



NOMINATION & REMUNERATION COMMITTEE CHARTER

Hills Limited

ABN 35 007 573 417

Policy Name	Nomination & Remuneration Committee Charter
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1 Purpose and Authority

1.1 Purpose

The purpose of the *Nomination & Remuneration Committee Charter* is to:

- (a) specify the authority delegated to the Nomination & Remuneration Committee (**Committee**) by the Board of Directors (**Board**) of Hills Limited (**Hills**); and
- (b) set out the role, responsibilities, membership and operation of the Committee.

1.2 Authority

The Committee is a committee of the Board, established pursuant to Article 11.6 of the Hills constitution and authorised by the Board to assist in fulfilling its statutory, fiduciary and regulatory responsibilities.

It has the authority and power to exercise the role and responsibilities set out in this charter and granted to it under any separate resolution of the Board from time to time.

The Committee is accountable to the Board for its performance.

2 Role of the Committee & Policy Objectives

2.1 Role

The Committee assists and makes recommendations to the Board on:

- (a) director selection and appointment practices;
- (b) Board composition and tenure;
- (c) succession planning for the Board;
- (d) the diversity of the Board;
- (e) director independence; and
- (f) remuneration policies, strategies and practices for the Board, its committees, the Chief Executive Officer, the direct reports to the Chief Executive Officer, senior executives and other management as appropriate.

2.2 Policy Objectives

The primary objectives of the Hills nomination and remuneration policies and practices are to enable Hills to:

- (a) attract, motivate and retain highly skilled directors, executives and employees who will create value for shareholders within an appropriate framework by providing remuneration packages that are equitable and externally competitive;
- (b) ensure that the Board retains a sufficiently wide mix of expertise to fulfil its responsibilities;
- (c) be fair and appropriate having regard to the performance of Hills and the relevant director, executive or employee;

- (d) motivate directors and executives to pursue the long term growth and success of Hills;
 - (e) demonstrate a clear relationship between individual performance and remuneration; and
 - (f) comply with relevant legal requirements.
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3 Responsibilities of the Committee

3.1 Board Nomination Responsibilities

The Committee is responsible for:

- (a) developing, regularly reviewing and making recommendations to the Board regarding policy with respect to director tenure, director retirement, Board composition, strategic function and size;
- (b) developing a skills matrix to identify skills gaps in the Board composition;
- (c) identifying those individuals believed to be qualified to become Board members and making recommendations to the Board for appointment of new Board member candidates having regard, among other things, to:
 - (i) the candidate's judgment, skills, diversity and experience;
 - (ii) Hills' diversity objectives; and
 - (iii) the extent to which the candidate would be a desirable addition to the Board and any committees of the Board;
- (d) assessing and reviewing the necessary and desirable competencies of Board members;
- (e) identifying Board members qualified to fill vacancies on any committee of the Board (including this Committee);
- (f) developing, implementing and reviewing continuing education measures to enhance director competencies and to update and enhance directors' knowledge and skills so that directors can advise on key developments affecting Hills and the industry and environment in which it operates; and
- (g) developing and reviewing orientation and induction procedures for new appointees to the Board to enable them to effectively discharge their duties.

3.2 Remuneration Responsibilities

The Committee is responsible for developing, reviewing and making recommendations to the Board on:

- (a) the ongoing appropriateness and relevance of remuneration framework for the Chairman, Hills committees and the non-executive directors;
- (b) Hills' policy on remuneration for the Chief Executive Officer, direct reports to the Chief Executive Officer and senior executives, and any changes to the policy and the implementation of the policy including any shareholder approvals required;

- (c) incentive schemes, if appropriate, for the Chief Executive Officer, direct reports to the Chief Executive Officer and senior executives;
- (d) equity based plans, if appropriate, for the Chief Executive Officer and executives, and other employees;
- (e) management succession, capability and talent development for the Chief Executive Officer and senior executives;
- (f) monitoring strategies for diversity within Hills;
- (g) annually reviewing and reporting to the Board on achievement against Hills diversity objectives;
- (h) Hills recruitment retention and termination policies for the Chief Executive Officer and senior executives, and any changes to those policies;
- (i) the processes in place in respect of all policies, procedures and formal processes of our Human Resources function; and
- (j) the execution of non-standard employment contracts.

