



Simonds Group

Remuneration Policy

Simonds Group Limited

(ACN: 143 841 801)

1. Executive Summary

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 adopted with the Groups' business objectives in mind and that people are paid appropriately for the work that they perform.

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3. Objective

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, core purpose 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. Guiding Principles

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) remuneration will be competitive with the external market in which the Group operates
- c) employees are remunerated in a fair and equitable way
- d) external advice / recommendations may be sought for benchmarking of remuneration from time to time

5. Definitions

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

| | |
|----------------------------|--|
| Group CEO /MD | Group Chief Executive Officer and Managing Director (where applicable). |
| CFO | Chief Financial Officer. |
| GMPP | Group Manager People and Performance. |
| Executive | a staff member who is identified as the Group CEO/MD or his or her direct reports or who holds an equivalent role. |
| General Manager | a staff member who is identified as a General Manager of a department / region / division / business or equivalent title. |
| KMP | key management personnel including executive directors, non-executive directors, and nominated executive. |
| Performance Rights | means a right to acquire a Share issued under clause 3.3. of the Simonds Group Employee Share Plan available at www.simondsgroup.com.au . |
| Policy | this remuneration policy. |
| Simonds Group or the Group | Simonds Group Limited ACN 143 841 801 including, where applicable, its subsidiaries, divisions, joint-ventures. |
| Staff Member | reference to a staff member may include the companies or trusts substantially owned or controlled by the staff member or direct relatives, executive directors and, where the context permits, non-executive directors, managers and all other staff, workers, employees engaged either on a contract of employment or a salaried basis. |

6. Guidelines

6.1 Job classification

Job evaluation is an objective, transparent way of classifying 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 may be provided by an external advisor which includes making assessments of comparative levels of responsibility of positions and their contributions to the Group.

6.2 Application of remuneration ranges

The Group bases its KMP remuneration on the mid-range percentile of general market positioning for the sector.

Salary decisions on appointment for all other employees will be made by the executive and general manager (where applicable) in consultation with the GMPP and will fall within the minimum and maximum of the remuneration range. Any appointments made outside the remuneration range must have authorisation from the Group CEO/MD.

7. Contract

Non-executive directors will enter into a letter of engagement. 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 remaining 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, measures and criteria for assessment.

The Committee will review, and make recommendations for the decision of the Board, all contracts for KMP. The Board will disclose the details of any contract in accordance with ASX and continuous disclosure policy.

8. KMP remuneration framework

The KMP remuneration framework comprises three principal elements:

- a fixed component, consisting of a base salary, superannuation contributions and other related allowances total employment cost (TEC);
- a performance based variable 'at risk' component, comprising of cash or shares as short-term incentives (STI); and
- a performance and service based, variable 'at risk' component, comprising performance rights or options as long term incentives (LTI).

8.1 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 remaining KMP, which may include:

a) Fixed remuneration

The Board in consultation with the Committee, will from time to time, determine the fixed remuneration level for each executive and non- executive directors and remaining KMP within the Group. All other staff members will be approved by the Group CEO/MD. Such remuneration levels will be determined according to industry standards, relevant laws and regulations, labour market conditions and scale of the Group's business relating to the position. The 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 fixed remuneration in the form of direct benefits.

b) Performance based remuneration

In addition to fixed remuneration, 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

The Group STI ensures that a proportion of remuneration is tied to Group performance, measured annually in line with the financial year. Eligible staff members can only realise their STI at-risk component if challenging pre-determined objectives are achieved using an approved Balance Scorecard.

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

The STI payment is made in cash and/or shares as part of the annual remuneration review after finalisation of the Group's audited results.

d) LTI overview

The Group LTI plan ensures that a proportion of remuneration is tied to Group performance, measured annually 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 or options that vest after a three year period, subject to individual and Group financial and non-financial performance hurdles.

9. Termination payments

Each contract (excluding non-executive directors) will set out, in advance, the entitlement to payment upon termination of employment for each KMP and 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.

10. Employee entitlements

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.

11. Non-executive directors

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.

12. Board

The Board will be responsible for approving the remuneration strategy for executive directors, non-executive directors and remaining 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, the business strategies and objectives of the Group. The Board will disclose the remuneration of executives and non-executive directors and remaining KMP in the Group's Annual Report.

13. Nomination and remuneration committee

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

The Committee has two functions. In its capacity as-

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 ensure the Board's final conclusions and any other relevant information are included in the annual report disclosures

13.2 Remuneration Committee

Consider and make recommendation 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 the Group's remuneration strategy.
- the remuneration framework and packages for all KMP
- succession planning for KMP and general management
- overseeing KMP succession planning, performance targets and the remuneration of staff members generally including superannuation arrangements for KMP and other employees; and
- whether there is any gender or other inappropriate bias in remuneration for KMP or other employees.

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.

14. Responsibility and authority

The GMPP will monitor the day to day compliance with this policy and provide guidance to the Committee and Group CEO/MD.

If you have any questions or wish to make any comments regarding this policy, please contact the GMPP.

15. Review

The Committee will review the contents of, and compliance with, this policy at least once a year.

16. Publication

A copy of this policy is available at www.simondsgroup.com.au.

Updated: 17 August 2017