



**Simonds Group**

# **Remuneration Policy**

Simonds Group Limited

(ACN: 143 841 801)

## 1. Executive Summary

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A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Simonds Group (**Group**) is required. This is to ensure that all staff members and shareholders remain informed and confident in the management of the Group.

The Group understands that how it chooses to pay its staff members and articulate its values must be aligned with the Group's business objectives and recognises that this underpins the type of people it attracts and the results they deliver.

It is therefore important that a remuneration policy be developed with the Group's business objectives in mind and that people are paid appropriately for the work that they perform.

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### 3. Objective

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The key objectives that support the Group's remuneration policy (**Policy**) are as follows:

- a) employees are rewarded fairly and competitively according to job level, market trends and individual skills, experience and performance;
- b) the reward strategy is in line with the overall business strategy in relation to acquisition, growth and retention of talent;
- c) the reward strategy encompasses elements of salary, benefits, recognition and incentives to support talent management for business and shareholder outcomes;
- d) it is simple, flexible, consistent and scalable across the business allowing for sustainable business growth; and
- e) it supports the business strategy whilst reinforcing our culture, vision, mission and values; and is regularly reviewed for relevance and reliability.

This policy details the types of remuneration to be offered by the Group and factors to be considered by the Board, its Nomination and Remuneration Committee (**the Committee**) and Executive in determining the appropriate remuneration strategy.

### 4. Application

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This Policy applies to all staff, including KMP.

### 5. Guiding Principles

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In line with the ASX Corporate Governance Principles and Recommendations, this policy is based on the following principles:

- a) employee remuneration is based upon the duties and responsibilities they are expected to perform;
- b) the position will provide a guide to the remuneration for the applicable position;
- c) consideration will be given to experience, qualifications, performance and other non-financial criteria;
- d) remuneration will be competitive with the external market in which the Group operates;
- e) employees are remunerated in a fair and equitable way;
- f) external advice / recommendations may be sought for benchmarking of remuneration from time to time; and
- g) variable remuneration and non-financial benefits provide an incentive for performance aligned with the strategic objectives of the Group.

## 6. Definitions

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General terms and abbreviations used in this Policy have the following meaning set out below.

<b>Bad Leaver</b>	A staff member who ceases their employment with the Group due to the staff member's resignation, or whose employment is terminated at a time when the staff member has done any of the following: <ul style="list-style-type: none"><li>a) the staff member has committed any act which may detrimentally affect the Company or any other member of the Group, including but not limited to an act of dishonesty, fraud, wilful disobedience, misconduct, breach of duty or breach of Company policy;</li><li>b) the staff member has wilfully, persistently or materially breached their employment terms with the relevant member of the Group and has not remedied the breach (if, in the Company's opinion, such breach is capable of being remedied) within 14 days after receipt of notice in writing from the relevant member of the Group specifying the breach; or</li><li>c) the staff member has committed any act of bankruptcy.</li></ul>
<b>Board</b>	The Board of Directors of the Company.
<b>CEO</b>	Chief Executive Officer or Managing Director (where applicable).
<b>CFO</b>	Chief Financial Officer.
<b>Committee</b>	Simonds Group Limited Nomination and Remuneration Committee.
<b>Control</b>	The capacity to determine the outcome of decisions about the Company's financial and operating policies.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth). Unless specified otherwise, terms used in this Policy that are defined in the Corporations Act are used as defined in the Corporations Act.
<b>EGM People &amp; Culture</b>	Executive General Manager People & Culture.
<b>Executive</b>	A staff member who is identified as CEO and CFO on the Simonds Group's organisational chart or who holds an equivalent role.
<b>Executive General Manager</b>	Executive level General Manager or equivalents that reports directly to the Managing Director and CEO.
<b>Regional Manager</b>	A staff member who is identified as a Regional Manager or equivalent titles of a department / division / business or equivalent title and reports into the CEO, CFO or Executive General Manager.
<b>Good Leaver</b>	A staff member whose employment with the Group ceases and who is not a Bad Leaver.
<b>KMP</b>	Key management personnel including executive directors, non-executive directors, and Executives.

