

TERMS OF REFERENCE

REMUNERATION COMMITTEE

1. GENERAL SCOPE AND AUTHORITY

- 1.1 The Remuneration Committee is a Committee of the Board of Skilled Group Ltd ("SKE") and is established in accordance with the authority provided in Article 81 of the Company's Constitution. The Board has resolved to establish this Committee and to adopt these Terms of Reference to govern the proceedings and meetings of the Committee.
- 1.2 The Board is responsible to shareholders for ensuring that Skilled Group Ltd:
- has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and Directors who will create value for shareholders;
 - fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executive and the general pay environment; and
 - complies with the provisions of the ASX Listing Rules and Corporations Law of Australia.
- 1.3 The primary purpose of the Committee is to support and advise the Board in fulfilling these responsibilities to shareholders by:
- determining executive remuneration policy;
 - determining the remuneration of executive directors;
 - reviewing and approving the remuneration of direct reports to the Managing Director, and as appropriate other senior executives; and
 - reviewing and approving all equity based plans.

2. COMPOSITION

- 2.1 The Committee consists of a minimum of three Directors of the Board. The Chairman of the Board and the Managing Director are ex officio members of the Committee. Other members of the Committee are appointed by the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- 2.2 The Chairman of the Remuneration Committee is appointed by the Board and will be a Non-Executive Director. Should the Chairman be absent from a meeting and no Acting Chairman has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairman for that particular meeting.
- 2.3 The Secretary of the Committee will be appointed by the Board and will be a member of the Committee.

3. MEETINGS

- 3.1 The Committee shall meet as frequently as required but not less than twice a year.
- 3.2 Any Committee members may call a meeting of the Committee.
- 3.3 A Notice of Meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee in the week prior to the date of the meeting. The Notice of Meeting will include relevant supporting papers for the agenda items to be discussed.
- 3.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.
- 3.5 Other Board Directors, SKE executives and/or parties external to SKE may attend Committee meetings but only at the invitation of the Chairman.

Committee members will not be in attendance at meetings at which their own individual remuneration is being discussed.
- 3.6 The Committee may conduct meetings without all Committee members being involved in the meeting in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.
- 3.7 The Chairman of the Committee, or delegate, shall report to the Board following each meeting.
- 3.8 Minutes of proceedings and resolutions of Committee meetings shall be kept by the Secretary. Minutes will be distributed to all Committee members after preliminary approval has been given by the Committee Chairman.

4. AUTHORITY

- 4.1 The Committee has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of SKE and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the provision of such information.
- 4.2 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.
- 4.3 The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

5. DUTIES AND RESPONSIBILITIES

In order to fulfill its responsibilities to the Group Boards the Committee shall:

- 5.1 Executive Remuneration Policy
 - review and approve the Group's policy for determining executive remuneration, and any amendments to that policy proposed from time to time;
 - review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs;

- oversee the implementation of this remuneration policy within the Group.

5.2 Executive Directors and Senior Management

- consider and make recommendations to the Board on the entire specific remuneration for each Executive Director (including base pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the executive remuneration policy. The Committee will need to determine whether any shareholder approvals are required; and
- review and approve the proposed remuneration (including incentive awards, equity awards and service contracts) for the direct reports of the Managing Director and Executive Directors.

5.3 Executive Incentive Plans

- review and approve the design of all executive incentive plans; and
- review and approve the total proposed payments from each executive incentive plan.

5.4 Equity Based Plans

- review and approve the design of all equity based plans;
- keep all plans under review in the light of legislative, regulatory and market developments;
- for each equity based plan, determine each year whether awards will be made under that plan;
- review and approve total proposed awards under each plan;
- in addition to considering awards to Executive Directors and direct reports to the Managing Director, review and approve proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Committee; and
- review, approve and keep under review performance hurdles for each equity based plan.

5.5 Approvals

The Committee must approve the following prior to implementation:

- significant changes to the remuneration or contract terms of Executive Directors and direct reports to the Managing Director and Executive Directors;
- the design of new, or amendments to current, equity plans or executive cash-based incentive plans;
- total level of remuneration proposed from equity plans or executive cash-base incentive plans; and
- termination payments to the Managing Director, Executive Directors and their direct reports. Termination payments to other departing executives should be reported to the Committee at its next meeting.

6. FEES & EXPENSES

- 6.1 Committee members are not entitled to receive any additional remuneration for their role as members of this Committee. Director's fees are set to include membership of Board Committees.
- 6.2 The reasonable expenses incurred by Committee members in discharging their obligations, attending Committee meetings etc will be reimbursed by the Company, consistent with Company policies which are established from time to time.

7. REVIEW OF TERMS OF REFERENCE

- 7.1 The Remuneration Committee Terms of Reference is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities. Significant changes to the Terms of Reference are recommended by the Committee and approved by the Board.

8. DISTRIBUTION OF TERMS OF REFERENCE

- 8.1 Key features of the Remuneration Committee Terms of Reference are included in the Corporate Governance section of the Annual Report. The complete Terms of Reference are publicly available on the Company's website.

ISSUED DATE:	October 2003
LAST UPDATED:	July 2005
VERSION NO:	Version 2
APPROVED BY:	Company Secretary Skilled Group Limited