

**Mount Gibson Iron Limited**  
**Corporate Governance Principles and Practices Manual**  
**6.1 Remuneration Policy**

**1 STATEMENT OF PURPOSE**

1.1 This Remuneration Policy of Mount Gibson Iron Limited and its controlled entities (“the Company”) has been put in place to ensure that:

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

1.2 This policy serves to define the overall remuneration structure and document the structure of remuneration for three main groups:

- (a) Non-Executive Directors;
- (b) Managing Director; and
- (c) Senior Executives.

**2 OVERALL REMUNERATION STRUCTURE**

2.1 Remuneration paid by the Company comprises a number of components.

2.2 Executives (other than Non-Executive Directors) receive a base salary plus benefits. These benefits are usually in the form of a company vehicle, 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 Executive’s remuneration package.

2.3 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.

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

Total Remuneration					
Total Fixed Remuneration				Variable Pay	
Base Salary	Super	Vehicle	Allowances	Short Term Incentive	Long Term Incentive

2.5 The Company complements the Fixed Remuneration with Long Term and Short Term Incentives.

2.6 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.

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2.7 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 REMUNERATION FOR MANAGING DIRECTOR**

3.1 The components of the Managing Director Fixed Remuneration are set out in his service agreement and may include:

- (a) cash remuneration;
- (b) accommodation and travel benefits;
- (c) motor vehicle, parking and other benefits; and
- (d) reimbursement of entertainment, home office and telephone expenses.

3.2 In addition, the Managing Director may receive Variable Remuneration as follows:

- (a) Short Term Incentives – the Managing Director is 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 Incentives – the Managing Director is eligible to receive Bonus Options under the Company’s employee option scheme, at the discretion of the Board.

3.3 The Managing Director’s remuneration is reviewed on an annual basis by the remaining members of the Board. 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.

3.4 Any termination payments for the Managing Director are agreed in advance. The Managing Director is not entitled to any additional termination payments under his Service Agreement except for compensation for the employment period for the remainder of the term of his agreement.

### **4 STRUCTURE OF REMUNERATION FOR SENIOR EXECUTIVES**

4.1 A Senior Executive’s performance and remuneration is reviewed on an annual basis by their direct manager, which is then approved by the Managing Director.

4.2 The components of an Executive’s Fixed Remuneration may comprise, at the discretion of the Managing Director, the following elements:

- (a) cash remuneration;
- (b) superannuation contributions made by the Company; and

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(c) motor vehicle, mobile phone, home telephone and other allowances/benefits.

- 4.3 The Managing Director will determine, from time to time, those Executives who are eligible to participate in the Short Term and Long Term Incentive Plans.
- 4.4 In determining an Executive'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.
- 4.5 In conducting a 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.

**5 STRUCTURE OF REMUNERATION FOR 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 by the Chairman.
- 5.3 Non-Executive Director's Fixed Remuneration will usually comprise the following elements:
- (a) cash remuneration; and
  - (b) superannuation contributions made by the Company.
- 5.4 Non-Executive Directors are eligible to receive Bonus Options under the Company's employee option scheme, subject to approval by Shareholders.
- 5.5 Board operating costs do not form part of Non-Executive Directors' remuneration.