<b>Performance Rights</b>	Means a right to acquire a Share issued under clause 3.3. of the Simonds Group Employee Share Plan available at <a href="http://www.simondsgroup.com.au">www.simondsgroup.com.au</a> .
<b>Policy</b>	This remuneration policy.
<b>Share</b>	An issued ordinary share in the capital of the Company.
<b>Simonds Group or the Group</b>	Simonds Group Limited ACN 143 841 801 including, where applicable, its subsidiaries, divisions, and joint-ventures.
<b>staff member</b>	Reference to a staff member may include the companies or trusts substantially owned or controlled by the staff member or their direct relatives, executive directors and, where the context permits, non-executive directors, KMPs, managers and all other staff, workers or employees engaged either on a contract of employment or a salaried basis.

## 7. Guidelines

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### 7.1 Job classification

Job classification is an objective, transparent way of evaluating a position. It is accepted best practice for employers to use a formal system for measuring or evaluating a position. For KMP, the benchmarking used at the Group is provided by an external advisor, which includes making assessments of comparative levels of responsibility of positions and their contributions to the Group.

### 7.2 Application of remuneration ranges

The Group ordinarily bases its KMP remuneration on the mid-range percentile of general market positioning determined by an external adviser as appropriate for the sector.

Salary decisions on appointment for all other staff members will be made by an Executive General Manager or Regional Manager (where applicable) in consultation with the EGM People & Culture and will fall within the minimum and maximum of the remuneration range for the staff member's job classification. Any appointments made outside the remuneration range must have authorisation from the Group's CEO.

### 7.3 Annual Performance and Salary Review

- (a) The CEO will conduct an annual performance review of the CFO and other Executive General Managers. In addition, each year in the first six weeks of the new financial or performance year, the CFO and each Executive General Managers must complete an annual performance review interview with their Regional Managers.
- (b) Each Regional Manager will review the relevant staff member's performance against agreed performance objectives, targets and measures, as well as performance against the agreed competency levels for their job classification.
- (c) Each staff member's agreed performance objectives and competencies should be reviewed against the key performance indicators that were established for the most recent performance period.

- (d) A salary review for all staff members will be conducted annually commencing in March of each year, with a view to a June/July sign off and finalisation of the review process in September.

#### 7.4 Change of Control Provisions

- (a) A **Change of Control Event** occurs where:
  - (i) a sale occurs of all or substantially all of the business of the Group, other than to a company within the Group;
  - (ii) a person, either alone or together with one or more associates, who did not have a relevant interest in more than 50% of the Shares, acquires a relevant interest in more than 50% of the Shares; or
  - (iii) another change occurs which the Board concludes has resulted in a change in Control of the Company.
- (b) As part of their remuneration, the Company may award LTIs and/or STIs to KMPs and (as approved by the Group's CEO) other staff members if there is a Change in Control Event. As described in section 9.1, STI and LTI payments will be subject to the achievement of a mix of performance measures.
- (c) If a Change of Control Event occurs before the end of the performance measurement period for an STI or LTI, then the Board may, before or within 30 days after the occurrence of the Change of Control Event, determine (in its absolute discretion) the impact of the Change of Control Event on the STI or LTI (as applicable), which may include determining any of (or a combination of) the following:
  - (i) all or some of the performance measures applicable to the STI or LTI will be taken to have been achieved in full or in the proportion determined by the Board;
  - (ii) the performance measures will continue to apply during the performance measurement period, without regard to the occurrence of the Change of Control Event;
  - (iii) the performance measures will be taken not to have been achieved and the STI or LTI award will lapse; or
  - (iv) the STI or LTI will become subject to amended or different performance measures.

In coming to any such determination, the Board may have regard to any matter that it considers relevant, including the circumstances of the Change of Control Event (including the consideration or other return to be provided to Shareholders), the extent to which the applicable performance measures have (or can be determined to have) been achieved at the time of the Change of Control Event, and/or the proportion of the performance measurement period that has elapsed at the time of the Change of Control Event.

- (d) Where the Board does not exercise its discretion to make any determination under section 7.4(c), upon the occurrence of a Change of Control Event, a prorated amount of the performance measures for the relevant STIs and LTIs will be taken to have been achieved, based upon the proportion of the performance measurement period that has elapsed, and the extent to which the applicable performance measures have been achieved (where they can be determined to have

been achieved), at the time of the Change of Control Event. In any such case, the remainder of that performance measurement period will be disregarded for purposes of determining the amount of the STI or LTI that will be payable.

- (e) If the Board exercises its discretion in connection with a Change of Control Event or if a prorated amount of any performance measures are taken to have been achieved when a Change of Control Event occurs, the Company must promptly notify the affected staff members of the resulting impact on their STI and/or LTI awards.

