



G.69 Senior Executive Remuneration Policy and Procedure

Contents

	Page
1 POLICY	1
1.1 PURPOSE	1
1.2 OVERRIDING INTENT	1
1.3 SCOPE	1
1.4 ELEMENTS OF REMUNERATION.....	1
1.5 SUPERANNUATION INCLUSIVE REMUNERATION.....	2
1.6 SALARY SACRIFICE BENEFITS.....	2
1.7 INTERNAL RELATIVITY	2
1.8 MARKET POSITIONING OF REMUNERATION.....	2
1.9 DETERMINING INDIVIDUAL FAR LEVELS FROM POLICY MID-POINTS.....	3
1.10 "RED CIRCLE" EXCEPTIONS.....	3
1.11 FREQUENCY OF REVIEW OF MARKET COMPETITIVENESS OF EXECUTIVE REMUNERATION	3
1.12 FREEZING OR REDUCING REMUNERATION.....	3
1.13 TERMINATION BENEFITS.....	4
1.14 CLAWBACK OF OVERPAID INCENTIVES.....	4
2 PROCEDURES	4
2.1 ANNUAL REVIEW.....	4
2.2 EXTERNAL INFORMATION AND ADVICE	5
2.3 COMPANY CIRCUMSTANCES AND BACKGROUND	5
2.4 INDIVIDUAL PERFORMANCE REVIEW	5
2.5 GUIDELINES FOR MOVEMENT OF BASE SALARY AND FAR RELATIVE TO RANGES...5	5
2.6 REMUNERATION PROFILES.....	6
2.7 RECOMMENDATIONS FOR THE BOARD.....	7
3 VERSION CONTROL.....	1
4 APPENDIX– FAR ADJUSTMENT MATRIX.....	2

1 POLICY

1.1 Purpose

This policy seeks to document the approach of Cash Converters International Limited (the Company) in relation to setting the quantum and elements of remuneration for Senior Executive roles. This document is to be applied by the Company to all reviews and adjustments of Senior Executive remuneration.

The aim of this policy is to enable the Company to attract, retain and motivate the high calibre of Senior Executive required for it to meet its objective of achieving sound returns for shareholders.

1.2 Overriding Intent

It is the Company's intention to observe:

- high ethical standards,
- the laws of the countries in which Senior Executives are employed, and
- good corporate governance.

The views of stakeholders will also be taken into account in seeking to remunerate Senior Executives in a fair way, including taking into account the perspectives of shareholders and the Senior Executive themselves.

1.3 Scope

This policy is intended to guide the setting of remuneration for Senior Executive roles. The term Senior Executive includes:

- Chief Executive Officer (CEO) - accountable to the Board for the Company's performance and long term planning;
- Those roles classified as executive key management personnel (KMP) under the Corporations Act, and
- Executive Leadership Team (ELT) members who are the direct reports to the CEO – roles that are business unit, functional, or expertise heads.
- Executive Directors.

This policy may be applied to other roles or individuals from time to time, as nominated by the Board.

1.4 Elements of Remuneration

Senior Executive remuneration will be composed of the following elements:

- **Base Salary** which is the cash component of the fixed annual reward. It is the initial rate of compensation an employee receives in exchange for services;
- **Fixed Annual Reward (FAR)** which comprises base salary, allowances, superannuation, salary sacrifice arrangements, other benefits and fringe benefits tax on benefits provided as part of remuneration;
- **Short term incentive (STI)** being variable at-risk remuneration related to Company and/or business unit and/or individual performance over a financial year; and

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- **Long term incentive (LTI)** being variable at-risk remuneration based on Company performance over a measurement period of approximately three years or more.

The total of the FAR, STI and LTI will constitute the total remuneration package (TRP).

Other benefits and facilities such as salary continuance insurance, and expense reimbursements will not be counted as part of remuneration.

1.5 Superannuation Inclusive Remuneration

All elements of Senior Executive remuneration shall be expressed as inclusive of Company superannuation contributions. For purposes of this policy, superannuation contributions include Company contributions to superannuation plans, pension plans and other plans that provide retirement benefits for employees of the Company. This ensures that the relative remuneration levels received by Senior Executives are not affected by the extent, if any, to which the Company is obliged to make superannuation contributions for the executive.

