

# **Yancoal Australia Ltd**

## **Nomination and Remuneration Committee**

Approved on 29 February 2016

The Nomination and Remuneration Committee's (**Committee**) objective is to assist the Board of the Company by making recommendations in relation to:

- (a) Board composition and succession planning for the Board;
- (b) Director remuneration (subject to any shareholder approval that is required in accordance with the Constitution and the ASX Listing Rules) and remuneration arrangements for Yancoal's Executive Committee and any other person nominated as such by the Committee from time to time;
- (c) the public reporting of remuneration for Directors and Yancoal's Executive Committee;
- (d) the performance assessment of Yancoal's Executive Committee;
- (e) designing company policy and regulations with regard to corporate governance; and
- (f) diversity.

## **Duties and Responsibilities**

The duties and responsibilities of this Committee are as follows:

### **Remuneration**

#### ***Performance and Remuneration***

The Committee will:

- (a) review and make recommendations to the Board regarding remuneration of each member of Yancoal's Executive Committee (or other individuals as appropriate) including contract terms, annual remuneration and participation in the Company's short and long term incentive plans;
- (b) review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for senior executive officers;
- (c) review the performance assessment processes and results for each member of the Yancoal Executive Committee as they reflect the capability of management to realise the business strategy;

(d) review the annual report disclosures in relation to the appointment, dismissal, salary, benefits, awards, and penalties of management personnel and certain key employees of the Company;

(e) monitor and review the Company's remuneration arrangements (including any equity incentive plans) for continued compliance with legislation, regulation and market expectations or practices;

(f) review and make recommendations to the Board on remuneration by gender and recommend any strategies to address any pay gap; and

(g) approve the Remuneration Report to be disclosed in the Annual Reports of Yancoal and the Majority Shareholders (if applicable).

### ***Long Term Incentive Plans***

The Committee will consider and make recommendations with respect to any aspect of the Company's long term incentive plans (including in respect of the performance hurdles, eligibility criteria and terms of offer).

### ***Short Term Incentive Plans***

The Committee will review and make recommendations to the Board regarding the Key Performance Indicators (**KPIs**) for each member of Yancoal's Executive Committee and provide feedback about each person's performance against such KPIs.

### ***Director Remuneration***

The Committee will make recommendations to the Board about the level of remuneration (including superannuation, travel and other benefits) of the Directors of Yancoal. The remuneration of the Directors is subject to any approval by shareholders that is required in accordance with the Constitution.

## **Remuneration policy**

In discharging its responsibilities, the Committee must have regard to the following policy objectives:

(a) to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its Members and having regard to relevant Company policies, including the Diversity Policy;

(b) to attract and retain skilled employees;

(c) to structure short and long term incentives that are challenging and linked to the creation of sustainable returns; and

(d) to ensure any termination benefits are justified and appropriate.

In the discharge of the Committee's responsibilities, no member of the Yancoal Executive Committee should be directly involved in determining their own remuneration.

## **Nomination, succession and training**

The Committee will:

(a) review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chair of the Board, the Chair of the Executive Committee, the CEO, and other members of the Executive Committee;

(b) develop and maintain a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;

(c) periodically assess and report to the Board on the necessary and desirable skills required to competently discharge the Board's obligations considering the strategic direction of Yancoal and report to the Board on the outcome of that assessment;

(d) ensure that Yancoal has an induction program for new Directors and make recommendations to the Chair of the Board about appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors of Yancoal effectively;

(e) review and propose potential candidates for appointment to the Board of Yancoal. In identifying suitable candidates, the Committee will have regard to the skills required relative to the skills already represented on the Board;

(f) make recommendations to the Board on candidates that the Committee considers appropriate for appointment, subject to any shareholder approval that is required in accordance with the Constitution;

(g) provide confirmation of the Directors to retire annually by rotation and make recommendations for the re-election of directors (subject to the principle that no Committee member may be involved in making a recommendation in respect of themselves); and

(h) oversee the Board's annual performance evaluation process which will be managed by the Committee Chair and the Company Secretary.

It is noted that, unless otherwise required by law, the terms of any succession plan must remain confidential and that access to the plan must only be provided to the Board and any employees that have a need to know about the plan.

