

Nomination,  
Remuneration and  
Governance committee  
Charter

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Mount Gibson Iron Limited

ACN 008 670 817

Adopted by the Board on 31 October 2011

# Committee charter

## 1 Functions and membership of the Committee

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- 1.1 The functions of the Nomination, Remuneration and Governance Committee (the **Committee**) are set out in this Charter. In particular, the Committee has the roles and responsibilities specified in sections 3, 5 and 6 below.
- 1.2 The Committee must:
- (a) consist only of non-executive Directors;
  - (b) be comprised of at least 3 members;
  - (c) include a majority of independent Directors; and
  - (d) include an independent Director as Chairman.
- 1.3 The Board may appoint additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Chairman of the Board, with a copy to the Chairman of the Committee.
- 1.4 Members of the Committee, and any other Directors wishing to attend, are entitled to be present at Committee meetings.
- 1.5 The Committee may extend an invitation to any person to attend all or part of any meeting which it considers appropriate. In particular, the Committee may meet with external advisors, any executive or other employee, or any other non-executive Director, and may do so without management present.
- 1.6 The Managing Director may be invited to attend Committee meetings.
- 1.7 The Company Secretary (or a delegate approved by the Committee Chairman) must attend all Committee meetings as minute secretary.

## 2 Administrative matters

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### 2.1 Meetings

- 2.1.1 The Committee will meet as often as the Committee members deem necessary in order to fulfil their role and responsibilities in accordance with this Charter. However, it is intended that the Committee will normally meet at least 4 times each year.
- 2.1.2 At its last meeting each year, the Committee will approve a meeting planner for the next year which identifies, and allocates to a planned meeting on a set date in that year, items of Committee business considered essential to the due performance of its role and discharge of its duties.

### 2.2 Quorum

- 2.2.1 The quorum for Committee meetings is 3 members.

### 2.3 Convening and notice of meeting

- 2.3.1 Any Committee member may, and the Company Secretary must upon request from any Committee member, convene a meeting of the Committee.

2.3.2 Written notice (including an agenda drawn up by the Company Secretary and the Committee Chairman, together with supporting papers) will be given to every member of the Committee, at least 3 days prior to each meeting of the Committee, at that person's advised address for service of notice (or other pre-notified interim address where relevant). Acknowledgement of receipt of notice by all members is not required before the Committee meeting may be validly held.

2.3.3 The Company Secretary will keep and maintain minutes of each Committee meeting.

## 2.4 Rights of access and authority

2.4.1 The Committee has rights of access to the Company's employees, management and auditors (external and internal), and rights to seek explanations and additional information from employees, management and auditors in order to perform its duties. In exercising these rights, the Committee is not obliged to involve management. Employees, managers and internal auditors who receive enquiries from the Committee must respond to them.

2.4.2 The Committee may, at the Company's expense, seek the advice of the Company's auditors, solicitors or other outside advisors, or institute special investigations, as to any matter within the scope of the Committee's responsibilities.

## 2.5 Minutes

2.5.1 Minutes of meetings of the Committee must be kept by the Company Secretary and (following approval by the Committee Chairman) must be circulated prior to, and tabled at, the next Board meeting. All minutes of the Committee must be entered in a minute book maintained for that purpose and be available at all reasonable times for inspection by any Director.

## 2.6 Reporting

2.6.1 The Committee Chairman will report the findings and recommendations of each meeting of the Committee, at the next Board meeting. As part of the report the Committee Chairman will bring forward all findings and recommendations of the Committee which require Board endorsement or approval.

2.6.2 The Committee will report to the Board annually, in writing, on all matters relevant to the performance of its role and the discharge of its duties during the period since the last report, having regard to the duties of the Committee as set out in this Charter and Recommendation 7.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (ASX Principles)*.

2.6.3 The Committee will have no executive powers with regard to its findings and recommendations, except as specified in this Policy.

## 3 Role and responsibilities – nomination and diversity

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3.1 The Committee will assist the Board to review and monitor Board composition, performance and succession planning, taking into account the Company's Diversity Policy. This includes identifying, evaluating and recommending prospective candidates for appointment to the Board.

3.2 The responsibilities of the Committee include (subject to the direction and approval of the Board) the following:

- (a) Review and recommend to the Board the size and composition of the Board.

