

# REMUNERATION AND NOMINATION COMMITTEE CHARTER

## 1. PURPOSE

- 1.1 The Board of Directors of McGrath Limited (**McGrath** or the **Company**) has constituted this Remuneration and Nomination (**Committee**) to assist the Board to fulfill its responsibilities with respect to human resource policies, remuneration matters and nomination and succession planning processes within the Company.
- 1.2 This Charter sets out the responsibilities of the Committee, its membership and the manner in which its activities should be conducted.
- a) 1.3 The objectives of the Remuneration and Nomination Committee is to assist the Board to satisfy itself that the Company has coherent remuneration and people management policies and practices which are aligned with the Company's purpose, values, strategic objectives and risk appetite and which enable the Company to attract, motivate and retain capable and talented directors, executives and employees its staff to enhance the Company's performance in a manner that supports the long-term financial soundness of the Company;
- b) fairly and responsibly remunerates directors, executives and employees having regard to the performance of the Company and best market practices;
- c) delivers on its overall people strategy, having due regard to the Company's succession planning, talent management, diversity, performance management and employee relations policies; and
- d) has appropriate corporate governance by identifying the mix of skills and individuals required in directors to allow the Board to contribute to the successful oversight and stewardship of the Company and discharge their duties under the law diligently and efficiently.

## 2. ADMINISTRATION

### 2.1 Membership

The Committee will consist of:

- a) a minimum of 3 members; and
- b) a majority of independent Directors.

### 2.2 Committee Chair

- a) The Committee Chair will preside at meetings of the Remuneration and Nomination Committee. If the Committee Chair is not present at a Committee meeting, the members must elect another member to act as Committee Chair for that meeting.
- b) The role of the Committee Chair is to:
- (i) determine the agenda for meetings of the Committee in conjunction with the Committee Secretary (as defined below in section 3.4);
- (ii) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
- (iii) take reasonable steps regarding the adequate flow of relevant information to the Committee;
- (iv) take reasonable steps to advise the Board on the Committee's recommendations to the Board on matters falling within the scope of the Committee's responsibilities;

- (v) review the minutes of meetings of the Committee for circulation to and approval of the Committee and sign the approved minutes; and
- (vi) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.

### **3. MEETINGS**

#### **3.1 Frequency of meetings**

- a) The Committee will meet as often as the Committee members deem necessary in order to fulfil its role. However, it is intended that the Committee will normally meet at least three times a year.
- b) In addition, the Committee Chair is required to call a Committee meeting if requested to do so by:
  - (i) any Committee member;
  - (ii) the Chief Executive Officer (**CEO**);
  - (iii) the Chief Financial Officer (**CFO**); or
  - (iv) any other Director.

#### **3.2 Attendance by non-members**

- a) All Directors may attend Committee meetings. The CEO and CFO of the Company shall normally be invited to attend Committee meetings at the invitation of the Committee unless a conflict of interest exists or a closed session of the Committee is being held.
- b) Members of management and/or parties external to the Company may be invited to attend any Committee meeting or part thereof subject to the invitee not having a material personal interest in the matter of the Committee being considered. Non-members of the Committee may be asked to withdraw from all or any part of a meeting.

#### **3.3 Meetings other than in person**

Where deemed appropriate by the Committee Chair, meetings may occur via conference call or other electronic means and approvals and recommendations may occur via written resolution.

#### **3.4 Secretary**

- a) The Company Secretary (or delegate as approved by the Committee) will act as Secretary of the Committee and shall be responsible, in conjunction with the Committee Chair and the Head of Human Resources, for drawing up the agenda (supported by explanatory documentation and papers) and circulating the Committee papers to Committee members prior to each meeting. Directors may request papers for or from any meeting and will be notified in advance of the agenda of forthcoming meetings.
- b) The Committee Secretary will also be responsible for keeping the minutes of meetings of the Committee (except when the Committee is in closed session) and circulating them to the Committee Chair for review, the other Committee members, other Board members and other Committee meeting attendees as appropriate.

#### **3.5 Quorum**

A quorum shall consist of at least two members.

#### **4. DUTIES AND RESPONSIBILITIES - REMUNERATION**

- 4.1** The Committee is responsible for ensuring that the Company's human resource, remuneration and incentive policies and practices are aligned to its values and business objectives and performance and demonstrate a clear relationship between overall Company performance, executive performance and remuneration.

The Committee has the following responsibilities:

#### **4.2 Executive remuneration policy and framework recommendations**

The Committee has the duty and responsibility to review the remuneration policy and framework (**Remuneration Policy**) and recommend it to the Board for approval. This includes conducting regular reviews of, and making recommendations to the Board on the following:

- a) assessing the Remuneration Policy and compliance with legal and regulatory requirements;
- b) reviewing material changes to the Remuneration Policy, including remuneration structure, retention and termination policies for all staff;
- c) reviewing material changes to the recruitment policies, procedures and remuneration approach for the Company's Management team;
- d) recommending performance-based (at-risk) components of remuneration and targets for the Company's financial performance as they relate to incentive plans, including equity-based payments; and
- e) assessing overall remuneration outcomes, including by gender.

