



U & D COAL LIMITED

A.C.N. 165 894 806

---

REMUNERATION COMMITTEE CHARTER

---

As at 31 March 2014



# REMUNERATION COMMITTEE CHARTER

---

## Contents

1. Introduction.....	3
2. Committee.....	3
2.1 Composition .....	3
2.1.1 Removal or resignation .....	4
2.1.2 Committee may invite .....	4
2.1.3 Secretary.....	4
2.2 Meetings.....	4
2.2.1 Frequency.....	4
2.2.2 Calling meetings and notice .....	4
2.2.3 Advice .....	4
2.2.4 Report to Board .....	4
2.2.5 Minutes.....	4
2.2.6 Quorum and voting .....	5
3. Duties and responsibilities .....	5
3.1 Executive remuneration policy.....	5
3.2 Executive directors and senior management.....	5
3.3 Executive incentive plans .....	5
3.4 Equity-based plans .....	6
3.5 Termination payments – Chief Executive Officer.....	6
3.6 Non-executive director remuneration .....	6
3.7 Disclosure .....	7
3.8 Approvals.....	7
4. Review .....	7



## 1. Introduction

This is the Remuneration Committee charter for U&D Coal Limited (**Company**). The charter sets guidelines for the procedures of the Remuneration Committee (**Committee**) and outlines the procedures and guidelines in relation to the remuneration of directors and senior executives of the Company.

## 2. Committee

The Committee is to provide the Board with sufficient information to facilitate informed decision making. The role of the Committee is to review and make recommendations to the Board in respect of:

- an executive remuneration and incentive policy;
- the remuneration of the Chief Executive Officer and any other executive director, the Company Secretary and all senior executives reporting directly to the Chief Executive Officer;
- an executive incentive plan;
- an equity-based incentive plan;
- the remuneration of non-executive directors;
- superannuation arrangements;
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the Chief Executive Officer and any other executive director, the Company Secretary and all senior executives reporting directly to the Chief Executive Officer; and
- the disclosure of remuneration in the Company's public materials including ASX filings and the annual report.

Further the Committee is entitled to direct any special investigation that the Committee considers appropriate and to consult any independent expert that the Committee considers appropriate to carry out its duties. The Company bears the costs of any such investigation or consultation.

The Committee is entitled to call on and use any employee of the Company to the extent that the Committee considers appropriate to carry out the Committee's role and responsibilities.

### 2.1 Composition

The Committee will comprise a majority of independent, non-executive directors. The Board will appoint one of these members as Committee chairman.

The Board will appoint the members of the Committee with due regard to the provisions of the Corporations Act 2001 (Cth) ("Corporations Act").



### **2.1.1 Removal or resignation**

If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

### **2.1.2 Committee may invite**

The Committee may invite any executive management team member or any other individual to attend a meeting of the Committee, as they consider appropriate.

The Chief Executive Officer will be the principal liaison between executive management and the Committee on remuneration matters and will be invited to attend meetings when the Committee considers appropriate.

### **2.1.3 Secretary**

The Company Secretary is the secretary of the Committee.

## **2.2 Meetings**

### **2.2.1 Frequency**

The Committee will meet as frequently as required but not less than once a year. Any Committee member or the secretary may call a Committee meeting.

### **2.2.2 Calling meetings and notice**

A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the Committee (with a copy to all Board members) seven working days before the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.

### **2.2.3 Advice**

The Committee may have access to professional advice from employees within the Company and from appropriate external advisers. The Committee may meet with external advisers without management being present.

### **2.2.4 Report to Board**

The Committee chairman, or delegate, will report to the Board following each meeting. The Committee will report to the Board regularly on the matters set out in section 2 of this document.

The Committee will prepare for approval by the Board any report on the matters set out in section 2 that may be:

- required by any listing rule, legislation, regulatory body or other regulatory requirement; or
- proposed for inclusion in the annual report.

### **2.2.5 Minutes**

Minutes of proceedings and resolutions of Committee meetings will be kept by the secretary. Minutes will be distributed to all Committee members and the chairman of the Board, after the Committee chairman has given the preliminary approval. Minutes, agenda and supporting papers will be made available to any director upon request to the secretary, providing no conflict of interest exists.