The Committee is also responsible for monitoring and providing input to the Board regarding:

- (a) legislative, regulatory or market development likely to have a significant impact on Hills and legislative compliance in employment issues;
- (b) the remuneration trends across Hills, including:
 - (i) the trends in base pay for senior management relative to that of all Hills employees; and
 - (ii) remuneration by gender; and
- (c) major changes to employee benefits structures in Hills.

The Committee shall obtain external expert advice from time to time in respect of the Hills' remuneration strategies, policies and practices.

4 Reporting and Disclosures

The Committee will liaise with the Audit, Risk and Compliance Committee in regards to Hills' remuneration related reporting in the financial statements and remuneration report required by the *Corporations Act*.

The Committee will recommend to the Board the annual remuneration report containing information on Hills' remuneration policy, practices, attendance at and frequency of committee meetings and make recommendations to the Board for the inclusion of the remuneration report in Hills' Annual Report.

The Committee will ensure compliance of all applicable governance, accounting and legal requirements regarding disclosure of remuneration, in all forms.

The Chairman of the Committee will attend Hills annual general meeting and will be prepared to respond to any shareholder questions on the Committee's activities.

5 Composition of the Committee

5.1 Membership

The Committee is to comprise of at least three members. The members may only be non-executive directors, a majority of whom are independent, non-executive directors.

Members will be determined by the Board and changed at the discretion of the Board.

5.2 Chairman

The Chairman of the Committee must be an independent non-executive director. The Board shall appoint one of the members of the committee to be the Chairman of the Committee. Should the Chairman of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their members to be Chairman of that meeting.

5.3 Secretary

The Company Secretary is the secretary of the Committee and attends meetings as requested by the Chairman of the Committee.

5.4 Skills Development

If the Chairman of the Board pre-approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at Hills' expense.

5.5 Commitment of Committee Members

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

6 Committee Meetings & Processes

6.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions of Hills constitution.

6.2 Frequency

The Committee shall meet as frequently as required to undertake its role and responsibilities effectively.

Any Committee member or the secretary of the Committee may call a meeting of the Committee.

6.3 Quorum and Voting

A quorum will comprise of any two committee members.

Each member shall have one vote.

The Chairman of the Committee shall not have a second or casting vote.

6.4 Agenda

The Committee shall develop and agree an annual program to fulfil its responsibilities.

The Chairman of the Committee will develop the agenda for each meeting on the basis of the annual program and any other matters deemed to be relevant to the particular meeting.

6.5 Attendance

In addition to the members of the Committee, such executives and/or external parties as the Chairman and members of the Committee think fit may be invited to attend committee meetings.

Other non-executive directors of the Board are also entitled to attend committee meetings.

6.6 Access to information and advisers

The Committee will have the appropriate resources to discharge its duties and responsibilities, including authority to engage counsel, accountants or other experts as it considers appropriate.

The Committee shall, in accordance with the law, obtain external expert advice from time to time in respects of Hills' remuneration strategies, policies and practices.

If the Committee enters into an arrangement or commissions advisers on matters relating to remuneration these arrangements will be disclosed in the corporate governance section of the ASX annual report to shareholders.

6.7 Report to the Board

The Committee will regularly update the Board about committee activities and make appropriate recommendations. The Chairman of the Committee will report to the Board on any matters under consideration at the next Board meeting following a committee meeting.

6.8 Minutes

Minutes of proceedings and resolutions of the Committee shall be kept by the secretary of the Committee. Minutes shall be distributed to all committee members by the Company Secretary after the preliminary approval has been given by the Chairman of the Committee.

7 Committee's Performance Evaluation

The Committee will review its performance at least annually, or earlier if circumstances dictate, and whenever there are major changes to the management structure of Hills.

The performance evaluation will take into account the extent to which it has met its responsibilities in terms of this charter.

Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

8 Review of the Charter

The Committee will review its charter from time to time and make recommendations to the Board as to any changes it considers should be made.

The charter may only be amended by resolution of the Board.

9 Who to Contact

Any questions relating to the interpretation of this charter should be forwarded to the Company Secretary.

10 Published

A copy of this Charter is available at <http://www.corporate.hills.com.au>.