## **Diversity**

The Committee will:

(a) have regard to the Company's Diversity Policy in discharging its responsibilities in relation to remuneration, nomination and succession;

(b) on an annual basis, review the effectiveness of the Diversity Policy by:

- assessing the Company's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives; and
- reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented;

(c) in accordance with the Diversity Policy, on an annual basis, review the relative proportion of women and men who are employed by the Group as a whole and in senior executive positions, and who are on the Board, and submit a report to the Board, which outlines the Committee's findings;

(d) review Annual Report and other public disclosures regarding diversity.

### **Nomination policy & procedure**

(a) Factors to be considered when reviewing a potential candidate for Board appointment include without limitation:

- the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- the existing composition of the Board;
- 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); and
- potential conflicts of interest, and independence.

(b) Detailed background information in relation to a potential candidate should be provided to all directors;

(c) The identification of potential director candidates may be assisted by the use of external search organisations as appropriate. A request for external search must be made through the Company Secretary;

(d) Appropriate checks will be undertaken before a candidate is appointed, or put forward to the Company's shareholders as a candidate for election, as a director;

(e) If the Company puts forward to shareholders a candidate for election as a director, the shareholders will be provided with all material information in the Company's possession that is relevant to the decision of whether or not to elect or re-elect the candidate as a director;

For the avoidance of doubt, the Committee can only make recommendations, but it cannot make appointments. Any recommendation from the Committee as to a potential director candidate must be provided to the Board;

(e) The shareholders will appoint directors to the Board. However the Board may appoint directors to fill a casual vacancy on the Board in circumstances set out in the Constitution (i.e., to ensure that the number of directors remains above the constitutional minimum or where required to comply with any applicable laws or the ASX Listing Rules). In the case of an offer of a Board appointment to the potential candidate by the Board, this offer will be made by the Chair of the Board, and appointment must be approved by the shareholders at the next general meeting of the Company; and

(h) All new Board appointments should be confirmed by letter in the standard format as approved by the Board.

### **Access to resources and independent advice**

The Committee may request any information from Yancoal management that the Committee considers necessary or desirable to enable it to assess the performance of each member of Yancoal's Executive Committee or to comply with any laws and/or regulations.

The Committee may seek the advice of the Company's auditor's, solicitors or engage external advisers when necessary, and any advice so obtained will generally be available to all Directors of the Board. A request for external advice must be made through the Company Secretary.

## **The Committee**

### **Composition and quorum**

The Committee will consist of a minimum of three non-executive directors. The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution.

The Board will appoint the Chair of the Committee.

A Committee quorum will comprise a majority of the Members of the Committee.

### **Removal or resignation**

Members of the Committee may withdraw from membership by written notification to the Board. If a Committee member retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

### **Participation by non-Committee members**

The Committee, if considered appropriate, may invite any management team members or other individuals to attend Committee meetings.

## **Secretary**

The [Company Secretary](#) will be the secretary of the Committee.

## **Meetings**

### **Frequency**

The Committee will meet as frequently as required but not less than once per year.

### **Calling meetings and notice**

Any Committee member or, at the request of a Committee member the [Company Secretary](#), may call a meeting of the Committee. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each Committee member (with a copy to all Directors of Yancoal) together with relevant supporting papers.

### **Advice**

The Committee will have access to Company employees and external advisers. A request for external advice must be made through the Company Secretary.

### **Report to the Board**

The Chair of the Committee or their delegate must report to the Board at the Board meeting following each meeting of the Committee.

### **Minutes**

Minutes of proceedings and resolutions of Committee meetings will be prepared promptly by the [Company Secretary](#) following the Committee meeting. Minutes will be distributed to all Committee members and the chair of the Board. Minutes of Committee meetings will be tabled at a subsequent Board meeting for noting.

The register of minutes will be kept by the [Company Secretary](#) and be open for inspection by any director.

### **Disclosure**

In order to maintain transparency, the role of the Committee is to be fully and fairly reported to the Board. Consistent with the disclosure policy, the Committee will, to the extent reasonably practical, review all public disclosures and statements concerning matters that are subject of this policy including disclosures in:

- the Annual Report; and
- press releases.

## **Review**

The Board will conduct an annual review of the Charter to ensure that it remains consistent with the Board's objectives and responsibilities. The Board must approve any amendments to the Charter arising from the review.

This Charter was approved on 29 February 2016.

## **Publication of the Charter**

A copy of this Charter will be available to all directors and staff of the Company on request from the Company Secretary, the Yancoal Management System and on the Company's website.