In Australia there are minimum required rates of superannuation contributions which apply up to a prescribed level of earnings and do not apply to additional earnings. The level of superannuation contributions to comprise part of a Senior Executive's FAR shall be determined by the minimum superannuation guarantee levy, capped at the concessional contribution rate.

1.6 Salary Sacrifice Benefits

The extent to which benefits are provided as part of remuneration will be agreed between each Senior Executive and the Company, subject to the total cost to the Company (ignoring administration costs) not being increased as a result of benefit selections.

1.7 Internal Relativity

In determining remuneration levels, the Board recognises that there may not be a direct or perfect correlation between the job size of a role as it exists within the Company, and the job size available in the market for benchmarking purposes. In order to recognise internal relativities a relationship model may be used to identify different categories of roles and to make adjustments to ensure that internal remuneration relativities are appropriate to the current circumstances of the Company. Such a model should be linked to market data based anchor points.

When changes are made to the organisation design, or the role of a Senior Executive consideration may need to be given to reviewing a Senior Executive's remuneration package. In doing this, the Company may also review and, if necessary, adjust the assessment of internal relativities between roles.

1.8 Market Positioning of Remuneration

Remuneration policy mid-points can be used to set Senior Executive remuneration and will reflect market practices, the size of the role and internal relativities.

Total remuneration package (TRP) quantum and structure should be based on relevant market practice in companies having characteristics similar to those of the Company. Such characteristics shall include to the extent possible: listing on the ASX, industry sector, geographic spread etc.

It is noted that it is current market practice for senior executive TRPs to comprise of fixed annual reward (FAR), an at-risk short-term incentive (STI) and an at-risk long-term incentive (LTI).

The Company's mid-point level for FAR should be set by reference to the mid-point of the P50 (50th percentile) of market practice. TRPs at target performance should be set by reference to the P75 (75th

percentile) of market practice, noting that market data is generally based on accounting disclosures which tend to be conservative incentive remuneration practices. The gap between the FAR and the TRP will be made up of an STI and an LTI.

Company policy is to rely upon the independent expert opinion of its External Remuneration Consultant to give recommendations regarding P75 TRP value estimates in relation to Senior Executive remuneration (i.e. percentages of base salary or FAR to be allocated to each at-risk component).

Targets for both incentive components will be challenging but achievable, with terms and conditions covered in separate policies for STIP and LTIP. To encourage a focus on performance and exceeding targets there will be opportunities for STI and LTI award outcomes to be greater than the P75 target levels.

1.9 Determining Individual FAR Levels from Policy Mid-Points

Under this structure, a market competitive FAR mid-point is established for each role or job band as outlined above. A range of +/- 20% (80% to 120%) of the mid-point will then apply to each role or job band. Individual performance and competence in fulfilling the role requirements and other individual factors will be taken into account so as to determine where in the range the individual's FAR should be positioned.

Thus, the FAR positioning for a Senior Executive who is newly promoted to a role may be around the low end of the range; whereas for a Senior Executive who has mastered the requirements of the role and makes contributions in excess of the role requirements, the FAR positioning may be high in the range. Generally, it would be expected that Senior Executives should be paid a FAR level which is close to the mid-point of the range for the role once the individual is considered competent and fulfilling the role to expectations. FAR is not intended to exceed the policy mid-point materially except in the case of outstanding incumbents or job market exigencies.

1.10 "Red Circle" Exceptions

On occasion a Senior Executive's FAR may be well above or below the market based policy range for the role. This may arise when a reorganisation occurs and the individual's role is downsized or increased to a different level within a model of internal relativities, leading to a lower or higher market competitive rate of FAR.

If the Company wishes to retain the services of the individual due to specific skills or knowledge, then the FAR may need to be "red circled" which means that it will be managed over time as an exception to the FAR policy range. A similar situation may arise when a high calibre individual is recruited at a high level of FAR reflecting their individual worth in the market.

1.11 Frequency of Review of Market Competitiveness of Executive Remuneration

Unless otherwise dictated by Company, circumstances or market practice, executive remuneration will be reviewed and adjusted to reflect market practice on an annual basis. This approach recognises that for the Company to remain well positioned to attract, retain and motivate its Senior Executives, it needs to ensure that executive remuneration packages remain market competitive.

