



# **Powerhouse Ventures Limited (PVL) PVL REMUNERATION PROCEDURES**

## **Preamble**

These Procedures apply to Powerhouse Ventures Limited (PVL) and all PVL majority owned Group Companies and Subsidiaries. The Procedures do not apply to those subsidiaries that are treated as investee companies in accordance with Powerhouse's Investment Entity status under IFRS 10.

In the event that consensus is not reached to resolve a potential difference between these Remuneration Procedures and a pre-existing employment agreement, the pre-existing agreement will prevail.

The objective of PVL's Remuneration Procedures is to maintain behaviour that supports the sustained financial performance and security of the Group and to remunerate Executive and Management efforts which increase shareholder and stakeholder value.

The PVL Remuneration Procedures are based upon the sustainable financial security of PVL as evidenced by:

- appropriately balanced measures of performance;
- variable performance-based pay for Executives and staff involving short and long-term incentive plans;
- recognition and remuneration for strong performance;
- a considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the shareholders; and
- short-term and long-term incentive performance criteria being structured within the overall risk management framework of the Company.

## **Remuneration of Key Management Personnel (KMP)**

KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity. As such, KMP comprise the Non-executive Directors, the Managing Director / Chief Executive Officer ("CEO") and Executives directly reporting to the CEO.

Remuneration packages for the CEO and Executives are based on the following reward components, aimed at driving superior performance:

1. Fixed annual remuneration (FAR);
2. Cash based short term incentives (STI);
3. Equity based long term incentive (Performance Rights Scheme – PRS).

In aggregate, these rewards are referred to as the Total Remuneration.

The CEO's Total Remuneration is determined by the Board of PVL on the advice of the Human Resources and Remuneration Committee (HRRC). At its discretion, the HRRC will seek external advice on the appropriate level and structure of the CEO's Total Remuneration.

The remuneration packages of the other Executives are approved by the Board of PVL on the recommendations of the HRRC and the Chief Executive Officer.

The Total Remuneration of the CEO and Executive positions will be reviewed by the HRRC in July of each year, with any resultant increment to take effect from 1 July in that year.

From time to time, the Board may determine that the review will include an independent market-based assessment.

The Company's Non-executive Directors receive only fees for their services. They are not entitled to receive any benefit on retirement or resignation. The shareholders approve a Non-executive Director fees cap in general meeting. This is currently set at NZ\$250,000 per annum. The Board has resolved the following Non-executive Director fees schedule:

- Chairman – NZ\$50,000 per annum
- Other Non-executive Directors – NZ\$25,000 per annum
- Chairman of Audit & Risk Committee – NZ\$8,000 per annum
- Chairman of the Human Resources and Remuneration Committee – NZ\$6,000 per annum

Aggregate Non-executive Director fees must remain below the shareholder approved fees cap.

Non-executive Directors may receive additional fees for services provided to the Company upon prior approval of the full Board. Board Committee members do not currently receive Committee fees.

Any Board Committee Chairmen fees are taken into account when calculating the aggregate Non-executive Director remuneration which must remain lower than the shareholder approved fees cap.

In addition to fees, Non-Executive Directors are entitled to be reimbursed for expenses incurred in performing their duties as Directors.

### **Remuneration of Senior Managers and other employees**

Senior Managers comprise direct reports to members of the Executive. The remuneration packages of the Senior Managers are recommended by the relevant Executive, approved by the CEO and co-ordinated by the CFO. The CFO may seek external advice on the appropriate level and structure of Senior Manager remuneration to assist the Executive Team to determine appropriate market relative reward structures and amounts.

Any change to remuneration for any employee, or any remuneration package for a new employee, is to be approved by the relevant Executive.

Remuneration packages are based on Total Remuneration comprising:

1. Fixed annual remuneration (FAR);
2. Cash based short term incentives (STI); and
3. Equity based long term incentive (Performance Rights Scheme –PRS).

### Structure of Remuneration for all staff

PVL’s Remuneration structure is summarised as follows:

Employee level	Short Term Incentive (Cash)*	Long Term Incentive (Performance Rights)*
CEO	30%	50%
Other “C-Level” Executives	30%**	35%
Other “C-Level” Staff	20%**	25%-30%***
All Other Staff	10%**	10%-20%***

\* allocation at the discretion of the Board

\*\* individual employee allocation at the discretion of the CEO

\*\*\* individual employee allocation at the discretion of the Board on recommendation of the CEO

*NB the ability to pay override applies to all STI and LTI awards, at the absolute discretion of the Board*

Short term incentive amounts shown above may be transferred to become additional long-term incentive components available to staff at the absolute discretion of the Board.