## 7.5 Good Leaver/Bad Leader Provisions

- (a) An STI or LTI that is awarded to a staff member who subsequently becomes a Bad Leaver during the performance measurement period for that STI or LTI will immediately lapse upon the earlier of the termination or other cessation of the staff member's employment or notice of such termination or cessation being given.
- (b) An STI or LTI that is awarded to a staff member who subsequently becomes a Good Leaver during the performance measurement period for that STI or LTI will not lapse as a result of the cessation of the staff member's employment, but instead will continue for the remainder of the performance measurement period. At the end of the performance measurement period, the Board or the Committee will determine whether and the extent to which the performance measures applicable to that STI or LTI were achieved (taking into account, where relevant, the extent to which the staff member's performance during the part of the performance measurement period in which they were employed contributed to the achievement of the performance measures). The Board or the Committee may determine that the STI or LTI payment to the (former) staff member will be reduced to reflect the period that elapsed from the date of cessation to the end of the performance measurement period (as a proportion of the entire performance measurement period).
- (c) An STI or LTI that is awarded to a staff member who subsequently becomes a Good Leaver or a Bad Leaver before the performance measurement period for that STI or LTI has begun will immediately lapse upon the earlier of the termination or other cessation of the staff member's employment or notice of such termination or cessation being given.

## 8. Contract

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Non-executive directors will enter into a letter of engagement with the relevant Group member. This letter of engagement will set out the terms and conditions of the engagement and the performance expectations for the role and the remuneration package for that director. The terms and conditions for the engagement must be approved by the Board.

Each executive director and other KMP will enter into a contract with the Group clearly setting out the terms and conditions of the remuneration package for that person. The contract will set out the expectations for the performance of the role and the key performance indicators, performance measures and criteria for assessment.

The Committee will review and make recommendations for the decision of the Board with respect to all contracts for KMPs. The Board will disclose the details of any such contract in accordance with (and to the extent required by) ASX and continuous disclosure policy requirements.

## 9. KMP remuneration framework

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The KMP remuneration framework comprises of three principal elements:

- a fixed component, consisting of a base salary, superannuation contributions and other related allowances (collectively, total fixed remuneration or **TFR**);
- a performance-based variable 'at risk' component, comprising of cash or shares earned over one-year periods as short-term incentives (**STI**); and
- a performance and service based, variable 'at risk' component, comprising of cash or shares earned over multi-year periods as long-term incentives (**LTI**).

### 9.1 Forms of remuneration

With the recommendations of the Committee, the Board will approve the forms of remuneration to be offered to executive and non- executive directors and other KMP, which may include:

#### a) Fixed remuneration

The Board in consultation with the Committee, will from time to time, determine the total fixed remuneration level for each executive and non- executive director and other KMP within the Group. The total fixed remuneration for all other staff members will be approved by the Group's CEO. Such remuneration levels will be determined according to industry standards, relevant laws and regulations, labour market conditions, the Group's job classifications and the scale of the Group's business relating to the position. The total fixed remuneration will reflect the core performance requirements and expectations of the Group.

Staff members may be offered the opportunity to receive part of their total fixed remuneration in the form of direct benefits.

#### b) Performance based remuneration

In addition to TFR, the Group will in some cases implement a system of incentives designed to create a strong relationship between performance and remuneration. Performance based remuneration will be linked to specific short term and long-term incentives along with performance targets.

#### c) STI overview

One or more of the STI performance measures will be based upon the financial or other performance of the Group. The Group STI ensures that a proportion of remuneration is tied to the overall Group performance, measured annually in line with the financial year. Eligible staff members have the opportunity to realise their 'at-risk' STI component if specific objectives are achieved using an approved 'Balanced Scorecard'.

This aligns eligible employees' interests with shareholder interests and focuses on stretch performance.

The STI payment will be made in cash and/or shares (inclusive of any superannuation components) as part of the annual remuneration review after finalisation of the Group's audited results.

In order to be eligible to receive an STI payment, a member of KMP or any other staff member to whom an STI has been granted must be employed by the Group for a minimum of 6 months.

#### **d) LTI overview**

One or more of the LTI performance measures also will be based upon the financial or other performance of the Group. The Group LTI plan ensures that a proportion of remuneration is tied to the overall Group performance, measured annually or over longer measurement periods, but in-line with the financial year. Eligible staff members can only realise their LTI at-risk component if challenging pre-determined objectives are achieved.