1.12 Freezing or Reducing Remuneration

There may be circumstances in which an increase to executive remuneration may be considered unacceptable to shareholders or to the broader community. If any such circumstances were to arise, the Board will consider the merits of providing an increase against the likelihood of negative consequences for the company (including publicity) and determine whether a reduction or freezing of Senior Executive remuneration is appropriate. Circumstances in which such a consideration may be required include:

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- Disposal of business units to reduce debt,
 - Strikes against the Remuneration Reports of the Company related to remuneration quantum,
 - Major whole of market downturns such as a global financial crisis,
 - Significant permanent downturn in the profitability of the Company leading to a significant reduction in its market capitalisation, and
 - Widespread employee terminations or Company downsizing to reduce costs.

1.13 Termination Benefits

Termination benefits other than those accrued through superannuation contributions, will not normally be provided to Senior Executives. Exceptions include payments in lieu of notice and other severance payments that arise under employment contracts or have been accrued under legislation.

Termination benefits, excluding specified payments such as for accrued but untaken statutory leave, are limited by the Corporations Act to one times the final three years' average annual base salary (default limit) for managerial, executive officers and executive directors unless shareholders approve a higher amount. In this regard it is Company policy not to seek shareholder approval for higher termination benefits.

It is also Company policy for termination of employment not to trigger or accelerate payment or vesting of incentives. Therefore, incentive payouts in respect of the year of termination of employment will not be viewed as termination benefits or subject to the Corporations Act limit.

Pro-rata forfeiture of STI opportunities will occur to recognise the proportion of the year that will not be worked. Remaining STI opportunities not forfeited on this basis will remain available for performance testing and possible payment, after the end of the financial year (as would normally occur). As such, pro-rata STI amounts are not regarded as termination payments as they will not have been triggered or accelerated by the termination.

Unvested LTI grants held at the date of termination of employment will generally be forfeited except in special circumstances e.g. death, total & permanent disablement, and redundancy

However, the Board retains discretion in the case of a termination to trigger or accelerate payment or vesting of incentives, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached (other than when shareholder approval is obtained to do so).

Payment of STIs and vesting of LTI grants that are triggered or accelerated by a change of control including a takeover, are not related to any subsequent termination of employment and are therefore not termination benefits.

1.14 Clawback of Overpaid Incentives

Should the Company implement a clawback policy (there being none at the time of the writing of this policy document), it may be applied to incentives offered to Senior Executives.

2 PROCEDURES

2.1 Annual Review

The Remuneration Committee will meet prior to the commencement of each remuneration year to determine whether:

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- a) an increase in Senior Executive remuneration should be considered, or
 - b) a thorough market benchmarking review should be undertaken.

2.2 External Information and Advice

If b) above is to be decided upon, the Board, via its Remuneration and Nomination Committee (RNC) Chair will be charged with the responsibility to engage an approved external remuneration consultant (ERC) to provide the necessary information on relevant market practices and recommendations on adjustments that should be considered by the Board. The engagement will need to be in accordance with the Company's policy for engaging ERCs.

2.3 Company Circumstances and Background

The RNC Chair will engage with other directors, executives of the Company and others so as to:

- a) ensure that current executive remuneration practices are completely understood (the starting point for any review),
- b) confirm the Company's current circumstances in so far as they may impact decisions to adjust executive remuneration, and
- c) ascertain the current views of proxy advisors (if relevant) and other stakeholders on remuneration for Senior Executives of the Company.

2.4 Individual Performance Review

The Board Chair will be asked to provide input to the RNC on the performance of the CEO and any Executive Directors during the year and to identify any development needs.

The CEO will be asked to provide input to the RNC on the performance of any Senior Executives during the year and to identify any development needs.

2.5 Guidelines for Movement of Base Salary and FAR Relative to Ranges

The Appendix attached to this procedure provides guidance on considering increases in Base Salary and FAR. Such increases are designed to migrate a Senior Executive's Base Salary and FAR to the most appropriate position in the range over time, while recognising that such a position may change as the competence of the individual in fulfilling the role requirements evolves.

There are four main factors that should be considered when adjusting Base Salary and FAR and they are:

- The competence of the executive as demonstrated over a significant period of time, evaluation of competence includes achievement of KPIs and demonstrated behaviours.
- The current position of the FAR in the range,
- The motivational and retention impact of an adjustment or lack of adjustment to the executive's FAR, and
- The cost to the Company of increases in FAR which may have flow on impacts to the cost of STI and LTI awards when expressed as percentages of FAR.

