

Remuneration committee charter

Role of the board

The remuneration committee assists the board in the oversight of the remuneration, bonuses and incentives paid to the CEO and employees.

The ASX Corporate Governance Council *Corporate Governance Principles and Recommendation 3e* (2014) suggests that the role of the remuneration committee is usually to review and make recommendations to the board in relation to:

- the entity's remuneration framework for directors, including the process by which any pool of directors' fees approved by security holders is allocated to directors;
- the remuneration packages to be awarded to senior executives;
- equity-based remuneration plans for senior executives and other employees;
- superannuation arrangements for directors, senior executives and other employees; and
- whether there is any gender or other inappropriate bias in remuneration for directors, senior executives or other employees.

The charter of the committee should support these roles as approved by the board.

The charter should clearly articulate the committee's scope and responsibilities, confer on the committee all the necessary powers to perform its role and provide access to information, resources and the authority required to discharge these duties. It should include details of the committee's composition, structure, membership requirements, processes and procedures as approved by the board. It should also be customised to the needs of the company and reflect its industry, objectives and culture.

Points to consider when preparing a remuneration charter

- Ensure the charter is accessible to all directors, executives and employees. For example, it could be displayed on the company's website.
- The charter should not be too detailed or prescriptive.
- There should be a process in place for monitoring and reviewing the charter.
- The charter can only be amended by the board.
- For listed companies which are included in the S & P/ASX 300 Index at the beginning of its' financial year, their remuneration committee must be comprised solely of non-executive directors.

Sample remuneration committee charter

Roles and responsibilities

The role of the board remuneration committee is to assist and advise the board of directors on matters relating to the compensation, bonuses, incentives and remuneration issues of the directors, CEO and staff. The board remuneration committee is not a policy-making body but assists the board by implementing board policy.

The objectives of the committee include reviewing and making recommendations to the board on:

- the remuneration of non-executive directors;
- the remuneration of the CEO, within the terms of the employment contract, on an annual basis;
- the CEO's recommendations regarding staff remuneration;
- the CEO's performance and key performance indicators in order to determine the annual bonus components;
- any incentive plans (including equity-based plans) or ex-gratia payments to the CEO, senior executives and other employees;
- the company's remuneration and incentive policies, practices and performance indicators and ensuring that they are aligned to the board's vision, values and overall business objectives and are appropriately designed to:
- motivate staff and the CEO to drive the long-term growth and success of the company;
- demonstrate a clear relationship between the achievement of the company's objectives, CEO and staff performance, and remuneration;
- ensuring staff remuneration is aligned with market trends; and
- ensuring there is no gender or other inappropriate bias in the remuneration of senior executives and other employees.

In discharging their responsibilities, the committee members have a duty to act in the best interests of the company as a whole, irrespective of personal, professional, commercial or other interests, loyalties or affiliations.

Composition and term

- The remuneration committee is a committee of the board.
- The committee will include at least three members.
- The committee should include a majority of independent directors.
- The committee will elect its chair, who should be an independent director.
- The board will appoint members to the committee.
- The duties and responsibilities of a member of the committee will be in addition to their duties as a director of the board.

Meetings

- The committee will hold meetings at least twice a year and as frequently as required to fulfil its role.
- A quorum will be at least two members.
- Meetings of the committee may be held face to face or using any technology which enables members to participate in a discussion.
- The notice of each meeting confirming the date, time, venue and agenda (including relevant supporting papers) will be forwarded to each member a reasonable time before the date of the meeting.
- The committee may invite other people to attend as it sees fit, and consult with other people or seek any information which will help it to fulfil its responsibilities.
- The committee chair or delegate will report to the board following each meeting.

Secretariat duties

- The company secretary is the secretary of the committee. The secretary will keep minutes proceedings and resolutions of all meetings.
- The minutes will be distributed to all committee members after the meeting and ratified by members in attendance/discussion and signed by the committee chair.
- The committee chair will table the outcome of deliberations at the next board meeting.

Voting

Matters will generally be decided by consensus or, if a consensus can't be reached, by a majority of votes from the members present.

Review

The committee should review this charter at least every two years to provide assurance that it remains consistent with the board's objectives and responsibilities and continues to reflect current processes and appropriate remuneration principles.

The board must approve any amendments made to the charter as a result of any review.

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