- (b) Review and recommend to the Board succession plans, taking into account the Company's Diversity Policy.
- (c) Identify and recommend to the Board the criteria for Board membership, including developing and implementing plans for identifying necessary and desirable competencies of Board members.
- (d) Review and recommend to the Board prospective candidates for membership of the Board, and make recommendations for Board appointment/shareholder election.
- (e) Recommend to the Board appropriate processes for evaluation of the performance of the Board and its committees, including each executive and non-executive Director and the Chairman, and assist the Board in the implementation of those processes.
- (f) Assist the Board as required in developing and implementing plans for identifying, assessing and enhancing Director competencies.
- (g) Review the Board Charter and other corporate governance policies of the Company on a periodic basis as requested by the Board in connection with the Company's nomination and appointment practices for Board members, and recommend any amendments to these policies for Board approval.
- (h) Review and report to the Board on the time expected to be devoted by non-executive Directors in relation to the Company's affairs.
- (i) Ensure that an effective induction process is in place for new Directors, regularly review the effectiveness of the induction process and make recommendations to the Board as appropriate.
- (j) Develop the Company's Diversity Policy for approval by the Board and, as part of this process, recommend measurable objectives for achieving gender diversity in accordance with Recommendations 3.2 and 3.3 of the ASX Principles.
- (k) At least annually, review and report to the Board on:
  - (i) the Company's progress in achieving the objectives for gender diversity set by the Board; and
  - (ii) the relative proportion of women and men in the workforce at all levels of the Company,
 to provide the Board with a basis for considering the effectiveness of the Company's measures to achieve diversity, and ensuring that disclosures about diversity measures are made in the Company's Annual Report, in accordance with the relevant Recommendations under the ASX Principles.

## 4 Policy and procedure for selection and appointment of new Directors

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- 4.1 Factors to be considered by the Committee when reviewing and recommending to the Board a potential candidate for Board appointment include, without limitation:
- (a) The skills, experience, expertise and personal qualities that will best complement Board effectiveness.
  - (b) The capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other board or executive appointments.

- (c) Potential conflicts of interest (taking into account the Conflicts of Interest Policy) and the independence of the prospective candidate (determined in accordance with the Board Charter).
  - (d) The Diversity Policy.
  - (e) The requirement for Board appointees to retire from office at the next Annual General Meeting and submit themselves for re-election by shareholders, and the resultant need to choose candidates who are capable of obtaining shareholder support while (in the case of candidates for appointment as independent Directors) maintaining their independence.
- 4.2 The Committee will ensure that where any prospective candidate is recommended for appointment to the Board, detailed background information in relation to the candidate is provided to all the Directors.
- 4.3 The identification of potential candidates for appointment to the Board may be assisted by the use of external search organisations as appropriate, subject to the requirements of the Corporations Act. Where external search organisations are engaged, instructions to them are to be approved by the Committee. In conjunction with the instructions, the Committee may refer potential candidates to the search organisation for inclusion in the search process, but such referrals are not to exclude external candidates and all candidates identified by the search process are to be considered on their merits.
- 4.4 An offer of a Board appointment must be made by the Chairman of the Board only with the approval of the Board, after any recommendations from the Committee have been circulated to all Directors.
- 4.5 All new Board appointments:
- (a) will be conditional on the candidate giving the Company a signed consent to act, in accordance with section 201D of the Corporations Act, and a signed statutory declaration acknowledging any relevant relationships or confirming their independence, as the case may be; and
  - (b) are to be confirmed by letter in the Company's standard format as approved by the Board or the Committee from time to time.

## 5 Role and responsibilities – remuneration

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- 5.1 The Committee will assist the Board to develop remuneration policies and practices which:
- (a) enable the Company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders;
  - (b) reward employees fairly and responsibly, having regard to the results of the Company and its controlled entities, individual performance and general remuneration conditions;
  - (c) reflect best practice in people development while meeting the Company's business requirements; and
  - (d) comply with the relevant provisions of the Corporations Act and ASX Listing Rules.
- 5.2 The responsibilities of the Committee include:
- (a) Review and make recommendations to the Board on the Company's remuneration policies and practices generally, including superannuation and equity awards, personnel practices and industrial relations strategies for the Company and its controlled entities.

- (b) Oversee the formulation and review of the Company's recruitment, organisational development, retention, and succession and termination policies generally.
- (c) Consider whether and when shareholder approval of aspects of the Company's Remuneration Policy is required.
- (d) Contribute to and monitor compliance with the Company's disclosure obligations in respect of remuneration matters as required under the Corporations Act, ASX Listing Rules and the Company's Continuous Disclosure and ASX Announcements Policy.
- (e) Review the remuneration arrangements (including base pay, incentive payments, performance targets, bonuses, equity awards, superannuation, retirement rights, termination payments and appointment letters) for the Managing Director and make recommendations to the Board in respect of those arrangements.
- (f) Review and determine the remuneration arrangements for the executives who report directly to the Managing Director (including base pay, incentive payments, performance targets, bonuses, equity awards, superannuation, retirement rights, termination payments and appointment letters). If required, the Committee may refer any decision under this head of responsibility to the Board for final decision, in which case the Committee will provide the Board with an explanation of the issue for decision and a recommendation.
- (g) Review the appointment, removal and remuneration arrangements (including base pay, incentive payments, performance targets, bonuses, equity awards, superannuation, retirement rights, termination payments and appointment letters) for the Company Secretary and make recommendations to the Managing Director and the Board in respect of those arrangements.
- (h) Review the performance assessment processes and results for senior management, and (having regard to these results) assess the capability of senior management to realise the business strategies approved by the Board.
- (i) Review and make appropriate recommendations to the Board in connection with any major changes or developments to the Company's long term incentive plan/s, and approve the allocation of any equities within any delegated authority provided to the Committee pursuant to a written instrument of the Board.
- (j) Review the remuneration arrangements for non-executive Directors and make recommendations to the Board in respect of those arrangements. In particular, the Committee will be responsible for:
  - (i) Reviewing annually the compensation of the Chairman and non-executive Directors. For that purpose the Committee may obtain external advice either directly or through management on market practice for the remuneration of non-executive Directors.
  - (ii) Reporting to the Board on the results of the remuneration review of the Chairman and non-executive Directors and any external consultant's advice in order that the Board may determine the appropriate level of remuneration.
  - (iii) Reporting to the Board on any increase in fees or proposed changes to non-executive Director remuneration practices and whether such fee increases or proposed changes require disclosure or shareholder approval in accordance with the Corporations Act, ASX Listing Rules and the Company's Continuous Disclosure and ASX Announcements Policy.
  - (iv) Considering whether there are any circumstances in which compensation or additional remuneration may be appropriate in the

