

## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of Pro-Pac Packaging Limited (the ‘company’) has been prepared in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchange’s (‘ASX’) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (‘ASX Principles and Recommendations’) and is included in the company’s Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The company’s ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at [www.ppgaust.com.au](http://www.ppgaust.com.au).

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company’s Board of Directors (‘Board’) and is current as at 16 September 2015.

The ASX Principles and Recommendations and the company’s response as to how and whether it follows those recommendations are set out below.

### ***Principle 1: Lay solid foundations for management and oversight***

*Recommendation 1.1 - A listed entity should disclose:*

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The company’s Board maintains the following roles and responsibilities:

- providing leadership and setting the strategic objectives of the company;
- appointing the Chair and/or the “senior independent director”;
- appointing, and when necessary replacing, the Chief Executive Officer (‘CEO’);
- assessing the performance of the CEO and overseeing succession plans for senior executives;
- overseeing management’s implementation of the company’s strategic objectives;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the company’s accounting and corporate reporting systems, including the external audit;
- overseeing the company’s process for market disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company’s securities;
- ensuring that the company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;
- approving the company’s remuneration framework;
- monitoring the effectiveness of the company’s governance practices; and
- reporting to and communications with shareholders.

The Board has delegated the day-to-day management of the company to the CEO and other senior executives (‘management’). The company’s management is responsible for the following:

- being accountable for the performance of the company;
- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the company;
- managing the company’s reputation and operating performance in accordance with parameters set by the Board;
- day-to-day running of the company;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

*Recommendation 1.2 - A listed entity should:*

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications and other appropriate checks.

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

The company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

*Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

*Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of directors.

*Recommendation 1.5 - A listed entity should:*

- (a) *have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) *disclose that policy or a summary of it; and*
- (c) *disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
  - (1) *the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
  - (2) *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The company does not currently have a formal diversity policy. It is the Board's intention to formulate and implement a formal policy during FY16. The company however respects people as individuals and values their differences. It is committed to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce. The organisation employs people of each gender as well as with varying skills, cultural backgrounds, ethnicity and experience. Pro-Pac believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The company also maintains a flexible working policy to provide flexible working arrangements including part time and working from home. This is to ensure employees with children are able to continue working and meet their home responsibilities.

The respective proportion of women and men in the company including its subsidiaries ('consolidated entity') as at 30 June 2015 are as follows:

	<b>Portion of women</b>	<b>Proportion of men</b>
On the Board	-	100%
In senior executive positions	28%	73%
Across the whole organisation	37%	63%

For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

The company is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 on the basis that the entity employs 100 or more employees in Australia. The company makes annual filings of Gender Equality Indicators with the Workplace Gender Equality Agency (WGEA). This information is accessible on <https://www.wgea.gov.au>

*Recommendation 1.6 - A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Pro-Pac has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Chairman has the responsibility to review continually the performance of each director and the Board as a whole. The performance of the Board is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and Executives are assessed is aligned with the financial and non-financial objectives of Pro-Pac. From time to time and, as considered appropriate, the Chairman will seek external assistance and advice to undertake these performance reviews. A review was conducted by the Chairman during the year.

*Recommendation 1.7 - A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the company.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Nomination and Remuneration Committee. A review of the CEO and senior executives was undertaken during the year.

## ***Principle 2: Structure the board to add value***

*Recommendation 2.1 - The board of a listed entity should:*

- (a) *have a nomination committee which:*
  - (1) *has at least three members, a majority of whom are independent directors; and*
  - (2) *is chaired by an independent director,**and disclose:*
  - (3) *the charter of the committee;*
  - (4) *the members of the committee; and*
  - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board maintains a combined Nomination and Remuneration Committee, whose members during the financial year, were as follows:

<b>Director's name</b>	<b>Executive status</b>	<b>Independence status</b>
Ahmed Fahour - Chair	Non-Executive Director	Independent
Elliott Kaplan	Non-Executive Director	Independent
Dr Gary Weiss	Non-Executive Chairman	Independent
Brandon Penn (from 13 May 2015)	Non-Executive Director	Not-independent

The Charter of the Committee is available at the company's website. It details the roles and responsibilities of the Committee.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

*Recommendation 2.2 - A listed entity should have and disclose 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.*

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is therefore used when recruiting new directors and assessing which skills need to be outsourced based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either, High, Medium or Low.

