



MCPHERSON'S LIMITED
NOMINATION AND REMUNERATION COMMITTEE CHARTER

May 2020

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NOMINATION AND REMUNERATION COMMITTEE CHARTER

1. Committee Structure

1.1. Membership

- The Nomination and Remuneration Committee will consist of a minimum of three members.
- The majority of members of the Nomination and Remuneration Committee should be independent Directors.

1.2. Chairman

- The Board shall appoint only one member as Nomination and Remuneration Committee Chairman.
- The Committee Chairman shall be an independent Director.
- The Chairman of the Board may be appointed the Committee Chairman. (Note – in these circumstances a separate Committee Chairman should be appointed if and when the Committee is dealing with the appointment of a successor to the Board Chairman.)

1.3. Quorum

The quorum for any Nomination and Remuneration Committee meeting shall be two members and may include the Committee Chairman.

1.4. Meetings

- Any Director may attend a meeting of the Nomination and Remuneration Committee for the purposes of discussion but is not entitled to vote.
- The Nomination and Remuneration Committee will meet at least twice per annum and more often if deemed necessary.
- The Nomination and Remuneration Committee Secretary should attend all meetings to minute proceedings, subject to the discretion of the Committee.

1.5. Appointment of Committee Secretary

The Nomination and Remuneration Committee Secretary will be the Company Secretary.

1.6. Right to Obtain Information

The Nomination and Remuneration Committee is entitled to consult with expert advisers at the expense of McPherson's to seek expert advice where it considers it appropriate or necessary to carry out its duties.

1.7. Reporting to the Board

Recommendations from the Nomination and Remuneration Committee to the Board will be included in the Board Papers under items for decision by the Board and be accompanied by information supporting the recommendation to enable Directors to make a considered decision. In addition the Chairman of

the Nomination and Remuneration Committee will keep the board informed on the deliberations of the Committee.

2. Committee Performance Evaluation

The Nomination and Remuneration Committee will undertake a regular self-assessment process annually which includes:

- Comparing of the Nomination and Remuneration Committee's practices with its Charter requirements; and
- Implementing practices designed to enhance the Nomination and Remuneration Committee's effectiveness.

3. Role and Responsibilities

3.1. Nomination and Review Processes

The Nomination and Remuneration Committee is established by the Board of Directors to review, evaluate and make recommendations to the Board in relation to:

- A process for determining the necessary and desirable competencies of Board members and the assessment of those competencies;
- The appointment of suitably qualified candidates to the Board in accordance with Board policy and the procedures set out in Appendix A of this charter;
- The re-election of Directors;
- The time required to fulfil the obligations of a non-executive Director and whether Directors are able to meet these expectations;
- Matters relating to gender diversity including compliance with the Diversity and Inclusion Policy, the setting of key performance indicators for senior executives on gender participation and linking of such KPIs to an element of remuneration and the benchmarking the Company's diversity objectives and outcomes with peers.
- The appointment of the Managing Director;
- A process for the review of the performance of the Board, Board Committees and individual Directors;
- A process for the evaluation of the Managing Director;
- Appropriate induction and continuing professional development programs for Directors to maintain and develop their skills to enable them to effectively discharge their responsibilities and add value;
- A process for the evaluation of the Board, Board Committees and individual Directors; and
- Board, Managing Director and senior executive succession planning.

3.2. Remuneration Processes

The Nomination and Remuneration Committee is established by the Board of Directors to *annually* review in advance of the related budget and annual plan being finalised, evaluate and make recommendations to the Board in relation to the following matters in the context of the Board approved remuneration policies set out in Appendix B of this charter:

- Salary, benefits and total remuneration packages (including short and long term incentives) of the Managing Director and senior staff reporting to the Managing Director;;
- Salary, benefits and total remuneration package of other individual senior executives as recommended by the Managing Director;
- Staff incentive plans proposed by the Managing Director, including bonus, share, performance rights and option plans, the basis of their application amongst differing levels of staff and the determination of plan outcomes;
- Employee succession planning to ensure the continuity and quality of management;
- Board succession planning to ensure the continuity and quality of the Board of Directors; and
- Non-executive Director remuneration.

The Nomination and Remuneration Committee is required from time to time to review, evaluate and if appropriate *approve* the following:

- The Managing Director's recommendation for overall annual salary movements for business unit salary reviews;
- and
- Substantial changes to the principles of McPherson's superannuation arrangements as recommended by the Managing Director.

The Committee Chairman shall ensure that the Board is properly informed on any matters which are recommended or approved by the Committee.

The Nomination and Remuneration Committee is required to review, evaluate and make recommendations as required from time to time to the Board in relation to:

- Policies for remuneration programs appropriate to McPherson's;
- Whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees;
- The Company's recruitment, retention and termination policies and relevant procedures for executive/senior management;
- The Company's policy regarding any minimum shareholding requirement in McPherson's securities by non-executive Directors.
- The Remuneration Report contained within the annual Director's Report or any other report on executive remuneration which is required pursuant to any ASX Listing Rule or legislative requirement, or which is proposed for inclusion in the annual report.

