

**WESTERN AREAS LTD**



**COR-GOV-CHA-2640  
REMUNERATION COMMITTEE CHARTER**



## 1 INTRODUCTION

This Charter sets out the specific responsibilities delegated by the Western Areas Ltd (“WSA”) Board to the Remuneration Committee and details the manner in which the Remuneration Committee will operate.

## 2 ROLE

The Committee acts on behalf of the Board and Shareholders to provide Non-Executive oversight of the Company’s remuneration practices. The Committee seeks the following outcomes: -

- (a) Effective policies, processes, and practices for rewarding executives and directors and for succession management.
- (b) The Company’s remuneration practices support the business objectives by enabling the Company to attract and retain executives and directors who will add sustainable value to the Company.
- (c) The reward programs are fair, responsible and managed with integrity and in compliance with the ASX Listing Rules, the Corporations Act and principles of good corporate governance.

## 3 DUTIES

In order to achieve these outcomes, the Committee shall:

### 3.1 Salaries

- (a) Review overall remuneration philosophy, strategy, plans, policies and practices (including performance management methodology) for the recruitment, retention and termination of Company executives. The Committee shall ensure there is a clear link between executive performance and remuneration, balancing salaries with variable rewards to reflect short and long-term performance of the executives and the Company.
- (b) Review and recommend to the Board the proposed remuneration package of the Chief Executive Officer.
- (c) Review and approve the Chief Executive Officer’s recommendations in regard to proposed remuneration packages of executives reporting directly to him.

### 3.2 Short-Term Variable Rewards – Bonus/Incentive

- (a) Review incentive/bonus plan design on a regular basis to ensure they comply with legislation and regulatory requirements and reflect industry standards.
- (b) Set the performance measures and targets for the Key Management Personnel (“KMP”).
- (c) Review the performance measures, targets and incentive/bonus opportunity for the direct reports to the CEO, and the actual level of incentive/bonus payments at the end of the measurement period.
- (d) Review the functioning of incentive/bonus plans to ensure their overall effectiveness in meeting company objectives.

### 3.3 Employee Equity Plans

- (a) Review plan design on a regular basis to ensure they comply with legislation and regulatory requirements and reflect industry standards.
- (b) Approve participants in employee equity plans.
- (c) Approve the total level of award under the plans and the level of participation in the plans.
- (d) Review functioning of equity plans to ensure overall effectiveness (including cost and tax impacts) in achieving company objectives.

### 3.4 Remuneration for Non-Executive Directors

- (a) Review and recommend to the Board the remuneration structure for the Non-Executive Directors of the Company whether by way of annual fees, committee fees and/or retirement benefits.



- (b) In determining the fees to be paid, Non-Executive Directors shall not be eligible for inclusion in any Short-Term Incentive Plans and shall not be eligible for inclusion in any Company Equity Plans.
- (c) Non-Executive Directors may have a component of their fees directed to the purchase of Company shares.

### 3.5 Succession Management

- (a) Review the Succession Plans for the position of Chief Executive Officer.
- (b) Review the Succession Plans for the positions that report directly to the Chief Executive and for the Senior Executive positions of the Company.

### 3.6 Termination Agreements

Review and recommend to the Board for approval, the proposed termination payments and arrangements in respect of the KMP prior to its appointment. Termination payments in respect of other company executives reporting to the CEO shall be reported to the Committee at their next meeting.

### 3.7 Reporting of Remuneration

Review and approve proposed reporting of executive and director remuneration details and practices to ensure disclosure meets the requirements of the Corporations Act and the ASX Listing Rules, and in accordance with good corporate governance practices.

## 4 AUTHORITY OF THE COMMITTEE

The Committee has the authority to: -

- (a) Obtain independent professional or other advice in the fulfilment of its duties at the cost of the Company; and
- (b) Obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require.

## 5 COMPOSITION

The Committee shall be appointed by the Chairperson of the Board and be composed of:

- (a) At least three independent Non-Executive Directors of the Company.
- (b) The majority of the Committee shall be independent directors.
- (c) The Committee shall be chaired by an independent director.
- (d) The Chairperson of the Board shall appoint the Chairperson of the Committee who shall be a non-executive director other than the Chairperson of the Board. In the absence of the Committee Chairperson or appointed delegate, the members shall elect one of their number as Chairperson for that meeting.
- (e) The Committee shall be assisted in an advisory capacity, as necessary by the Chief Executive Officer.

