

Non-Executive Director Remuneration Policy

Piston Machinery Ltd.
ACN 618 786 333

Version 1
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NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Introduction

Piston Machinery Ltd. (**Company**) has adopted this Non-Executive Director Remuneration Policy (**Policy**) to attract and retain high quality directors and align their interests with the creation of value for security holders.

Purpose

The purpose of this policy is to articulate the relationship between remuneration and performance for Non-Executive Directors and how it is aligned to the creation of value for security holders.

The Company is committed to remunerating its Non-executive Directors in accordance with the following principles:

- (a) high ethical standards;
- (b) good corporate governance;
- (c) its desire to attract and retain high quality directors;
- (d) the need to ensure that the incentives for non-executive directors encourage them to pursue the growth and success of the entity (both in the short term and over the longer term) without taking undue risks;
- (e) the need to ensure that the incentives for non-executive directors do not conflict with their obligation to bring an independent judgement to matters before the board; and
- (f) its commercial interest in not paying excessive remuneration.

The views of stakeholders will also be taken into account in seeking to remunerate Non-executive Directors in a reasonable way, including taking into account the perspectives of shareholders and the Non-executive Directors themselves.

Fees

Non-executive Directors will be paid fees out of the maximum aggregate limit (**AFL**) approved by shareholders for the remuneration of Non-executive Directors. The sum each Non-executive Director should be paid will be determined by the Nomination and Remuneration Committee from time to time. Additional fees may be paid for participation in Board Committees; however, the total fees paid to Non-executive Directors, including fees paid for participation on Board Committees, will be kept within the total amount approved by shareholders.

It is recognised that the Board Chair and members of committees undertake additional board work to that undertaken by Non-executive Directors who are not members of committees. Accordingly, the Board Chair, Committee Chairs and Committee members may be paid additional remuneration (relative to other Non-executive Directors who do not fulfil these functions). The additional remuneration will take account of the additional work typically required of the role and comparable market remuneration practices.

Fee Increases

Shareholders will be asked to approve higher AFLs when:

- (a) The current total fees payable to Non-executive Directors is approaching the AFL and scope is needed to accommodate future increases in fees;
- (b) Consideration is being given to appointing one or more additional Non-executive Directors and the current AFL will not allow additional Non-executive Directors to be remunerated at the levels currently applicable to the roles they will fill; and/or
- (c) Consideration may need to be given to compensating Non-executive Directors for board work substantially in excess of the work levels normally expected, e.g. in considering or making a takeover offer.

In c) above, shareholder approval may be sought for a temporary increase in the AFL to address a specific circumstance.

Market Positioning of Remuneration

Market rates of remuneration for Non-executive Directors will generally be determined by reference to companies having characteristics similar to those of the Company. Such characteristics shall include to the extent possible: companies that are listed on the ASX, company size as measured by market capitalisation, industry sector and geographic spread etc.

The policy level of cash-based remuneration (inclusive of superannuation) will be set by reference to P50 (50th percentile) of market practice. A fixed fee (Board Fee) should be paid for board participation for two classes of roles being Board Chair and other non-executive directors. Committee fees may be used to position the total fees paid to Non-executive Directors who contribute more to the work of the Board above P50 of the market, but less than P75.

Other Benefits

Non-executive Directors will receive any statutory superannuation, have their Directors & Officers insurance premiums paid and will be indemnified by the Company as permitted by law and the Constitution.

Expenses

All reasonable out of pocket expenses incurred in connection with a Director's duties on behalf of the Company will be reimbursed.

No entitlement to performance based remuneration

Non-executive Directors are not entitled to participate in equity schemes of the Company, and are not entitled to receive performance-based bonuses. This aspect is to comply with the ASX Listing Rules and to ensure independence when making determinations in relation to executive incentive plans.

Termination Benefits

Termination benefits other than those accrued through superannuation contributions will not be provided to Non-executive Directors. This policy recognises the guideline contained in Principle 8 of the ASX Corporate Governance Council's publication Corporate Governance Principles and Recommendations.

Frequency of Review

Unless otherwise dictated by Company circumstances or market practice, Non-executive Director fees will be reviewed and adjusted to reflect market practice on an annual basis. This approach recognises that small regular adjustments are more likely to be acceptable to stakeholders than large irregular adjustments.

The shareholder approved AFL is the annual limit within which Non-executive Director remuneration must be managed, pursuant to ASX Listing Rule 10.17. Approval of increases in the AFL will be sought from shareholders when needed so as to maintain sufficient headroom to allow the Board to continue to set reasonable market competitive remuneration levels for all Non-executive Directors.

Company Circumstances and Background

The Nomination and Remuneration Committee Chair will engage with other directors and executives of the Company so as to:

- (a) ensure that Non-executive Director remuneration practices are completely understood;
- (b) determine the influences that may lead to any changes to Non-executive Director remuneration practices;
- (c) confirm the company circumstances in so far as they may impact a decision to adjust Non-executive Director remuneration; and
- (d) ascertain the views of proxy advisors and other stakeholders on remuneration for Non-executive Directors of the Company, from time to time.