

Openpay Group Ltd

Remuneration & Nomination Committee Charter

22 November 2019

Remuneration & Nomination Committee Charter¹

Openpay Group Ltd (ACN 637 148 200) (the Company) and its subsidiaries

1. Introduction

1.1 Purpose of Charter

This is the Charter of the Remuneration & Nomination Committee established by the Board of the Company (the **Charter**). The Charter governs the operations of the Remuneration & Nomination Committee (the **Committee**). It sets out the Committee's role and responsibilities, composition, structure and membership requirements.

1.2 Role of Committee

The Committee is established by the Board of Directors. The key purpose of the Committee is to ensure the Board is effective and high performing, making sure that there is an appropriate number of independent non-executive directors that represent the best interests of the Company, that formal and transparent renewal processes are in place, and that directors and management of the Company are being remunerated fairly and responsibly. The Committee will assist the Board by reviewing and making recommendations to the Board in relation to:

- (a) the Company's remuneration policy, including as it applies to Directors and the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;
- (b) Board succession issues and planning;
- (c) the appointment and re-election of people as members of the Board and its committees;
- (d) the induction of people as Directors and continuing professional development programs for Directors;
- (e) remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- (f) the Company's superannuation arrangements;
- (g) the Company's recruitment, retention and termination policies;
- (h) succession plans of the Chief Executive Officer (**CEO**), senior executives and executive Directors;
- (i) the process for the evaluation of the performance of the Board, its Board Committees and individual Directors;
- (j) the review of the performance of senior executives, which should take place at least once every reporting period;
- (k) the review of the Board, its committees and individual directors, which should take place at least annually;

¹ A link to the Company's corporate governance policies can be found here: www.openpay.com.au

- (l) those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- (m) the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;
- (n) the Board's 'skills matrix' and any gaps in the collective skills of the Board;
- (o) the Company's human capital policies (for example: diversity, remuneration, etc.)
- (p) from periodically reviews, whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively; and
- (q) the size and composition of the Board and strategies to address Board diversity and the Company's performance in respect of the Company's Diversity Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

2. Membership

2.1 Composition of Committee

The Committee will:

- (a) comprise only of members of the Board of Directors (**Directors**) and members will be appointed and removed by the Board;
- (b) be of sufficient size, independence and technical expertise to discharge its mandate effectively;
- (c) consist of:
 - (i) at least three members;
 - (ii) only non-executive directors;
 - (iii) a majority of independent² Directors (**Independent Directors**);
 - (iv) an independent chairperson, who will be nominated by the Board from time to time, but who will either be the Chair of the Board or an Independent Director; and
 - (v) if the Committee Chair is also the chair to the Board, then a separate Committee Chair will be appointed to chair any discussions by the Committee involving succession planning for the role of chair to the Board;
- (d) include at least one member who has expertise in remuneration; and
- (e) comprise members who will be appointed for a fixed period of no more than 3 years, with Committee members generally being eligible for re-appointment for so long as they remain Independent Directors.

² Refer to the meaning of independent as discussed in the Corporate Governance Principles and Recommendations (4th edition) of the ASX Corporate Governance Council, as outline in Schedule 1.

2.2 Ceasing to be a member of the Committee

A person will cease to be a member of the Committee if:

- (a) the person gives reasonable notice in writing to the Committee Chair of the person's resignation as a member of the Committee;
- (b) the Committee Chair gives the person notice in writing that the person is to cease to be a member of the Committee; or
- (c) the person ceases to be a Director, in which case the person automatically ceases to be a member of the Committee.

2.3 Secretary

- (a) The Committee will have a secretary, which is to be the Company Secretary or such other person as nominated by the Board (**Committee Secretary**).
- (b) The Committee Secretary will attend all Committee meetings.
- (c) The Committee Secretary, in conjunction with the Chair of the Committee, must prepare an agenda to be circulated to each Committee member at least 2 full working days prior to each meeting of the Committee.
- (d) The Committee Secretary will distribute a meeting timetable for each forthcoming calendar year.

3. Meetings & authority of Committee

3.1 Meetings

- (a) The Committee will meet as often as necessary, but must meet at least twice a year and one of those meetings must take place at least 2 months prior to each annual general meeting.
- (b) The Chair of the Committee must call a meeting of the Committee if so requested by any Committee member, the Managing Director or the Company Secretary.
- (c) The Committee may invite other persons, including internal specialists or external advisers, to attend meetings if considered appropriate by the Chair of the Committee.
- (d) The quorum necessary for a meeting of the Committee will be 2 members, of whom at least one must be an Independent Director.