<b>Skill category</b>	<b>Description of attributes required</b>	<b>Level of importance</b>	<b>Existence in current Board</b>
Risk and compliance	Identification of key risks to the company related to each key area of operations. Monitoring of risks, satisfy compliance issues and knowledge of legal and regulatory requirements.	High	High
Financial and audit	Analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution to budgeting and financial management of projects and company, assessing and supervising capital management.	High	High
Strategic	Development of strategies to achieve business objectives, oversee implementation and maintenance of strategies, and identification and critical assessment of strategic opportunities and threats to the company.	High	High
Operating policies	Key issue identification representing operational and reputational risks and development of policy responses and parameters within which the company should operate.	Medium	Medium
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	Medium
Executive management	Performance assessments of senior executives, succession planning for key executives, setting of key performance hurdles, experience in industrial relations and organisational change management programmes.	High	High
Age and gender	Board aims for equal gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	Medium

The Board currently believes that its membership adequately represents the required skills as set out in the matrix and therefore does not intend to seek any new or alternative candidates. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

In addition to the specific areas that are required at Board level identified the matrix above, all members of the Board are assessed for the following attributes before they are considered an appropriate candidate.

### Board Member Attributes

Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

*Recommendation 2.3 - A listed entity should disclose:*

- (a) *the names of the directors considered by the Board to be independent directors;*
- (b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *the length of service of each director.*

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its security holders generally.

Details of the Board of directors, their appointment dated, length of service as independence status is as follows:

<b>Director's name</b>	<b>Appointment date</b>	<b>Length of service at reporting date</b>	<b>Independence status</b>
Ahmed Fahour	28 March 2015	1 year and 3 months	Independent Non-executive
Elliott Kaplan	1 March 2005	10 years and 8 months	Independent Non-executive
Brandon Penn	16 August 2007	8 years and 1 month	Not-independent Substantial shareholder
Gary Weiss	28 May 2012	3 years and 4 months	Independent Non-executive

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

As part of its independence assessment, the Board considers the length of time that the director has been on the Board, as a prolonged service period may also be seen to impair independence. The Board concluded that no non-executive director has been on the Board for a period which could be seen to compromise their independence.

Where it is determined that a non-executive director should no longer be considered independent, the company shall make an announcement to the market.

*Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.*

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were independent.

*Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Ahmed Fahour is Chair of the Board and is considered to be an independent director of the company. Peter Sutton is the Chief Executive Officer.

*Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

New directors undertake an induction program coordinated by the Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information

### ***Principle 3: Act ethically and responsibly***

*Recommendation 3.1 - A listed entity should:*

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

The company maintains a code of conduct. The purpose of the Code of Conduct is to guide all employees, including Directors as to:

- the practices necessary to maintain confidence in Pro-Pac's honesty and integrity;
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The overriding principle is that all business affairs of Pro-Pac must be conducted legally, ethically and with strict observance of the highest standards of propriety and business ethics. If there are any doubts as to how to respond to a particular circumstance, Directors and employees are encouraged to consult with the Chairman or Company Secretary and, if necessary, seek external professional advice.

Pro-Pac has in place a code of conduct which sets standards for the Board and employees in dealing with Pro-Pac's customers, suppliers, shareholders and other stakeholders. A copy of this code of conduct is available on the Pro-Pac website.

### ***Principle 4: Safeguard integrity in corporate reporting***

*Recommendation 4.1 - The board of a listed entity should:*

- (a) have an audit committee which:*
  - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - (2) is chaired by an independent director, who is not the chair of the board, and disclose:*
    - (3) the charter of the committee;*
    - (4) the relevant qualifications and experience of the members of the committee; and*
    - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee. A summary of the Charter setting out the Committee's responsibilities is posted on the Pro-Pac website.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company.

This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Committee comprises Mr Kaplan and Dr Weiss. Each member is financially literate (i.e. they are able to read and understand financial statements) and Mr Kaplan has financial expertise (i.e. he is a Chartered Accountant). All members have some understanding of the industry in which the Company operates.

Recommendation 4.1 requires that the composition of Audit Committee comprises a majority of independent Directors and that the committee have at least three members. The Company does not, given its size and the size of its Board, satisfy this requirement although both members are independent.

For additional details of Directors' attendance at Audit Committee meetings and to review the qualifications of the members of the Audit Committee, please refer to the Directors' Report.

*Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

In relation to the financial statements for the financial year ended 30 June 2015 and the half-year ended 31 December 2015, the company's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

*Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The engagement partner for the company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

### ***Principle 5: Make timely and balanced disclosure***

*Recommendation 5.1 - A listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

Consistent with ASX Principle 5, the Board aims to ensure that all investors have equal and timely access to material information concerning the Company, that there is compliance with continuous disclosure requirements and that announcements made by the Company are factual and presented in a clear and balanced way. The Company has adopted an External Communications Policy reflecting the principles set out in ASX Principle 5. This policy has been placed on the Pro-Pac website.

### ***Principle 6: Respect the rights of security holders***

*Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.*

The company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

*Recommendations 6.2 and 6.3*

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).*

*A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).*

Pro-Pac has adopted a number of different practices designed to promote effective communication with shareholders as recommended by ASX *Principle 6* and as reflected in the Company's External Communications Policy, published on its website. These practices include placing on the Pro-Pac website relevant information, including ASX announcements, annual and half-year reports, copies of notices of meetings, analyst briefings and presentations given by the Chairman or Chief Executive Officer. Annual reports are distributed to all shareholders by mail or email (unless a shareholder has specifically requested not to receive these documents).

