

REMUNERATION POLICY - EXECUTIVE MANAGEMENT & NON EXECUTIVE DIRECTORS

Overview

Principle 8 of the 2007 ASX Corporate Governance Principles and Recommendations is to remunerate fairly and responsibly by ensuring that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

This document sets out QMASTOR’s policy in respect to remuneration paid to non-executive directors and senior executives. For the purposes of this Policy, “senior executives” has the same meaning as in the commentary to the 2007 ASX Principles and Recommendations, which explains that senior executives refers to the senior management team as distinct from the Board, being those who have the opportunity to materially influence the integrity, strategy and operation of the company and its financial performance.

Policy	
1. Purpose	<p>The Remuneration and Nominations Committee has the role of reviewing and making recommendations to the Board on QMASTOR’s remuneration policy and practices.</p> <p>QMASTOR’s philosophy for the remuneration of its directors and senior executives is premised on providing a strong nexus between shareholder value creation, employee remuneration and productivity improvement.</p> <p>The Board and the Committee recognise that to prosper, the Company must be able to attract, appropriately reward, motivate and retain a stable and talented team of directors and senior executives.</p>
2. Primary Objectives	<p>The primary objectives of QMASTOR’s remuneration policy and practices are to:</p> <p>(a) provide a flexible and competitive remuneration structure which is:</p> <ul style="list-style-type: none"> • referenced to appropriate market benchmarks; • reflects market best practice; and • is tailored to the specific circumstances of QMASTOR; <p>so as to attract, motivate and retain highly skilled Directors and senior executives;</p> <p>(b) be fair and appropriate having regard to the performance of QMASTOR and the relevant Director, executive or employee;</p> <p>(c) motivate directors and senior executives to pursue the long term growth and success of QMASTOR within an appropriate control framework.</p>

<p>3. Fixed Remuneration</p>	<p>The Committee decides the remuneration of the senior executives based on their direct accountability and responsibility for the operational management, strategic direction and decision-making for QMASTOR and demonstrated leadership.</p> <p>It is intended that base salaries take into account market relativities, having regard to the need for QMASTOR to attract, motivate and retain senior executives.</p> <p>Remuneration is regularly compared with the external market by participation in industry salary surveys. If required, the Committee may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable senior executive roles.</p>
<p>4. Performance based Remuneration</p>	<p>QMASTOR recognises that performance based remuneration can be an effective tool in promoting the interests of the Company and shareholders providing the schemes are designed using appropriate benchmarks that measure performance and provide suitable reward.</p> <p>QMASTOR has in place both short term incentives and long term incentives:</p> <ul style="list-style-type: none"> • Short term Incentives <p>A bonus pool is a short-term incentive that is available to both senior management and staff should the Company achieve a pre-determined profit target set by the Board.</p> <p>The Committee sets the value of the pool and makes recommendations to the Board. The Managing Director is responsible for allocation to senior executives and staff during the annual review.</p> <p>Using a profit target ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan.</p> <ul style="list-style-type: none"> • Long term Incentives <p>Long-term incentives are provided to senior management via the QMASTOR Employee Option Plan and the QMASTOR Employee Share Scheme.</p>
<p>5. Equity Based Remuneration</p>	<p>QMASTOR has the following employee equity participation plans:</p> <ul style="list-style-type: none"> • QMASTOR Employee Share Scheme <p>The QMASTOR Employee Share scheme was approved by shareholders at the 2007 annual general meeting and is open to all QMASTOR group employees.</p> <p>On 22 May 2008 the QMASTOR Employee Trust was formed to administer the employee share scheme.</p> <p>Under the scheme, eligible employees are currently granted 2% of an employee's gross ordinary salary worth of fully paid ordinary shares in QMASTOR Limited biannually for no cash consideration.</p> <p>Shares issued by the trust to the employees are acquired on market prior to the issue.</p> <p>Shares issued under the scheme may not be sold until the earlier of 3 years after issue or cessation of employment with the Company. In all other respects the shares rank equally with other fully paid ordinary shares on issue.</p> <p>Offers under the scheme are at the discretion of the company and subject to Board approval. Offers are only made in accordance with the Security Trading Policy.</p>

- **QMASTOR Employee Option Plan**

The QMASTOR Employee Option Plan was approved by a resolution of shareholders on 21 August 2001.

This Plan is open to senior executives as decided by the Board. The Managing Director may participate in the Plan subject to shareholder approval.

Options are granted under the plan for no consideration and are granted for a 4 year period. Options granted under the plan carry no dividend or voting rights and are non-transferrable. The Company can extend an interest free loan to exercise the options granted.

Options awarded through the Plan have an exercise price established on the basis of the market price at the time of approval and are subject to clear performance hurdles. The total number of options that can be awarded is limited to 5% of total number of shares on issue.

The intended outcome of equity based remuneration is to align the interests of employee, including senior executives, with shareholders through providing direct participation in the benefits of future company performance.

6. Termination Payments	Termination payments for senior executives are defined in the executive employment contract which states that payment of a termination benefit on early termination by the Company, other than for gross misconduct, is equal to 12 months base salary.
7. Non- Executive Director's Remuneration	<p>Non-Executive Directors are paid a monthly fee for their service on the Board and all Committees of the Board within the shareholder approved annual maximum aggregate sum.</p> <p>Non-Executive Directors are not provided with retirement benefits, do not receive bonus payments and are not entitled to participate in the QMASTOR Employee Share Scheme or QMASTOR Employee Option Plan.</p> <p>The Committee seeks independent external advice on non executive director remuneration.</p>
8. Disclosure	The Board will make appropriate disclosure of the details of the Company Remuneration Policy to shareholders in the Remuneration Report which is included within QMASTOR's Annual Report.