3.2 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter within the ambit of the role of the Committee as described in paragraph 1.2, which is brought to its attention with full access to all books, records and facilities;
- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- (c) obtain outside professional advice as it determines necessary to carry out its duties; and

- (d) ensure the attendance of Company officers at meetings as it thinks appropriate.

4. Duties and responsibilities

4.1 Understanding the Company's Business

The Committee will ensure it understands the Company's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Company.

4.2 Reporting

- (a) The Chair of the Committee must report the findings and recommendations of the Committee to the next Board meeting following each meeting of the Committee.
- (b) The minutes of all Committee meetings will be circulated to members of the Board by the Committee Secretary.
- (c) The Chair of the Committee must submit an annual report to the Board summarising the Committee's activities during the reporting period, including the number of times that the Committee met throughout that period and the individual attendances of Committee members at those meetings, and the Committee's significant results and findings.
- (d) The Committee must approve:
 - (i) the details to be published in the Company's Annual Report or any other statutory report or document with respect to the activities and responsibilities of the Committee; and
 - (ii) any statement on the Company's remuneration policy and executive compensation disclosures that may be required by law or other regulatory requirements (including any such statement to be included in the Company's Annual Report).

4.3 Specific responsibilities

In addition to any other matters which may be delegated to the Committee by the Board (including special investigations), the Committee is responsible for:

Remuneration of senior executives and executive Directors

- (a) regularly reviewing and making recommendations to the Board with respect to an appropriate remuneration policy including retirement benefits and termination payments (if any) for senior executives and executive Directors, ensuring that such a policy:
 - (i) enables the Company to attract and retain valued employees;
 - (ii) motivates senior executives and executive Directors to pursue the long term growth and success of the Company without rewarding conduct contrary to the Company's values or risk appetite;
 - (iii) demonstrates a clear relationship between performance and remuneration and remuneration being a key driver of culture and key focus for investors; and
 - (iv) has regard to prevailing market conditions to ensure that directors are remunerated reasonably, and not excessively;

- (b) regularly reviewing and making recommendations to the Board regarding the remuneration packages of senior executives and executive Directors, including (as appropriate) fixed, performance-based and equity-based remuneration, reflecting short and long term performance objectives appropriate to the Company's circumstances, goals and commercial interest in controlling expenses;
- (c) making recommendations to the Board with respect to the quantum of short term incentives (if any) to be paid to senior executives;

Remuneration of non-executive Directors

- (d) making recommendations as to the structure of remuneration for non-executive Directors;
- (e) ensuring that fees paid to non-executive Directors are within the aggregate amount approved by shareholders and making recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's annual general meeting;
- (f) having regard to the need to ensure that the incentives for non-executive directors do not conflict with their obligation to bring an independent judgement to matters before the Board;

Employee benefits and other policies

- (g) reviewing and overseeing the implementation, administration and operation of equity-based incentive plans and other employee benefit programs;
- (h) regularly reviewing the Company's recruitment, retention and termination policies;

Superannuation

- (i) regularly reviewing and providing advice to the Board in relation to the Company's superannuation arrangements;

Senior executives and executive Directors succession

- (j) reviewing succession plans of senior executives and executive Directors on a regular basis to maintain an appropriate balance of skills, experience and expertise in the management of the Company and providing advice to the Board accordingly;

Board succession

- (k) reviewing Board succession plans on a regular basis to maintain an appropriate balance of skills, knowledge, experience, independence, diversity and expertise on the Board and providing advice to the Board accordingly;

New Directors

- (l) developing policy, and procedures and processes for the selection and appointment of Directors;
- (m) identifying individuals who may be qualified to become Directors, having regard to such factors as the Committee considers appropriate, including judgement, skill, diversity, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any Board Committee, and the Corporate Governance Principles and Recommendations (4th edition) of the ASX Corporate Governance Council (the **Guidelines**);

- (n) ensuring that an effective orientation program for new Directors is in place, and regularly reviewing its effectiveness;

Board Committees

- (o) identifying Directors qualified to fill vacancies on Board committees and making recommendations to the Board accordingly, having regard to such factors as the Committee considers appropriate, including the terms of reference of the particular Board committee the Director's experience, the interplay of the Director's experience with the experience of other Committee members and the Guidelines;

