

KATHMANDU HOLDINGS LIMITED (the "Company") ARBN 139 836 918

REMUNERATION AND NOMINATION COMMITTEE

1 Purpose

The Remuneration and Nomination Committee (the "Committee") is established by the Board of Directors. The purpose of the Committee is to assist the Board by:

- (a) providing advice in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- (b) reviewing the Company's recruitment, retention and termination policies;
- (c) reviewing the Company's superannuation arrangements;
- (d) reviewing succession plans of senior executives and executive Directors;
- (e) recommending individuals for nomination as members of the Board and its committees;
- (f) taking steps to ensure the performance of senior executives and members of the Board are reviewed at least annually;
- (g) considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval; and
- (h) monitoring the size and composition of the Board.

2 Membership

- 2.1 The Committee will have a minimum of three members (all being non-executive directors), the majority being independent non-executive Directors.
- 2.2 The Committee will be chaired by an independent Director.
- 2.3 Members of the Committee will be appointed for an initial three year term of office with members generally being eligible for reappointment for so long as they remain non-executive directors of the Board. However, the appointment and removal of Remuneration and Nomination Committee members shall be the responsibility of the Board.
- 2.4 Current members of the Committee are Sandra McPhee, James Strong, John Harvey and John Holland.

3 **Meetings**

- 3.1 The Committee will meet as often as necessary, but must meet at least twice a year and one of those meetings must take place at least 2 months prior to each annual general meeting.
- 3.2 The Chairman of the Committee must call a meeting of the Committee if so requested by any Committee member, the Managing Director or the Company Secretary.
- 3.3 The Committee may invite other persons, such as the Managing Director, internal specialists or external advisers, to attend meetings if considered appropriate by the Chairman of the Committee.
- 3.4 The quorum necessary for a meeting of the Committee shall be 2 members, of whom at least one must be an independent Director.

4 **Secretary**

- 4.1 The Company Secretary will act as the Secretary of the Committee and will attend all Committee meetings.
- 4.2 The Company Secretary, in conjunction with the Chairman of the Committee, must prepare an agenda to be circulated to each Committee member and specify positions of persons entitled to attend as per paragraph 3.3 at least 2 full working days prior to each meeting of the Committee.
- 4.3 The Company Secretary will distribute a meeting timetable for each forthcoming calendar year.

5 **Reporting**

- 5.1 The Chairman of the Committee must report the findings and recommendations of the Committee to the next Board meeting following each meeting of the Committee.
- 5.2 The minutes of all Committee meetings will be circulated to members of the Board by the Company Secretary.
- 5.3 The Chairman of the Committee must submit an annual report to the Board summarising the Committee's activities during the year and the Committee's significant results and findings within 2 months after each financial year end.
- 5.4 The Committee must approve:
 - (a) the details to be published in the Company's Annual Report or any other statutory report or document with respect to the activities and responsibilities of the Committee; and

- (b) any statement on the Company's remuneration policy and executive compensation disclosures that may be required by law or other regulatory requirements (including any such statement to be included in the Company's Annual Report).

6 Responsibilities

- 6.1 In addition to any other matters which may be delegated to the Committee by the Board (including special investigations), the Committee is responsible for:

Remuneration of senior executives and executive Directors

- (a) regularly reviewing and making recommendations to the Board with respect to an appropriate remuneration policy for senior executives and executive Directors, with a view to ensuring that such a policy:
 - (i) enables the Company to attract and retain valued employees;
 - (ii) motivates senior executives and executive Directors to pursue the long term growth and success of the Company;
 - (iii) demonstrates a clear relationship between performance and remuneration; and
 - (iv) has regard to prevailing market conditions.
- (b) regularly reviewing and making recommendations to the Board regarding the remuneration packages of senior executives and executive Directors, including (as appropriate) fixed, performance-based and equity-based remuneration, reflecting short and long term performance objectives appropriate to the Company's circumstances and goals;
- (c) making recommendations to the Board with respect to the quantum of short term incentives (if any) to be paid to senior executives;

Remuneration of non-executive Directors

- (d) making recommendations as to the structure of remuneration for non-executive Directors;
- (e) seeking to ensure that fees paid to non-executive Directors are within the aggregate amount approved by shareholders and making recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's annual general meeting;

Employee benefits and other policies

- (f) making recommendations to the Board with respect to the implementation and operation of equity-based incentive plans and other employee benefit programs;

- (g) regularly reviewing the Company's recruitment, retention and termination policies;

Superannuation

- (h) regularly reviewing and providing advice to the Board in relation to the Company's superannuation arrangements;

Succession plans

Senior executives and executive Directors

- (i) reviewing succession plans of senior executives and executive Directors on a regular basis to maintain an appropriate balance of skills, experience and expertise in the management of the Company and providing advice to the Board accordingly;

Board

- (j) reviewing Board succession plans on a regular basis to maintain an appropriate balance of skills, experience and expertise on the Board and providing advice to the Board accordingly;

New Directors

- (k) developing a policy and procedures for the selection and appointment of Directors;
- (l) identifying individuals who may be qualified to become Directors, having regard to such factors as the Committee considers appropriate, including judgement, skill, diversity, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any Board Committee, and the Corporate Governance requirements of NZX and ASX and best corporate governance practice.
- (m) taking steps to ensure that an effective orientation program for new Directors is in place, and regularly reviewing its effectiveness;

Board Committees

- (n) identifying Directors qualified to fill vacancies on Board committees and making recommendations to the Board accordingly, having regard to such factors as the Committee considers appropriate, including the terms of reference of the particular Board committee the Director's experience, the interplay of the Director's experience with the experience of other Committee members and best corporate governance practice.

Performance

Senior executives and executive Directors

- (o) developing and implementing a plan for identifying, assessing and enhancing competencies of senior executives and executive Directors;
- (p) taking steps to ensure that the performance of each senior executive and executive Director is evaluated at least annually;

Board

- (q) considering and articulating the time needed to fulfil the role of Chairman and non-executive Director;
- (r) developing and implementing a plan for identifying, assessing and enhancing Director competencies;
- (s) evaluating the performance of the Board and each Director on an annual basis or establishing procedures for the Committee to oversee the evaluation of the performance of the Board and each Director including an assessment of whether each Director has devoted sufficient time to their duties.

Shareholder approval

- (t) considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval and making recommendations to the Board accordingly;

Size and composition of the Board

- (u) regularly reviewing the size and composition of the Board and making recommendations to the Board with regard to any appropriate changes;
- (v) providing advice to the Board with respect to the necessary and desirable competencies of Directors;
- (w) making recommendations to the Board for the appointment and removal of Directors;
- (x) in a timely manner, making recommendations to the Board whether or not Directors, whose term of office is expiring, should be proposed for re-election at the Company's next AGM.

- 6.2 The Committee shall have no executive powers with regard to its findings and recommendations.

7 **Other**

- 7.1 The Committee is authorised to engage, at the Company's expense, outside legal or other professional advice or assistance on any matters within its terms of reference.
- 7.2 The Committee is authorised to seek any information it requires from any officer or employee of the Company and such officers or employees shall be instructed by the Board of the Company employing them to respond to such enquiries.
- 7.3 No member of the Committee may participate in any decision with respect to his or her position or remuneration.
- 7.4 The Committee may, in its discretion, delegate all or some of its responsibilities to a sub-committee.

8 **Review**

- 8.1 The Remuneration and Nomination Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best corporate governance practice.
- 8.2 The Board will evaluate the performance of the Remuneration and Nomination Committee as appropriate.

Adopted by the Board of Directors on 19 October 2009