



REMUNERATION AND NOMINATIONS POLICY

INTRODUCTION

Given the small size of SDL the functions of Remuneration and Nominations are considered appropriate matters for the Board as a whole to manage. The Remuneration function for the Board is to set and review the remuneration and HR policies and practices for the Company. The Nominations function for the Board is to ensure that the mix of directors is capable of effectively meeting SDL's governance and business objectives. Nominations includes Executive Appointments.

NOMINATIONS AND EXECUTIVE APPOINTMENTS DUTIES AND RESPONSIBILITIES

The role of the Board in respect of Nominations is to:

- consider the composition of the Board and the need for directors to have specialist industry skills given the nature of the Company's business;
- ensure the Board maintains an appropriate balance between executive and non-executive directors;
- ensure the Board complies with the number of directors, director residency and independent director requirements under NZX Listing Rules;
- consider the composition and structure of the Board's committees; and
- provide recommendations for suitable persons to be appointed as directors.

It is the role of the Board in respect of Executive Appointments to:

- ensure SDL has a strong and effective management team;
- ensuring employees are appropriately incentivised for their services to the Company and motivated to perform to the best of their abilities;
- in relation to the Chief Executive Officer:
 - when a new CEO is required, to manage the recruitment process;
 - approving the CEO's terms and conditions of employment, remuneration package and performance criteria; and
 - regularly reviewing the CEO's performance against the criteria;
- in relation to Senior Executives Appointments and the Management Team:
 - a Senior Executive is any employee of the Company who is a direct report to the CEO;
 - it is the CEO's delegated responsibility to recommend to the Board and appoint the Senior Executive management team reporting to the CEO with the structure of the Management Team to be agreed with the Board; and



- the Board has the role of reviewing and confirming Senior Executive appointments as recommended by the CEO, the terms and conditions of these appointments and reviewing the outcomes of performance reviews.

The Board should consider the matter of Nominations and Executive Appointments at least once annually.

REMUNERATION DUTIES AND RESPONSIBILITIES

The role of the Board is to:

- set and review, in accordance with the Company's remuneration policies and practices, all components of the remuneration of the CEO, executive directors and such other senior executives as the Board may from time to time determine;
- reviewing and approving the remuneration of senior executives who report directly to the CEO is subject to prior recommendation from the CEO and review of the CEO's performance evaluation of his/her direct reports and general wage movements;
- the expenses and other remuneration benefits of the CEO and Senior Executives, including incentive payments, are to be reviewed by the Audit Committee at least annually and the Chairperson of the Audit Committee should review the CEO's monthly expenses;
- set and review, as appropriate, the appointment or termination and the conditions and terms of employment for the CEO and such other senior executives as the Board may from time to time determine;
- overseeing management planning succession for agreed key roles within the Company;
- set and review the terms and structure of the Company's short and long term incentive plans;
- review and set remuneration for the non-executive directors, which may involve external benchmarking review;
- approving share option allocations to SDL staff under the employee share ownership plan (ESOP) and reviewing ESOP eligibility; and
- consider other remuneration matters that may be referred to the Board.

The Board should consider the matter of Remuneration at least once annually and ensure there is an external review of remuneration structures and levels no less than once every three years. To avoid any conflict of interest the Board may ask any individual to withdraw from any part of any meeting where his or her performance or remuneration is being discussed.

This overall policy will be reviewed at least once every year by the Board of Directors to ensure its continued effectiveness in meeting SDL's staffing and remuneration objectives.

Approved by the Board on 2 May 2019.