This aligns eligible staff member's interests with shareholder interests and focuses executive performance on sound business decisions resulting in sustainable shareholder wealth. LTI consists of the granting of performance rights that vest after a three-year period, subject to individual and Group financial and non-financial performance hurdles.

### **9.2 Disclosure of remuneration**

The Group may use and disclose remuneration data:

- in accordance with this Policy or an associated policy;
- in accordance with any applicable law, regulation or listing rule;
- to undertake the performance and salary appraisal process; and
- for other valid internal benchmarking, review and analysis purposes.

Other than as required to disclose, the Group will maintain confidentiality over remuneration data. Each staff member must keep their own remuneration data confidential and must not share it with other staff members.

## **10. Termination payments**

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Each employment contract (excluding non-executive directors) will set out, in advance, the entitlement to payment upon termination of employment for each KMP and other staff member. Upon the Committee's review and recommendation for decision by the Board, the Board must approve all termination payments provided to all KMP to ensure such payments reflect this policy and any applicable ASX Listing Rule or Corporations Act requirements.

## **11. Employee entitlements**

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The Group will comply with all legal and industrial obligations in determining the appropriate entitlement to long service, annual, personal and parental leave and all other leave applicable to staff members.

## **12. Non-executive directors**

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The Group will remunerate non-executive directors in a manner designed to attract and maintain high quality board members. Non-executive directors will receive a set fee for their service and may be issued securities in the Group, provided that non-executive directors are not entitled to any performance-based options, bonus payments or retirement benefits. The remuneration of non-

executive directors must be consistent with and supportive of maintaining the non-executive director's independence.

## 13. Board

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The Board will be responsible for approving the remuneration strategy for executive directors, non-executive directors and other KMP. In determining whether to approve the relevant level of remuneration, the Board will consider the recommendations from the Committee, prevailing market conditions, performance by the individual, and the business strategies and objectives of the Group. The Board will disclose the remuneration of executive directors, non-executive directors and other KMP in the Group's Annual Report.

## 14. Nomination and Remuneration Committee

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In accordance with ASX CGPR 1.5 and 8.1, the Group's Committee is composed of at least three members, a majority of whom are independent directors; and is chaired by an independent director.

The Committee has two functions:

### 13.1 Nomination Committee:

- assess the appropriate mix of skills, experience and expertise required by the Board
- establish with the Executive, an annually reviewed Board skills matrix, setting out the skills and diversity the Board currently has or is looking to achieve, aligned with the Company's business strategy and to ensure shareholder security
- assess against the skills matrix, recommend any potential directors to the Board for the approval of the Board, as well as conduct performance assessments of the Board and directors individually with a view to professional development and succession planning
- monitor and undertake annual assessment of and make recommendation to the Board as to the independence of each director and ensuring the Board's final conclusions and any other relevant information are included in the Annual Report disclosures

### 13.2 Remuneration Committee

Consider and make recommendations to the Board for the approval of the Board on:

- the Group's overall remuneration strategy, policies and practices. In addition, monitor the effectiveness of the Group's overall remuneration framework in achieving Group's remuneration strategy
- the remuneration framework and packages for all KMP
- overseeing KMP succession planning, performance targets and the remuneration of staff members generally including superannuation arrangements for KMP and other staff members, and whether there is any gender or other inappropriate bias in remuneration for KMP or other staff members.

The Committee reviews remuneration strategy and policy at least once a year and has the authority to engage external professional advisers upon seeking approval from the Board.

The Committee is responsible for the monitoring, implementation and review of this Policy. The Committee will provide recommendations for the decision of the Board as to how to effectively structure and facilitate a remuneration strategy, which will meet the needs of the Group.

The Committee maintains a Charter that clearly sets out its role and confers on it all necessary powers to perform that role including the right to:

- obtain information;
- interview management; and seek advice from external consultants or specialists where the Committee considers that necessary or appropriate.

## 15. Responsibility and authority

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The *EGM People & Culture* and department of the Group will monitor the day to day compliance with this Policy and provide guidance to the Committee and Managing Director and CEO.

If you have any questions or wish to make any comments regarding this policy, please contact the *EGM People & Culture*.

## 16. Review

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The Committee will review the contents of, and compliance with, this Policy at least once a year. The Committee may also review, implement, vary and/or terminate this Policy at any time at its sole discretion.

## 17. Publication

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A copy of this Policy is available at [www.simondsgroup.com.au](http://www.simondsgroup.com.au). Page