

Adoption date: 1 July 2020

1. INTRODUCTION

1.1 ASX Recommendations

ASX Recommendations 2.1 – 2.6 require the board of a listed company to have a board of an appropriate level of independence, size and collective skillset to enable it to discharge its duties and add value. The Recommendations recognise that smaller boards, such as that of Waterco, can deal efficiently and effectively with board composition and succession issues without establishing a separate Nomination Committee. The functions of the nomination committee are undertaken by the Remuneration Committee in making recommendations to the Board for election of new directors to the Board, re-election of incumbent directors and for appointment to the committees of the Board.

1.2 Purpose of the policy

The purpose of this policy is to guide the Remuneration Committee in addressing board succession issues and ensuring that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

1.3 Who does the policy apply to?

The Board and the Remuneration Committee of Waterco Limited.

1.4 Definitions

- (a) **ASX** means the Australian Stock Exchange.
- (b) **ASX Recommendations** means ASX Corporate Governance Principles and Recommendations (4th Edition).
- (c) **Board** means the Board of Waterco Limited.
- (d) **Company** means Waterco Limited ACN 002 070 733.
- (e) **Personnel** means all employees, directors, contractors, suppliers and consultants of the Company.
- (f) **Remuneration Committee** means the remuneration committee of the Board.

- (g) **Waterco Group** means Waterco Limited ACN 002 070 733 and each of its wholly owned subsidiaries.

2. POLICY

- 2.1 When considering the re-election of an incumbent director or election of a new director, the Board and the Remuneration Committee will take into account the following:
- (a) business experience, particularly in respect of the industries in which the company operates (legal, financial, engineering marketing or human resources);
 - (b) standing in the community;
 - (c) educational qualifications;
 - (d) experience in environmental sustainability;
 - (e) checks against the person's character, criminal record and bankruptcy history;
 - (f) availability and other directorships;
 - (g) the possession of particular skills such as leadership, cross cultural understanding, strategic thinking or risk management; and
 - (h) whether the appointment or re-appointment will contribute positively to the skill set, knowledge, independence, experience and diversity of the Board as a whole.
- 2.2 The Board and the Remuneration Committee will evaluate the mix of skills and diversity that the board currently has or is looking to achieve in its membership when considering new candidates for nomination or appointment to ensure the appropriate mix of skills and diversity on the board that will make an effective board.
- 2.3 The Board and the Remuneration Committee will be conscious of the duration of each director's tenure to ensure independence and in succession planning to ensure that an appropriate balance of skills, experience and expertise on the Board are maintained.
- 2.4 The Remuneration Committee will regularly review the time required for a non-executive director, to ensure directors are meeting that requirement. Non-executive directors will be required to inform the chair of the Board and Remuneration Committee before accepting any new appointment as a director of another listed entity, any other material directorship or any other position with a significant time commitment attached.
- 2.5 New directors nominated and appointed to fill casual vacancies must stand for election at the next annual general meeting.
- 2.6 All new directors will undergo an induction to familiarise them with the business of the Company, the Company's internal control and risk management practices and policies and procedures. The Company will also provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

- 2.7 The Board must keep in mind the overall objective of having a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. At present, the Board believes that a 5 director board, with a majority of non-executive (preferably independent) directors is the right size for the company.

3. REVIEW OF POLICY

- 3.1 This policy will be reviewed periodically as and when necessary to meet the operational requirements of the Company and changes in the law.