

PPK GROUP LIMITED

REMUNERATION POLICY FOR DIRECTORS & SENIOR EXECUTIVES

1. INTRODUCTION

- 1.1 The PPK Remuneration Policy for Directors and Senior Executives (“PPK Remuneration Policy”):
 - 1.1.1 outlines the general terms and conditions of remuneration for PPK directors, executives and management; and
 - 1.1.2 was developed by the PPK Board.
- 1.2 Disclosure of specific entitlements and benefits of directors and executives will continue to be made by PPK as required by the Listing Rules and the law.

2. POLICY OBJECTIVE

- 2.1 PPK is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies in the context of its reporting obligations in the corporate governance statement in its annual report and pursuant to continuous disclosure requirements.
- 2.2 The PPK Remuneration Policy has been:
 - 2.2.1 established as a means of promoting transparency and understanding of its approach to director and executive remuneration; and
 - 2.2.2 designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives based on key performance areas affecting the consolidated entity’s financial results.

3. DIRECTOR & EXECUTIVE REMUNERATION

Non-Executive Directors

- 3.1 Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders.
- 3.2 In determining the appropriate level of directors’ fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account.
- 3.3 Non-executive directors are:
 - 3.3.1 remunerated by means of cash benefits;
 - 3.3.2 not entitled to participate in performance based remuneration practices unless approved by shareholders.

PPK REMUNERATION POLICY

3.4 The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits.

3.5 PPK does not provide retirement benefits for its non-executive directors.

Executive Director & Senior Executive Remuneration

3.6 Executive directors do not receive directors' fees.

3.7 PPK does not have a formal remuneration committee structure.

3.8 PPK considers that the establishment of a formal committee will not achieve enhanced efficiency when compared to its existing arrangements having regard to the fact that PPK:

3.8.1 predominately operates within Australia with its directors, senior executives and employees geographically concentrated along the eastern seaboard;

3.8.2 is relatively small in size in terms of the size of its operations, the number of directors, executives and employees compared to other listed public companies; and

3.8.3 remains capable of giving due consideration to the overall remuneration policies and strategies of the company during the conduct of its regular Board Meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

3.9 Accordingly, the PPK Board of Directors is responsible for approving remuneration policies and packages applicable to executive directors and senior executives of the Company.

3.10 The broad remuneration policy objective is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest quality and standard to enable the organisation to succeed.

3.11 A review of the compensation arrangements for executive directors, including the Managing Director and Senior Executives is conducted by the full Board at a duly constituted Directors' Meeting.

3.12 The PPK Board conducts its review annually and is based on established criteria including:

3.12.1 the individual's performance;

3.12.2 reference to market data for broadly comparable positions or skill sets in similar organisations or industry;

3.12.3 the Company's performance during the relevant period; and

3.12.4 the broad remuneration policy objectives of the Company.

PPK REMUNERATION POLICY

4. COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR & EXECUTIVE REMUNERATION

- 4.1 A key aspect in the design of the PPK Remuneration Policy is that it is intended to promote and achieve goal congruence between shareholders, directors and executives.
- 4.2 The two methods employed in achieving this aim are:
- 4.2.1 a performance based bonus for executives based on key performance indicators (KPI's) which include a combination of short-term financial and non-financial indicators; and
 - 4.2.2 the issue of options to executives as a means of long-term incentive to encourage the alignment of personal and shareholder interests.
- 4.3 The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.
- 4.4 Eligible executives may be entitled to receive incentive payments of between 10% and up to 15% of their base salary during each full year of employment in which they achieve satisfactory levels of productivity, goals and targets pre-determined in consultation with the Board and Managing Director.
- 4.5 A significant proportion of eligible bonus payments to a Company executive and or relevant group executive (as these terms are defined in the Corporations Act) is linked to the earnings of either the:
- 4.5.1 consolidated entity; or
 - 4.5.2 individual company in which the relevant executive performs his or her primary duties and responsibilities.
- 4.6 The remaining proportion of eligible bonus payments relate to non-financial performance measures which may include, for example, people, safety, strategy and risk measures having overall benefits for the consolidated entity.
- 4.7 The Board considers this broad policy to be appropriate and effective in:
- 4.7.1 its ability to attract and motivate directors and executives of the highest quality and standard to manage the affairs of PPK; and
 - 4.7.2 increasing shareholder wealth through the retention of quality employees committed to the long term objectives of the Company.

PPK REMUNERATION POLICY

5. PPK EXECUTIVE INCENTIVE SCHEME

Executives

- 5.1 The PPK Executive Incentive Scheme (PEIS) has been approved by shareholders and provides the Board with the discretion to grant options and provide loans to Eligible Executives for the purpose of acquiring Scheme Shares.
- 5.2 A summary of the terms and conditions of the PEIS may be found in the designated area for corporate governance on the PPK website at www.ppkgroup.com.au.
- 5.3 The Board exercises its discretion under the PEIS in a manner consistent with the broad remuneration policy objectives of the Company.
- 5.4 The grant of options to executives is linked to significant performance hurdles including the exercise price of the options being subject to material improvement in company performance (measured by its share price) during a restricted exercise period.

Directors

- 5.5 Directors are not entitled to participate in the PEIS.
- 5.6 The grant of options to the Managing Director is determined by reference to the terms of his prevailing Service Agreement with the Company, the Listing Rules and the law.
- 5.7 PPK will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate these directors by means of the payment of cash benefits.
- 5.8 The Company will continue to monitor and review the reward structure applicable to its directors and senior executives with the evolution of the company and implement best practice remuneration policy in a way which most suits the circumstances of PPK and the long term interests of its shareholders.



Colin Ryan
Chairman



David Hoff
Managing Director

CURRENT VERSION B ■ DATE MODIFIED: 1 SEPTEMBER 2006

APPROVED BY: BOARD OF DIRECTORS

PREVIOUS VERSION: A ■ DATED: 20 APRIL 2004