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Charter of the Remuneration Committee

Saunders International Limited
ABN 14 050 287 431

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(Company)

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1. Introduction

- 1.1 This Charter governs the composition, membership, roles and responsibilities of the Remuneration Committee (**Committee**) of the Company.
- 1.2 The operation of the Committee is also governed, where applicable, by the constitution of the Company.

2. Objectives

- 2.1 The purpose of the Committee is to provide advice, recommendations and assistance to the board of directors of the Company (**Board**) with respect to:
 - (1) putting in place remuneration policies which are designed to attract and retain senior managers and directors with the expertise to enhance the performance and growth of the Company;
 - (2) ensuring that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, display a clear relationship between the performance of the individual and the performance of the Company.
- 2.2 Ultimate responsibility for the Company's remuneration policy rests with the full Board, notwithstanding the establishment of the Committee.

3. Composition

3.1 Members

The Committee will consist of all the non-executive independent directors (currently two) and the chairman

3.2 **Expertise**

Members of the Committee must ensure they have the necessary appreciation of:

- (1) the principles of corporate governance, including knowledge of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations;
- (2) the Company's businesses and organisation structure;
- (3) the functions of the Board and the various roles and responsibilities of directors and other key executive positions;
- (4) Company management, at a senior management level;
- (5) the disclosure requirements under the *Corporations Act 2001* and the ASX Listing Rules in respect to executive and director remuneration; and
- (6) the complexities involved in negotiating and determining executive remuneration packages.

3.3 **Chair and Secretary**

The Committee should be chaired by an independent director (**Chair**).

The Chair will act as secretary of the Committee (**Secretary**) unless determined otherwise by the Board.

4. **Meetings**

4.1 **Frequency**

The Committee will meet as frequently as required.

The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee or Board.

4.2 **Agenda and notice**

The Chair will be responsible for drawing up the agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Secretary must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible, but not less than 7 days before the meeting.

4.3 **Quorum**

A quorum for Committee meetings will be at least 2 members.

4.4 Minutes

The Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable.

4.5 Attendance

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Voting at Committee meetings is restricted to Committee members.

5. Objectivity

5.1 The Committee has the right to seek internal and external advice when it considers such advice necessary in order to fulfil its responsibilities.

5.2 Management must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties.

5.3 The Committee must ensure that it obtains sufficient information to enable it to make informed decisions with respect to the advice and recommendations it provides to the Board.

5.4 A member of the Committee is not entitled to be present at a Committee meeting, nor give advice or recommendations to the Board, regarding the level or composition of his or her remuneration.

6. Responsibilities of the Committee

6.1 Executive remuneration policy

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of an executive remuneration policy that:

(1) is designed to attract, maintain and motivate directors and senior management with the aim of enhancing the performance and long-term growth of the Company; and

(2) clearly sets out the relationship between the individual's performance and remuneration.

The Committee must review the remuneration policy and other relevant policies on an ongoing basis and recommend any necessary changes to the Board.

6.2 **Executive remuneration packages**

The Committee is responsible for reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors.

The Committee must ensure that the remuneration packages of senior management and executive directors:

- (1) display a balance between fixed and incentive pay which is tailored to the Company's short and long-term performance objectives;
- (2) provide for a link between rewards and the performance of the Company and individual; and
- (3) are consistent with the Company's remuneration policy and any other relevant Company policies.

The fixed component of each executive remuneration package should be based on the core performance requirements and expectations of the individual. The performance-based component of each executive remuneration package must be clearly linked to specified performance targets.

The Committee must ensure that, where applicable, any payments of equity-based remuneration are made in accordance with any thresholds set in plans approved by the Company's shareholders. Committee members must be aware at all times of the limitations of equity-based remuneration.

The Committee is also responsible for advising and providing recommendations to the Board with respect to executive superannuation arrangements.

6.3 **Incentive schemes**

The Committee is responsible for reviewing and providing recommendations to the Board with respect to:

- (1) the Company's policies with respect to incentive schemes; and
- (2) the incentive schemes of senior managers and executive directors.

The Committee will assist the Board in the development of appropriate benchmarks for use in designing incentive schemes.

6.4 **Non-executive remuneration**

Subject to compliance with clause 5.4, the Committee shall provide general advice to the Board with respect to non-executive directors' remuneration.

The remuneration packages of non-executive directors should generally be fee based and any Committee recommendation to the board should be consistent with there being:

- (1) a clear distinction between the structure of non-executive directors' and executive directors' remuneration; and
- (2) non-executive directors not:
 - (a) participating in remuneration schemes designed for executive directors; or
 - (b) receiving options, bonus payments or retirement benefits other than statutory superannuation.

6.5 Termination payments

The Committee is responsible for providing advice and recommendations to the Board on the Company's termination and redundancy policies and the payments made to outgoing directors and senior managers. The Committee recommendations should ensure that termination payments:

- (1) are fair to the individual and the Company; and
- (2) do not reward failure.

Where applicable termination payments must be agreed in advance and must contain clearly defined provisions regarding the consequences of early termination. The termination payments of the Company's Managing Director must always be agreed in advance.

7. Access to information

7.1 In order to ensure the Board is able to discharge its responsibilities properly, the Committee should establish a process whereby directors:

- (1) can obtain independent professional advice when reasonably necessary at the expense of the Company;
- (2) are encouraged to, and in fact actively, request additional information where they consider that the information supplied by internal or external sources is insufficient to allow them to make informed decisions; and
- (3) can access the Secretary whenever required.

8. Reporting

8.1 Reporting to the Board

The Committee must report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues.

Approved by the Board on 17 May 2010