### Short Term Incentive (STI)

Payment of any STI is conditional upon the achievement of pre-determined performance criteria tailored to the respective role (KPIs), such KPIs to be agreed with the employee and set at the commencement of each financial year.

Each year, the HRRC sets the Key Performance Indicators (KPIs) for the CEO and the Executive Team, subject to approval of the Board following a recommendation from the HRRC. The HRRC selects performance objectives which provide a robust link between Executive remuneration and the key drivers of shareholder value. The KPIs are measures relating to Company and personal performance accountabilities and include financial, strategic, operational, cultural and customer/stakeholder measures. The measures are chosen and weighted to best align the individual’s remuneration to the KPIs of the Company and its overall short and longer-term performance. KPIs are weighted towards the achievement of profit growth targets.

At the end of the financial year, the HRRC assesses the performance of the CEO against the KPIs set at the beginning of the financial year.

At the end of the financial year the HRRC and the CEO assess the performance of the remaining Executives against their KPIs set at the beginning of the financial year.

The HRRC then makes a recommendation for all Executives to the full Board as to any STI payment.

Approval and payment of a STI to the Executive Team members is at the complete discretion of the Board.

Similarly, STI KPI's and payment recommendations by relevant Executives for Senior Managers are approved by the CEO, with payment at the complete discretion of the Board.

If the results on which any STI remuneration was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

### **Long Term Incentive Plan (Performance Rights Scheme - PRS)**

The PRS was established by the Board to encourage the Executive Management Team, (comprising the CEO and participating Executives) and all staff to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the PRS provides for the issue to the participating employees of performance rights to fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the PRS, an offer may be made to individual employees every 3 years as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each staff member. The maximum percentages are disclosed in the Remuneration Structure. The number of shares in each PRS offer is calculated based upon the volume weighted average price (VWAP) of the Company's shares over a trading period prior to the offer, as determined by the Board.

Where an Employee commences employment with the Company post 1 July in a given year and/ or part way through a PRS term, the Board in its absolute discretion may provide for a pro-rata PRS offer to be made.

In order for the shares to vest, certain performance criteria must be satisfied within a pre-determined performance period. Both the performance criteria and the performance period are set by the Board, at its absolute discretion. The Board has, for the time being set the three financial years, commencing with the year in which an offer is made under the plan as the performance period.

Any remuneration payable to any participating employee under any PRS offer is subject to reassessment and possible forfeiture if the results on which the PRS remuneration was based, are subsequently found to have been the subject of deliberate management misstatement.

Allotment of shares to the eligible employee is at the complete discretion of the Board.

Any shares to be allocated to the CEO or other Executive under this Plan may require shareholder prior approval in accordance with ASX Listing Rules.

On accepting a PRS offer made by the Company, participating Executives and other employees are required to not hedge their economic exposure to any unallocated or allocated share entitlement to PRS shares (refer Share Trading Procedures).

Failure to comply with this directive will constitute a breach of duty and may result in forfeiture of the offer and/or dismissal.

## **Retention Plan (Performance Rights Scheme - PRS) – 2018/19 only**

A one-off Retention Plan PRS has been established by the Board to correct a retention issue that has arisen as a result of the Company's under-performance over the 2016-18 period, which has resulted in Nil PRS allotment to the Executive Team under the existing PRS. The CEO and the Chief Investment Officer have been provided with an immediate one-off PRS to provide incentive for the Executives to remain employed and aligned during the period from 1 March 2018 to 31 December 2019.

The following Performance Rights have been issued.

In order for the shares to ultimately vest, the Executives must still be individually employed by PVL on 31 December 2019.

Allotment of shares to the eligible employee is at the complete discretion of the Board.

Any shares to be allocated to the CEO or other Executive under this Plan may require shareholder prior approval in accordance with ASX Listing Rules.

On accepting a PRS offer made by the Company, participating Executives and other employees are required to not hedge their economic exposure to any unallocated or allocated share entitlement to PRS shares (refer Share Trading Procedures).

Failure to comply with this directive will constitute a breach of duty and may result in forfeiture of the offer and/or dismissal.

### **Basis of Employment**

The policy of the Company is to:

- engage the CEO and other Executives on indefinite open term contracts (i.e. no fixed term specified);
- provide for no-fault termination upon the giving of no more than 3 months' notice and no more than an additional 6 months' FAR as a severance payment.

All other staff are employed under modern contracts of employment which honour all legal requirements under the relevant laws (New Zealand or Australian as applicable).

Non-executive Directors are provided with a Letter of Appointment which details key terms of their employment. A copy of this letter is available on the Company's website.

### **Remuneration Governance**

The HRRC exercises governance supervision over the Remuneration Procedures on behalf of the PVL Board, as specified in the HRRC Charter.