



K2FLY LIMITED

ACN 125 345 502

REMUNERATION COMMITTEE CHARTER

Approved on 30 June 2015

Reviewed and updated on 27 August 2018

1. REMUNERATION COMMITTEE CHARTER

The charter below describes the goals to which the Company shall aspire in relation to its remuneration strategies when the Company is of a sufficient size to warrant it. In the meantime, the charter will be adhered to, to the extent to which it is relevant. If at any time there is no Remuneration Committee appointed, the Board of Directors shall carry out the principle functions of the Remuneration Committee.

Functions and responsibilities

The Remuneration Committee is a committee of the Board with its principle functions being:

- (a) to review and recommend to the Board the overall strategies in relation to executive remuneration policies;
- (b) to review and make recommendations to the Board in respect of the compensation arrangements for the Managing Director or Chief Executive Officer, all other executive directors, senior managers, nominated key personnel and all non-executive directors;
- (c) to review the effectiveness of performance incentive plans; and
- (d) to review and make recommendations to the Board in respect of all equity based remuneration plans.

In consultation with the Managing Director or Chairman (if Chair is not a member of the Committee), the Committee will review and recommend to the Board for approval, the Company's general approach to compensation and will oversee the development and implementation of the compensation regime.

Composition

The Committee shall comprise at least three members of the Board the majority of whom where possible will be non-executive directors. Directors serving on the Remuneration Committee should have diverse, complementary backgrounds. The Chairman of the Committee shall, where possible, be an independent director.

The Company Secretary will be the secretary of the Committee and will act as the principal liaison between executive management and the committee on remuneration matters.

Meetings

The Committee shall meet as frequently as required, but at not less than annually.

The Committee shall have access to professional advice.

Two members of the Committee shall comprise a quorum. Where only two members are present, the unanimous vote of the two members will constitute an act of the Committee. Where the committee comprises more than two committee members,

the vote of a majority of the members present will constitute an act of the Committee.

Remuneration policy

This policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board.

General director remuneration

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors shall set individual Board fees within the limit approved by shareholders.

Shareholders must also approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by the shareholders.

All directors are entitled to have their indemnity insurance paid by the Company

Executive remuneration

The Company's remuneration policy for executive directors, senior management and key personnel is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- (a) reward reflects the competitive market in which the Company operates;
- (b) individual reward should be linked to performance criteria; and
- (c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executive directors consists of the following:

- (a) salary - executives directors receive a fixed sum payable monthly in cash;
- (b) bonus - executive directors are eligible to participate in a profit participation plan if deemed appropriate;
- (c) long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executive directors may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executive directors, subject to shareholder approval, outside of approved employee option plans in exceptional circumstances; and
- (d) other benefits - executive directors are eligible to participate in superannuation schemes.

Remuneration of other executives, senior managers and key personnel consists of the following:

- (a) salary - senior executives, senior managers and key personnel receive a fixed sum payable monthly in cash;
- (b) bonus – each senior executive, nominated senior manager and nominated key personnel are eligible to participate in a profit participation plan if deemed appropriate;
- (c) long term incentives - each senior executive, nominated senior manager and nominated key personnel may participate in share option schemes which have been approved by shareholders, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to senior executives, nominated senior managers and nominated key personnel outside of approved employee option plans in exceptional circumstances; and
- (d) other benefits – senior executives, senior managers and key personnel are eligible to participate in superannuation schemes.

Non-executive Director remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to non-executive directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for non-executive directors is currently \$350,000 (as approved by shareholders at the Company's Annual General Meeting on 21 November 2017).

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small and the full Board, including the non-executive directors, are included in the

operations of the Company more intimately than may be the case with larger companies the non-executive directors are entitled to participate in equity based remuneration schemes.

Performance Rights plan

Performance incentives may be offered to executive directors and senior management of the Company through the operation of a performance rights plan at the ultimate discretion of the Board.

This policy is reviewed **annually**.