flexibility to receive remuneration as cash, payments to superannuation/pension plans or non-cash benefits such as vehicles, along with related expenses. Approval for packaging the fixed components of TEC shall not be given in circumstances where the administration costs and resources required to implement the request are considered disproportionate in the circumstances. Where FBT is payable by the Company for allowed items such as computers for use at home, vehicles, the amount of the FBT is included in determining the amount allocated to the Total Employment Cost.

## 12. Payroll system

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- 12.1. The group's finance department shall be responsible for the administration of payroll. It may do so by outsourcing the administration of payroll to a reputable and secure provider of payroll services, and it shall regularly (and not less than once every 2 years) monitor to ensure that the outsourced provider:
- (a) Complies with the requirements of the applicable workplace and privacy laws;
  - (b) Meets the reporting requirements of all relevant and applicable privacy, superannuation / pension, taxation and employment laws; and
  - (c) Meets any agreed KPIs.