3.3. Other Employment Related Policies and Practices

The Nomination and Remuneration Committee is required to review, evaluate and make recommendations as required from time to time to the Board in relation to other employment related policies and practices, including:

- Gender diversity and inclusion objectives
- Employee wellbeing and engagement
- Employment assistance programmes
- Flexible working arrangements
- Maternity and paternity leave policies
- Domestic violence support arrangements

- Mental health support
- Whistleblowing processes and events

4. Charter Review

- The Nomination and Remuneration Committee will review this Charter at least annually to identify any enhancements; and
- The Board of Directors will review and approve the Charter annually.

5. Document Control

Status	Approved and Issued	
Approved By	Nomination & Remuneration Committee and Board	
Effective Date	27 May 2020	
RemCo Approval Date	March 2020	
Board Approval Date	27 May 2020	
Policy Owner	Company Secretary	
Amendment History		
Version	Date	Author
2020.1	May 2020	Company Secretary

Appendix A - Procedures for the Appointment of Directors

1. Selection Criteria

The selection criteria for the appointment and re-appointment of Directors will normally be based on an analysis of the composition of the existing Board, its skills and experience, its independence requirements, gender and other facets of diversity and the Company's strategic objectives.

2. Process for Director Appointment

The Committee will undertake the following in conjunction with the search for and appointment of a Director:

- Consider the need to engage the services of an external consultant to broaden the selection of potential candidates for Board membership;
- Prepare a description of the role and the capabilities required for a particular appointment;
- Undertake appropriate background checks¹ before appointing a Director or senior executive or putting someone forward for election as a Director;
- Determine whether candidates comply with the McPherson's definition of independence as set out in the Board Charter;
- If required, arrange for the candidate to undertake due diligence of the company;
- Provide to the candidate a summary of Directors' and Officers' Insurance arrangements;

- Ensure that a letter of appointment is issued;
- Enter into a Director's Deed with the Director consistent with the requirements set out in the Board Charter; and
- Provide shareholders with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a Director.

¹ *Appropriate background checks would usually include checks regarding a person's character, experience, education, criminal record and bankruptcy history.*

3. Process for Assessment of Directors' Independence

Each candidate will prior to their appointment as a Director provide to the company sufficient information to allow the Board to adequately assess their independence. Directors should subsequently ensure that updated information is provided to the Board if the circumstances relating to the assessment of their independence change.

Appendix B - Board Approved Remuneration Policies

McPherson's remuneration policy and structure is to be equitable, competitive and consistent so as to assure the recruitment, retention and motivation of personnel of the capability, competence and experience necessary for the successful achievement of McPherson's strategies and goals.

Remuneration is to be set according to the following principles:

- No individual may be involved directly in determining their own remuneration. External advice will be sought, where appropriate, to ensure the integrity of this process.
- Remuneration packages for the Managing Director and other senior executives should include an appropriate balance of fixed and performance based remuneration.
- Fixed remuneration should be reasonable and fair, taking into account the Company's obligations at law and labour market conditions and should be relative to the scale of the Company's business. It should reflect core performance requirements and expectations.
- Incentive arrangements for the Managing Director and senior executives are to be aligned with the creation of value for shareholders and with the Company's values and risk appetite.
- Performance based remuneration should be linked to specified Company performance targets, individual performance against pre-determined goals, market conditions and independent expert advice where appropriate. Discretion should be retained where appropriate to prevent performance based remuneration rewarding conduct that is contrary to McPherson's values or risk appetite.
- Targets should be aligned to the Company's short, medium and longer term performance objectives and should be consistent with its circumstances, purpose, strategic goals, values and risk appetite.
- Performance based remuneration may include options or performance rights over shares in the company granted at the discretion of Directors under the McPherson's Performance Rights Plan, with vesting linked to hurdles aligned with the Company's medium and longer term performance objectives.

- Participants of the McPherson's Performance Rights Plan are not permitted to enter into transactions (through derivatives or otherwise) which limit the economic risk of participating in the plan.
- Termination payments, if any, for senior executives should be agreed in advance and the related agreement should clearly address what will happen in the case of early termination. There should be no payment for removal or misconduct.
- Remuneration disclosure to shareholders includes all benefits paid, including:
 - Base salary
 - Short and long term incentives
 - Superannuation payments
 - Termination payments
 - Other benefits such as motor vehicles, loans, etc.
- There should be no gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

Non-Executive Director Remuneration

- Remuneration for non-executive Directors is determined by the Board within a maximum amount approved by shareholders from time to time at the Annual General Meeting.
- Non-executive Directors should be remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as sacrificing fees into additional superannuation or Company equity).
- Levels of fixed remuneration (including base fees and committee fees) for non-executive Directors should reflect the time commitment and responsibilities of the role.
- Subject to the above, it is acceptable for non-executive Directors to receive Company securities as part of their remuneration to align their interests with the interests of other shareholders.
- Non-executive Directors will not be provided with termination payments or retirement benefits (other than superannuation).
- Non-executive Directors are not entitled to participate in any incentive scheme.
- While non-executive Directors are generally encouraged to acquire and hold McPherson's securities, there are no minimum shareholding requirements in place for non-executive Directors.
- The Nomination and Remuneration Committee is required to review, evaluate and make recommendations as required from time to time to the Board in relation to the Company's policy regarding any minimum shareholding requirement in McPherson's securities by non-executive Directors.