## 6 MEETINGS

- (a) The Committee shall meet once per year and at such additional times as the Chairperson of the Committee shall decide in order to fulfil its duties.
- (b) Any Committee members or the Company Secretary may call a meeting of the Committee.
- (c) An agenda and any supporting documentation will be circulated to members of each meeting shall be forwarded to each committee member prior to the date of the meeting.
- (d) The Chairperson of the Committee, or delegate, shall provide any recommendations or reports to the Board at the next meeting.
- (e) The Committee may invite any executive management team members or other individuals to attend meetings of the Committee, as they consider appropriate.



- (f) A quorum for a meeting of the Committee will be a minimum of two or the majority of members.
- (g) Minutes and resolutions of the Committee shall be maintained by the Committee Secretary and distributed to all Committee Members and the Chairperson of the Board following approval by the Committee Chairperson.
- (h) The Chairperson of the Committee, or delegate, shall report to the Board at the next meeting.
- (i) Committee minutes and papers may be made available to any director following a request to the Committee Chairperson, providing no conflict of interest exists.

## 7 REMUNERATION STATEMENT

### 7.1 Remuneration

In determining competitive remuneration rates, the remuneration committee may seek independent advice on local and international trends among comparative companies and the resources industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans.

Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Committee considers the voting outcome of the non-binding remuneration report resolution when determining and evaluating the overall remuneration structures for the group.

### 7.2 Performance-based Remuneration

The remuneration committee recognises that Western Areas Ltd (“WSA”) operates in a global environment. To prosper in this environment, we must attract, motivate and retain key executive staff.

The principles supporting our remuneration policy are that:

- Reward reflects the competitive global market in which we operate
- Retains staff throughout commodity price cycles, which is crucial to ensure achievement of corporate goals, strategies and objectives;
- Individual reward is based on performance across a range of indicators that apply to delivering results across the company
- Rewards to executives are linked to creating sustainable shareholder value
- Executives are rewarded for both financial and non-financial performance
- Remuneration arrangements are equitable and facilitate the deployment of senior management across the company
- Senior managers receive a component of their reward in equity and, where appropriate, are required to retain that holding over time

### 7.3 Short-term/long-term mix

WSA’s reward structure combines base salary, short-term cash incentives and an equity rights plan to ensure significant long term and ongoing equity exposure by senior managers. The cost and value of remuneration components are considered as a whole to ensure a balance between fixed and variable performance-related components in the short and long-term.

Superannuation entitlements are provided to employees providing them with increased flexibility and control over their contribution level and superannuation investment choice.

### 7.4 Market Comparisons

Consistent with attracting and retaining talented executives, the remuneration committee endorses the use of incentive and bonus payments.

The committee continues to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the company’s position with the external market. The impact and high cost of replacing senior



employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

## 7.5 Board Remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors.

As ratified by shareholder vote on 18 November 2011, the maximum available aggregate remuneration approved for non-executive directors is \$1,000,000.

A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits.

## 7.6 Senior Executive Remuneration

The Chief Executive Officer receives remuneration based on three elements comprising: -

- Fixed annual rewards
- A short-term incentive
- An executive share plan

## 7.7 Fixed Annual Rewards

The fixed annual reward comprises a base salary, from which he may salary-sacrifice income for superannuation.

## 7.8 Short-Term Incentive

Short-term incentive applies to annual individual and company performance, evaluated against a set of performance criteria established at the start of each financial year.

## 7.9 Executive Share Plan

The executive share plan, structured as a long-term incentive, applies to a rolling three years of company performance measured by total shareholder return relative to peer companies or other long-term measures, as approved by the Committee.

## 7.10 Summary

This remuneration structure ensures that annual Company performance is clearly reflected in the Chief Executive Officer's reward outcomes.

Performance hurdles must be met to trigger any reward under both the short-term incentive and the executive share plan. Further, reward is made depending on the assessed level of individual and company performance.

The Chief Executive Officer's fixed annual reward should be reviewed annually in conjunction with the annual salary review process. The review should include independent external advice on market relativity for similar-sized roles. Adjustments to the Chief Executive Officer's fixed reward should be approved by the Board and disclosed.