### **2.2.6 Quorum and voting**

A quorum will comprise any two non-executive director Committee members. In the absence of the Committee chairman or appointed delegate, the members will elect one of their number as chairman for that meeting.

Each member will have one vote and the Committee chairman will not have a second or casting vote.

## **3. Duties and responsibilities**

In order to fulfil its responsibilities to the Board the Committee will:

### **3.1 Executive remuneration policy**

- review and make recommendations to the Board regarding the Company's policy for determining executive remuneration including, but not limited to, pension rights and compensation payments, and any amendments to that policy proposed from time to time by management;
- review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs;
- consider whether to seek shareholder approval of the executive remuneration policy;
- consider the continuous disclosure requirements that may be triggered by obligations under employment agreements with senior executives under ASX Listing Rules; and
- oversee the implementation of the remuneration policy within the Company.

### **3.2 Executive directors and senior management**

- consider and make recommendations to the Board on the entire specific remuneration for the Chief Executive Officer and any other executive director, (including base pay, incentive payments, equity awards, retirement rights, service contracts and termination payments) having regard to the executive remuneration policy and applicable laws (eg section 200AA of the Corporations Act), and determine whether any shareholder approvals are required and that any equity-based executive remuneration is made in accordance with shareholder approvals; and
- review and make recommendations to the Board regarding the proposed remuneration structure (including incentive awards, equity awards and service contracts) for the Company Secretary and all senior executives reporting directly to the Chief Executive Officer.

### **3.3 Executive incentive plans**

- review and make recommendations to the Board regarding the design of all executive incentive plans; and



- review and make recommendations to the Board regarding the total proposed payments from each executive incentive plan.

### **3.4 Equity-based plans**

- review and make recommendations to the Board regarding the design of all equity-based plans;
- keep all plans under review in the light of legislative, regulatory and market developments;
- for each equity-based plan, determine each year whether awards will be made under that plan;
- review and make recommendations to the Board regarding total proposed awards under each plan having regard to the number of shares issued under the plan in relation to the existing capital of the Company;
- in addition to considering awards to the Company Secretary or any senior executives reporting directly to the Chief Executive Officer, review and make recommendations to the Board regarding proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Committee;
- review, make recommendations to the Board and keep under review performance hurdles for each equity-based plan; and
- ensure that shareholders are provided with meaningful information to permit them to determine whether to approve the plan including details of the full cost of the plan.

### **3.5 Termination payments – Chief Executive Officer**

- review and make recommendations to the Board regarding termination payments of the Chief Executive Officer, ensuring any termination payment is agreed in advance including detailed provision in case of early termination.

### **3.6 Non-executive director remuneration**

- review and recommend to the Board the level of remuneration for non-executive directors. The level of director remuneration is to be set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type;
- in order to align the interests of directors and shareholders but still retain director independence, each director's remuneration package shall contain a cash and equity component;
- where necessary recommend that the Board seek an increase in the amount of remuneration for non-executive directors approved by shareholders; and
- the Committee may request management or external consultants to provide necessary information upon which the Board may make its determination.



### **3.7 Disclosure**

In order to maintain remuneration transparency, both the levels and process of setting the remuneration for directors, the Chief Executive Officer and senior executives are to be fully and fairly reported.

Consistent with the disclosure policy the Committee will review all public disclosures and statements concerning the matter the subject of this policy including disclosures in the annual report.

### **3.8 Approvals**

Before implementing any of the following proposals the Board will ask the Committee to review the proposal and make a recommendation to the Board in relation to it:

- any change to the remuneration or contract terms of the Chief Executive Officer and any other executive director, the Company Secretary and all senior executives reporting directly to the Chief Executive Officer;
- the design of any new equity-based plan or executive cash-based incentive plan, or the amendment of any existing equity-based plan or executive cash-based incentive plan; and
- the total level of award proposed from equity-based plans or executive cash-base incentive plans.

## **4. Review**

The Company Secretary will conduct an annual review of this charter to ensure that the charter continues to reflect the current processes and guidance utilised when assessing the appropriate remuneration of the directors and the senior executives. The Board will need to approve any amendments to this charter that stem from the review.