- case of any particular non-executive Director and making recommendations to the Board as appropriate.
- (v) Ensuring that the total remuneration paid to non-executive Directors each year inclusive of superannuation contributions does not exceed the fee ceiling limit approved by shareholders in general meeting.
  - (vi) Ensuring that the remuneration of non-executive Directors and disclosure relating to that remuneration complies with the requirements of the Corporations Act, ASX Listing Rules and the Company's Continuous Disclosure and ASX Announcements Policy.
- (k) Ensure that the Board and management have available to them sufficient information to ensure informed decision-making about the Company's remuneration practices, and in particular ensure that effective reporting processes are in place to ensure that relevant information is communicated by management to the Committee and the Board.
  - (l) Review the remuneration report prepared in accordance with the Corporations Act for inclusion in the annual Directors' report and make a recommendation to the Board on the adoption of the remuneration report. As part of this process, the Committee is to ensure that the remuneration report complies with the requirements of the Corporations Act.
  - (m) In the event that the Company's remuneration report receives a 'no vote' of 25% or more shareholders at an annual general meeting, formulate a contingency plan for approval by the Board to deal with the possibility that the Company's remuneration report may receive a 'no vote' of 25% or more at the following annual general meeting, requiring the Board to convene a general meeting for the purposes of a 'spill resolution' being put to the Company's shareholders in accordance with Part 2G.2, Division 9 of the Corporations Act.
  - (n) Approve any contract for services that include making a remuneration recommendation in relation to any of the Company's key management personnel, within the meaning of section 206K of the Corporations Act.
  - (o) Receive any remuneration recommendation made by a remuneration consultant in relation to any of the Company's key management personnel, within the meaning of section 206L of the Corporations Act.
  - (p) Undertake any other duties and activities that the Board may consider appropriate.

## 6 Role and responsibilities – governance

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6.1 The responsibilities of the Committee are as follows:

- (a) Review the Company's corporate governance policies and framework, including:
  - (i) the role and structure of the Board;
  - (ii) the independence of non-executive Directors;
  - (iii) Board communications;
  - (iv) shareholder communications; and
  - (v) corporate governance reporting.
- (b) Recommend to the Board changes to the Company's corporate governance policies and framework as a result of the Committee's review and recent developments in corporate governance best practice, including regularly reviewing the following:

- (i) the Board Charter;
  - (ii) the Charters of each Board Committee;
  - (iii) the Board's Code of Conduct;
  - (iv) the Conflict of Interest Policy;
  - (v) the Continuous Disclosure and ASX Announcements Policy;
  - (vi) the Shareholder Communications Policy;
  - (vii) the Policy on Key Management Personnel Dealing in Securities; and
  - (viii) the Diversity Policy.
- (c) Provide a formal forum and reporting channel for communication between the Board and management on corporate governance issues.
  - (d) Advise the Board on the Company's public reporting of information on corporate governance practices and issues.
  - (e) Review and report to the Board on corporate governance, regulatory or compliance issues.
  - (f) Review and report to the Board on the Company's obligations under ASX Listing Rule 4.10.3 and compliance with ASX recommendations under the ASX Principles.
  - (g) Review the Company's disclosure of corporate governance policies and information on the Company's website.
  - (h) Review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time.
  - (i) Ensure procedures and policies exist to deal with conflicts of interest, and monitor their effective operation.
  - (j) Review past and proposed transactions of the Company involving Directors and/or their associates and compliance with the requirements of the Corporations Act, ASX Listing Rules, Accounting Standards relating to disclosure, and the Company's Conflicts of Interest Policy.

## 7 Review

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- 7.1 The Board will, at least once in each year, review the performance of the Committee, the composition of the Committee and this Charter. The Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions, revisions to this Charter or otherwise.