A representative from the auditors of Pro-Pac attends the annual general meeting and any other meeting as required by the Board and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report. Shareholders are given the opportunity to raise questions with any of the Directors at shareholder meetings, both formally and informally.

The External communications policy also elaborates on the Company's continuous disclosure policy.

*Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

This option is available to security holders.

### ***Principle 7: Recognise and manage risk***

*Recommendations 7.1 and 7.2*

*The board of a listed entity should:*

- (a) *have a committee or committees to oversee risk, each of which:*
  - (1) *has at least three members, a majority of whom are independent directors; and*
  - (2) *is chaired by an independent director, and disclose:*
    - (3) *the charter of the committee;*
    - (4) *the members of the committee; and*
    - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).*

*The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).*

In addition to its financial reporting obligations, the Audit Committee is responsible for reviewing the risk management framework and policies of Pro-Pac. The structure of the Audit Committee and its responsibilities reflect in part the requirements of ASX *Principle 7* and are set out in the Company's Audit committee charter, published on its website. Details of directors' attendance at Audit Committee meetings are disclosed in the Directors' Report.

In performing this function, the Committee receives periodic reports from the Group's Risk Committee (comprising key stakeholders from the management team and the Group's insurance advisers), external auditor and, in some instances, external consultants detailing compliance with statutory requirements and the adequacy of the risk management programs and systems in place. In addition, the Committee reviews the adequacy of the group's insurance program. In line with ASX *Principle 7*, Pro-Pac adopted the policy requiring the Chief Executive Officer and Chief Financial Officer to confirm in writing that, to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects. The board has received the relevant declarations on 16 September 2015.

*Recommendation 7.3 - A listed entity should disclose:*

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*



The company does not have an internal audit function. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such

as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Committee.

*Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The management of the company and the execution of its growth strategies are subject to a number of risks which could adversely affect the company's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the company (and its subsidiaries), but those considered by management to be the principal material risks:

**Financial risk**            The company is exposed to financial risks such as foreign currency risk and interest rate risk. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed.

**Loss of people**            The company's senior executive team is instrumental in implementing the company's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long term incentive schemes) and succession planning within the team.

Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

### ***Principle 8: Remunerate fairly and responsibly***

*Recommendation 8.1 - The board of a listed entity should:*

*(a) have a remuneration committee which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director,  
and disclose:*

*(3) the charter of the committee;*

*(4) the members of the committee; and*

*(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board will link the nature and amount of directors' remuneration to the Company's financial and operations performance.

The Board has in place a Remuneration Committee to assist the Board in relation to human resources issues affecting the Pro-Pac Group. The structure of this Committee and its responsibilities reflect in part the requirements of ASX *Principle 8*. The Committee comprises Messrs Fahour (Chairman) and Kaplan and Dr Weiss all of whom are independent Directors. Mr Penn joined the Committee after he relinquished his executive position. In addition to the members, the Chief Executive is invited to the meetings at the discretion of the Committee. Refer schedule of meetings of directors on page 5.

A charter setting out the responsibilities of the Committee has been adopted and a summary of this charter is posted on the Pro-Pac website.

This Committee is responsible for ensuring that the recruitment and remuneration policies and practices of Pro-Pac are consistent with its strategic goals and human resources objectives and are designed to enhance corporate and individual performance as well as meet the appropriate recruitment and succession planning needs.

To do this the Committee, among other things, is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans, executive succession planning and development programs to ensure that they are appropriate to the Group's needs and the remuneration framework for Directors (as approved by shareholders). The Committee may consult with remuneration advisors to Pro-Pac to assist in its role.

The remuneration committee is also responsible to determine and review compensation arrangements for the directors and to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. In carrying out its functions the Remuneration Committee considers remuneration issues annually and otherwise as required in conjunction with the regular meetings of the Board. Compensation arrangements are determined subject to the Company's constitution and prior shareholder approvals.

Remuneration of non-executive Directors is in accordance with resolutions of shareholders in general meeting. The Company does not have any schemes for retirement benefits, other than statutory superannuation for non-executive Directors.

Details of the directors and key executives remuneration are set out in the Directors' Report as is the number of times that the Remuneration Committee met during the year.

*Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Non-executive directors are remunerated by way of cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making. For the same reason, equity based remuneration is limited to non-performance based instruments such as shares.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

*Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:*

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it*

The company operates an Executive Long Term Incentive Plan to encourage employees to share ownership of the company and promote long-term success of the company as a goal shared by the employees. Please see the Directors' report for further details of the plan.