The intention of this approach is to move incumbents' FAR towards the mid-point of the range for the role. The exception is where an incumbent is repeatedly assessed as "Above Expectations" or better, indicating that the incumbent is of a particularly high quality, in which case the FAR will tend to move towards the top end of the policy range.

Therefore, remuneration increases in excess of increases that may be provided to all Senior Executives (such as those provided to recognise annual market movements) will generally be limited to:

- Those Senior Executives who have a FAR level below the policy mid-point for their roles size, and
- Those Senior Executives whose performance in the role exceeds expectations and have FAR levels positioned in the range below a level deemed appropriate given their competence.

The following is a guide to assessing competence as an input to the matrix that appears in the Appendix:

Rating	Level	Guide
1	Unsatisfactory	<ul style="list-style-type: none"> • KPIs / target performance outcomes not achieved • Behaviour and competency requirements for the role are not met • Significant improvement required, remedial performance management required
2	Partially Meets Expectations	<ul style="list-style-type: none"> • KPIs/ target performance outcomes partially achieved • Some behaviour and competency requirements for the role are not sufficiently demonstrated • Performance requirements for role not sufficiently demonstrated and some performance improvement required • May be new to the role or "in development" phase of expanded role
3	Meets Expectations	<ul style="list-style-type: none"> • KPIs / target performance outcomes achieved • Consistently meets all behaviour and competency requirements for the role • Consistently meets all performance requirements of the role • Usually applies to the majority
4	Exceeds Expectations	<ul style="list-style-type: none"> • KPIs/ target outcomes are exceeded in some deliverables • Consistently exceeds behaviour and competency requirements for the role • Consistently exceeds performance requirements of the role
5	Exceptional Performance	<ul style="list-style-type: none"> • KPIs / target performance outcomes are exceeded in most deliverables • Consistently demonstrates exceptional behaviours, and consistently operates at a level of competence beyond their role • Regarded as a role model within the business

2.6 Remuneration Profiles

A remuneration profile is the mix of the elements of remuneration intended to be delivered at target performance (being distinct from maximum or stretch levels of reward opportunities). It is expressed as percentages of FAR and is the intended remuneration outcome when performance meets challenging but achievable performance objectives. Changes to the target levels of STI Award Opportunities should be reviewed each year to align with company short and medium term priorities. The LTI should be reviewed every three years or when a significant change has occurred in relation to the circumstances of the Company, particularly in the case of a significant change in the market capitalisation of the Company in which case the Company may seek external assessments of the appropriateness of remuneration.

2.7 Recommendations for the Board

Once the RNC Chair has received and considered the information and/or recommendations referred to in the policy, the RNC will determine the recommendations it will make to the Board in relation to Senior Executive remuneration.

3 VERSION CONTROL

Updated By	Version	Date	Summary of Changes
Company Secretary	1	1 July 2015	Policy Creation and effective date
Myrrhine Cutten	2	01 July 2017	Policy review to align with current practice Board Approval

4 APPENDIX– FAR Adjustment Matrix

Rating	% Benchmark Midpoint/Position In Range						
	Below Range	Below Mid-point	Slightly Below Mid-point	Mid-point	Slightly Above Mid-point	Above Mid-point	Above Range
	<80%	80%-<87.5%	87.5%-<95%	95%-105%	>105%-112.5%	>112.5%-120%	>120%
Exceptional Performance	Increase should aim to achieve 95% to 105% of Mid-point.	Increase should aim to achieve 105% to 112.5% of Mid-point	Increase should aim to achieve 112.5% to 120% of Mid-point			Increase should be at least market movement subject to not exceeding 120% of Mid point	No Change
Exceeds Expectations	Increase should aim to achieve 87.5% to 95% of Mid-point	Increase should aim to achieve 95% to 105% of Mid-point	Increase should aim to achieve 105% to 112.5% of Mid-point		Increase should be at least market movement subject to not exceeding 112.5% of Mid-point	No Change	No Change
Meets Expectations	Increase should aim to achieve 80%-87.5% of Mid-point	Increase should aim to achieve 87.5% to 95% of Mid-point	Increase should aim to achieve 95% to 105% of Mid-point	Increase up to market movement subject to not exceeding 105% of Mid-point	No Change	No Change	No Change
Partially Meets Expectations	No Change	No Change	No Change	No Change	No Change	No Change	No Change
Unsatisfactory	No Change	No Change	No Change	No Change	No Change	No Change	No Change