#### **4.3 Executive Remuneration and Performance**

- a) Review and recommend to the Board annually the remuneration of the CEO including the payment of any bonuses or incentives.
- b) Review and recommend to the Board remuneration programs and performance targets for the CEO.
- c) Review and approve the recommendation of the CEO regarding remuneration programs and performance targets for members of the Management Team, including the monitoring of performance against those targets.
- d) Review and approve the recommendation of the CEO regarding the remuneration of the Management Team and any other direct reports to the CEO, including the payment of any bonuses or incentives.
- e) Review and recommend to the Board the terms of employment contracts for the CEO.
- f) Review and approve the recommendation of the CEO regarding the members of the Management Team and the terms of their employment contracts;
- g) Make recommendations to the Board on the application of any forfeiture or claw back in relation to performance based remuneration of the CEO or Management Team in accordance with the rules of the applicable incentive or equity plan.

#### **4.4 Talent Management**

- a) Review the Company's recruitment, retention and termination policies and procedures for the CEO and for the Management Team and approve any changes.
- b) Review processes for the identification and development of high potential employees.
- c) Lead the succession planning for the CEO and for the Management Team.

- d) Review strategies and policies for people management including remuneration programs, performance management processes and career and skills development initiatives.

#### **4.4 Employee Incentive Plans**

- a) Review the operation of employee share acquisition schemes or other incentive plans **(Employee Incentive Plans)**, including the performance hurdles to apply to each plan.
- b) Regularly review the ongoing appropriateness of all Employee Incentive Plans, having regard to legislative, regulatory and market developments.

#### **4.5 Strategic Initiatives**

- a) Review the operations of the Company's strategic human resources policies and initiatives, including diversity, culture and leadership policies.
- b) Develop objectives for achieving gender diversity in the composition of the Company's board, Management Team and workforce and, on an annual basis, review and report to the Board on performance against them.
- c) Monitor remuneration to assess gender bias (if any) and recommend changes as needed.

#### **4.6 Non-executive director remuneration**

The Committee has the duty and responsibility to review annually and make recommendations to the Board in relation to individual non-executive director remuneration.

#### **4.6 Board and Director Performance**

- a) Assess the collective skills required to effectively discharge the Board's duties having regard to the Company's performance, financial position and strategic direction.
- b) Assist the Board to develop a skills matrix setting out the skills, expertise, experience and diversity that the Board currently has and is looking to achieve in the future.
- c) Periodically review the composition, functions and responsibilities and size of the Board.
- d) Develop and implement a process for the evaluation of the performance and effectiveness of the Board as a whole, Board committees and individual non-executive directors and assist the Board to make a recommendation to shareholders in relation to the re-election of non-executive directors.

#### **4.7 Remuneration reporting**

- a) The Committee has the responsibility to:
  - (i) propose the Remuneration Report to the Board;
  - (ii) liaise with the external auditors in relation to its review; and
  - (iii) make recommendations to the Audit Committee that the Remuneration Report of the Company is in accordance with the Corporations Act, including complying with relevant accounting standards, the Corporations Regulations and other mandatory professional reporting requirements.
- b) The Chair of the Remuneration and Nomination Committee and/or the Chair of the Board will also engage with shareholders and proxy advisers in advance of the Annual General Meeting.

#### **4.8 Engagement of remuneration consultants**

The Committee must approve the engagement of remuneration consultants when obtaining independent advice on the appropriateness of remuneration packages and other employment conditions for the Management Team and non-executive directors. The Committee Chair is responsible for liaising on behalf of the Committee with consultants advising the Committee.

#### **5. DUTIES AND RESPONSIBILITIES - NOMINATION**

The Committee is to review and consider the structure and balance of the Board and make recommendations regarding appointments and re-elections. In particular, the Committee is to:

- a) identify and recommend to the Board, candidates for the Board after considering the necessary and desirable competencies of new Board members, the range and depth of skills and the diversity of the Board;
- b) oversee appropriate checks (including criminal record, bankruptcy, education and character references) prior to the appointment of any person as a director of the Company;
- c) review induction procedures for new appointees to the Board to facilitate their ability to discharge their responsibilities;
- d) assess and consider the time required to be committed by a Director to properly fulfil their duty to the Company and advise the Board;
- e) ensure there is an effective succession plan in place for the Chair of the Board and all directors with a view to maintaining an appropriate balance of skills and experience on the Board; and
- f) Identify and recommend to the Board suitable internal/external candidates for the role of CEO and the Management Team, as required

#### **6. PERIODIC REVIEW**

The Committee has the responsibility to:

- a) review the Remuneration and Nomination Committee Charter as required or at least biennially and recommend any proposed changes to the Board for approval; and
- b) conduct a periodic, but at least biennial, evaluation of the Committee's performance and the extent to which the Committee has met the Remuneration and Nomination Committee Charter.

#### **7. ACCESS**

- a) The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditors, legal advice or independent remuneration advisers.
- b) Committee members may seek independent professional advice for Company related matters at the Company's expense, subject to the estimated costs being approved by the Chair of the Board, in advance, as being reasonable.

#### **8. REPORTING**

- 8.1 The Committee, through the Committee Chair, is to advise and make recommendations to the Board on matters falling within the scope of its responsibilities. Such advice may be in the form of minutes of its meetings, supporting papers, and written or oral reports at Board meetings.

- 8.2 Regularly update the Board on the Committee's activities and make appropriate recommendations.
- 8.3 Keep the Board informed of matters which may significantly impact the financial condition of business or its financial accounts, including key matters of judgement.