Performance

- (p) developing or arranging a program for inducting new Directors and periodically identifying any gaps in the collective skills of the Board that should be addressed and reviewing the need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively;³
- (q) in conjunction or collaboration with the Board, developing and implementing procedures for the annual evaluation of the performance of the Board, each Board Committee and individual Directors, comparing their performance with the requirements of the Board Charter, this Charter, other relevant Board Committee Charters and the reasonable expectations of individual Directors;

Senior executives and executive Directors

- (r) developing and implementing a proper process for identifying, assessing and enhancing competencies of senior executives and executive Directors;
- (s) ensuring that the performance of each senior executive and executive Director is evaluated at least once every reporting period;

Board

- (t) considering and articulating the time needed to fulfil the role of Chair and non-executive Director;
- (u) developing and implementing a plan for identifying, assessing and enhancing Director competencies;
- (v) developing and implementing succession planning for the Board;
- (w) establishing procedures for the Committee to oversee the evaluation of the performance of the Board and each Director including an assessment of whether each Director has devoted sufficient time to their duties;

Shareholder approval and stakeholder engagement

- (x) considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval and making recommendations to the Board accordingly;

³ Principle 2.6 of the Corporate Governance Principles and Recommendations (4th edition) of the ASX Corporate Governance Council provides guidance as to what the induction programs should cover.

- (y) where considered appropriate, engage (via the Committee Chairperson) with shareholders and proxy advisers in relation to remuneration-related matters that arise from time to time;

Size and composition of the Board

- (z) regularly reviewing the size and composition of the Board and making recommendations to the Board with regard to any appropriate changes;
- (aa) providing advice to the Board with respect to the necessary and desirable competencies of Directors;
- (bb) making recommendations to the Board for the appointment and removal of Directors;
- (cc) in a timely manner, making recommendations to the Board whether or not Directors, whose term of office is expiring, should be proposed for re-election at the Company's next AGM;

Diversity

- (dd) developing measurable objectives to achieve gender diversity in the composition of the Board, senior executives and workforce generally in accordance with the Company's Diversity Policy;
- (ee) monitoring, reviewing and reporting to the Board on the Company's performance in respect of gender diversity in accordance with the Company's Diversity Policy;
- (ff) reviewing the Company's Diversity Policy at least annually to assess the effectiveness of the policy and make recommendations to the Board as to any strategies required to address Board diversity;
- (gg) reviewing and reporting to the Board at least annually on the relative proportion of women and men at all levels of the business; and
- (hh) reviewing and making recommendations to the Board on remuneration by gender.

The Committee will have no executive powers with regard to its findings and recommendations.

4.4 Other matters

- (a) The Committee is authorised to engage, at the Company's expense, outside legal or other professional advice or assistance on any matters within its terms of reference.
- (b) The Committee is authorised to seek any information it requires from any officer or employee of the Company and such officers or employees will be instructed by the Board of the Company employing them to respond to such enquiries.
- (c) The Committee may, in its discretion, delegate all or some of its responsibilities to a sub-committee.

4.5 Committee performance assessment

- (a) The Committee will perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.
- (b) The Board will evaluate the performance of the Committee at least annually.

5. Other matters

5.1 Amendment of Charter

This Charter can only be amended with the approval of the Board.

5.2 Adoption of Charter and periodic review

This Charter was adopted by the Board on the date on the front page of this Charter, and takes effect from that date and replaces any previous Charter in this regard.

The Committee must review and reassess this Charter at least annually and, if required, make recommendations to the Board in respect of any amendments to the Charter. The Board will also review this Charter periodically. The Company Secretary will communicate any amendments to employees as appropriate.

Schedule 1 - Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations (4th edition)

A director of a listed entity should only be characterised and described as an independent director if he or she is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.

The ASX Corporate Governance Principles and Recommendations (4th edition) provide certain examples for assessing the independence of directors and outline relationships which may affect independent status. They provide that when determining the independent status of a director the board should consider whether the director:

1. is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
2. receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity;
3. is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
4. is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
5. has close personal ties with any person who falls within any of the categories described above; or
6. has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

Where a director falls within one or more of these examples, the board should rule the director not to be independent unless it is clear that the interest, position or relationship in question is not material and will not interfere with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.