Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the Remuneration Policy and framework applied by the Company as well as details of the remuneration paid to Key Management Personnel. Key Management Personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and members of the Executive Management group.

The information provided in this report has been prepared in accordance with s300A and audited as required by section 308 (3c) of the *Corporations Act 2001*.

The objective of the Company's remuneration philosophy is to ensure that Directors and senior staff are remunerated fairly and responsibly at a level that is competitive, reasonable and appropriate, in order to attract and retain suitably skilled and experienced people.

During the year the Company introduced a STI Plan that is based on Key Management Personnel individual performance measures and a Long-Term Incentive ("LTI") Executive Rights Plan that provides performance-based remuneration to members of management through the issue of Deferred Rights and Performance Rights vesting over a period of three years. These new plans are discussed in further detail later in this report.

Voting and comments made at the Company's 2012 AGM

The table below provides a summary of the Board's action and / or comments in response to concerns raised by shareholders at the 2012 AGM in relation to remuneration.

Remuneration Policy

The Remuneration Policy has been designed to align the interests of shareholders, Directors, and employees. This is achieved by setting a framework to:

- help ensure an applicable balance of fixed and at-risk remuneration, with the at-risk component linking incentive and performance measures to both Group and individual performance;
- provide an appropriate reward for Directors and Executive Management to manage and lead the business successfully and to drive strong, long-term growth in line with the Company's strategy and business objectives;
- encourage executives to strive for superior performance;
- facilitate transparency and fairness in executive remuneration policy and practices;
- be competitive and cost effective in the current employment market; and
- contribute to appropriate attraction and retention strategies for Directors and executives.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the business strategy of the organisation.

The framework is intended to provide a mix of fixed and variable remuneration, with a blend of short and long-term incentives as appropriate. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards (refer to chart – Remuneration Reward Mix on the following page).

Remuneration Governance

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board and has responsibility for setting policy for determining the nature and amount of emoluments of Board members and senior executives. The Committee makes recommendations to the Board concerning:

- Non-Executive Director fees;
- remuneration levels of Executive Directors and other Key Management Personnel;
- the executive remuneration framework and operation of the incentive plan; and
- key performance indicators and performance hurdles for the executive team.

In forming its recommendations the Committee takes into consideration the Group's stage of development, remuneration in the industry and performance. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration Consultants

The Group engages the services of independent and specialist remuneration consultants from time to time. Under the *Corporations Act 2001*, remuneration consultants must be engaged by the Non-Executive Directors and reporting of any remuneration recommendations must be made directly to the Remuneration Committee.

Concern	Action or Comment
Key issues raised were: › the granting of deferred rights; › definition of what compromises 'fixed pay'; and › a lack of understanding of the TSR Alpha™ concept recommended as the LTI performance assessment process.	The Company has benchmarked the issuing of LTIs to the Managing Director and other Key Management Personnel against all companies of comparable market position as part of a broader remuneration comparison using AON Hewitt / McDonald, a review of survey data from the Egan and Associates "The KMP Report" and validation from Godfrey's Remuneration Group. The findings confirm the level of remuneration, inclusive of performance rights, to be comparable to similarly experienced Managing Directors and other Key Management Personnel with companies of comparable market positioning within the industry. The Company has sought to discuss key elements contained in the Remuneration Report with shareholders, shareholder representative groups and proxy advisory groups. Further details regarding the TSR Alpha™ benchmarking methodology are included in the LTI section of this Report. Deferred rights for the Managing Director were transitional with eligibility for performance rights only in the future. Details of the STI and LTI Plans are provided later in this Report.