

# MEDIBIO LIMITED

## REMUNERATION POLICY

### 1. Introduction

1.1 The Australian Securities Exchange 'Recommendations', specifically recommendation 8.1 states that an ASX listed company should establish a remuneration committee.

1.2 The Board of Medibio does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate remuneration committee.

1.3 The duties and responsibilities typically delegated to such a committee are expressly included in the Board's responsibilities and it would be inefficient for Medibio to create such a committee.

1.4 This Remuneration Policy (the Policy) is a policy established by the Board.

### 2. Purpose

2.1 This Policy has been put in place to ensure that:

- (a) remuneration policies and systems support the Company's wider objectives and strategies;
- (b) Directors' and Associates' remuneration is aligned to the long-term interests of shareholders within an appropriate control framework; and
- (c) there is a clear relationship between key executive performance and remuneration.

2.2 This Policy serves to define the overall remuneration structure and document the structure of remuneration for four main groups:

- (a) Managing Director (MD) and or Chief Executive Officer(CEO)
- (b) Non-Executive Directors; and
- (c) Other Associates

### 3. Overall remuneration structure

3.1 Remuneration paid by Medibio comprises of a number of components.

3.2 Most Associates (other than Non-Executive Directors) receive a base salary plus benefits. These benefits are usually in the form of allowances and the Company's superannuation contribution. The total of the base salary and benefits is called Total

Fixed Remuneration (TFR) and is often referred to as the Associate's remuneration package.

3.3 Total Fixed Remuneration should be reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions and scale of business.

3.4 The table below depicts the standard components of a typical salary package.

Total On Target Reward				
Total Fixed Remuneration			Variable Pay	
Base Salary	Super	Allowances	Short Term Incentive	Long Term Incentive

3.5 Short Term Incentives are linked to clearly specified performance targets and provide rewards for materially improved company performance. Short Term Incentives are provided as cash or contributions to superannuation.

3.6 The Long Term Incentive Plan uses options, rights or fully paid shares as the incentive “currency” and is designed to reward improved company performance over an extended period.

3.7 The Medibio Board has determined at a strategic level, the policies for the following components of TTR:

- (a) Short Term Incentive Program (STIP) rules
- (b) Long Term Incentive Program (LTIP) rules

## **4. Remuneration of Managing Director and/or the Chief Executive Officer (CEO)**

4.1 The components of the Managing Director’s and/or the Chief Operating Officer’s Fixed Remuneration are set out in their service agreement and include:

- (a) cash remuneration;
- (b) superannuation contributions made by the company;
- (c) motor vehicle allowance, parking ; and
- (d) reimbursement of entertainment, home office and telephone expenses.

4.2 In addition, the Managing Director and/or the Chief Executive Officer may receive Variable Remuneration as follows:

- (a) Short Term Incentives – the Managing Director and/or the Chief Executive Officer are eligible to receive a Bonus so long as certain key performance indicator’s (“KPI’s”) are achieved. These KPI’s are approved by the Board at the commencement of the financial year; and
- (b) Long Term Incentive – the Managing Director and/or the Chief Executive Officer do not currently participate in a Long Term Incentive Plan.

4.3 The Managing Director and/or the Chief Executive Officer are reviewed on an annual basis by the Chairman and other non-executive Board members. The review is done by comparison of the Total On Target Remuneration with remuneration of comparable organisations.

4.4 From time to time, a review of the total remuneration package by an independent consultant in this field is undertaken to provide an independent reference point.

4.5 Any termination payments for the Managing Director and/or the Chief Executive Officer are agreed in their service agreements.

## **5. Remuneration of Non-Executive Directors**

5.1 Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of directors.

5.2 A Non-Executive Director’s performance and remuneration is reviewed on an annual basis. Performance reviews are conducted as a one-on-one discussion with the Chairman.

5.3 A Non-Executive Director’s remuneration is reviewed by comparison of director’s remuneration with companies of similar characteristics. From time to time, an independent check is undertaken to provide a reference point.

5.4 Non-Executive Director’s Fixed Remuneration will usually comprise the following elements:

- (a) cash remuneration;

- (b) superannuation contributions made by the company; and
- (c) Reasonable expenses.

5.5 Non-Executive Directors do not normally receive any Variable Remuneration and do not participate in schemes designed for the remuneration of executives. Notwithstanding this, Non-Executive Directors have received in the past, an issue of options subject to shareholder approval and this practice will continue into the future.

5.6 Non-Executive Directors do not receive retirement benefits other than the Company's superannuation contribution (at a rate of 9%).

## **6. Remuneration of Associates**

6.1 An Associate's performance and remuneration is reviewed on an annual basis by their direct manager which is then approved by the Managing Director or the Chief Executive Officer.

6.2 The components of an Associate's Fixed Remuneration may comprise, at the discretion of the Managing Director or the Chief Executive Officer, the following elements:

- (a) cash remuneration;
- (b) superannuation contributions made by the company; and
- (c) motor vehicle allowance, entertainment, home telephone and other allowances or benefits.

6.3 The Managing Director or the Chief Executive Officer and Chairman will together determine, from time to time, those Associates who are eligible to participate in the Short Term and Long Term Incentive Plans.

6.4 In determining an Associate's remuneration package, the Company may review the individual's remuneration with the use of market data for positions with comparable companies. Where appropriate, the package is adjusted so as to keep pace with market trends and ensure continued remuneration competitiveness.

6.5 In conducting an annual comparative analysis, the Company's expected performance for the year would be considered in the context of the Company's capacity to fund remuneration budgets.

## **7. Effective Date**

7.1 This Policy was ratified by the Board of Medibio on 23 June 2010 and amended on 31 January 2012.