



PROCESS FOR EVALUATION OF PERFORMANCE

kogan.com

Kogan.com Limited ACN 612 447 293



KOGAN.COM LIMITED

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1 Introduction

Kogan.com Limited (“**Company**”) monitors and evaluates the performance of its board of directors (“**Board**”), its Board committees (“**Committees**”) and its individual Directors in order to fairly review and actively encourage enhanced Board, Committee and individual Director effectiveness.

The Board will monitor and evaluate the performance of members of the executive management of the Company that may be appointed from time to time, including the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Chief Operating Officer (“**Senior Management**”).

The Company’s Board Charter specifically allocates the following responsibilities to the Board:

- (a) evaluating performance and determining the remuneration of Senior Management;
- (b) annual review of the Board’s performance, composition and terms of reference; and
- (c) annual review of the Committees’ performance, composition and terms of reference.

If established, the Board will be assisted by the Remuneration and Nomination Committee in establishing processes for the review of the performance of the Board, individual Directors, Committees and Senior Management.

2 Board Evaluation

2.1 Board Evaluation

The process of evaluating the performance of the Board as a whole is the responsibility of the Board under the direction of the Chair of the Board or (where the Chair’s performance is being evaluated) under the direction of another Director (preferably a non-executive Director) appointed by the Board. The evaluation of Board performance involves the setting of annual Board objectives and an assessment by the Board at the conclusion of the year as to the extent to which the Board achieved its objectives.

2.2 Board Committees’ Evaluation

Each Board Committee will annually review its performance and report the results of the review to the Board. Based on the results of the performance review, where necessary, recommendations will be made to the Board for improving the effectiveness of the Board Committee.

The manner of the evaluation is generally to be determined by the relevant Board Committee Chair, and will vary given:

- (a) the particular responsibilities of each Board Committee;
- (b) the number of Board Committee meetings; and
- (c) the number of Board Committee members.

2.3 Director Evaluation

Assessment of individual Directors performance is a process determined by the Chair of the Board in consultation with the Board, and may involve mechanisms such as interviews, self assessment and peer review.

3 Senior Management

All of the Company's Senior Management will be subject to annual performance reviews. The annual performance review involves a member of Senior Management being evaluated by the Chair with ultimate oversight by the Board.

The evaluation of the members of Senior Management may involve an assessment of a range of factors including the overall performance of the Company and the achievement of specific pre-determined goals.

4 ASX principles

The ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (3rd Edition) ("**the ASX Recommendations**") provide a listed entity with various recommendations regarding its policies and practices concerning the remuneration of non-executive directors, executive directors and other senior executives. To this effect, the Board will have regard to the ASX Recommendations as they may apply to the Company.

Specifically, the ASX Recommendations recommend that a listed entity separately discloses its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. In this regard, the ASX Recommendations provide the following guidance:

GUIDELINES FOR EXECUTIVE REMUNERATION	GUIDELINES FOR NON-EXECUTIVE DIRECTOR REMUNERATION
Composition: remuneration packages for executive directors and other senior executives should include an appropriate balance of fixed remuneration and performance-based remuneration.	Composition: non-executive directors should be remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity).
Fixed remuneration: should be reasonable and fair, taking into account the entity's obligations at law and labour market conditions, and should be relative to the scale of the entity's business. It should reflect core performance requirements and expectations.	Fixed remuneration: levels of fixed remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.
Performance-based remuneration: should be linked to clearly specified performance targets. These targets should be aligned to the entity's short and long-term performance objectives and should be appropriate to its circumstances, goals and risk appetite.	Performance-based remuneration: non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision-making and compromise their objectivity.

<p>Equity-based remuneration: well-designed equity-based remuneration, including options or performance rights, can be an effective form of remuneration, especially when linked to hurdles that are aligned to the entity’s longer-term performance objectives. Care needs to be taken in the design of equity-based remuneration schemes, however, to ensure that they do not lead to “short-termism” on the part of senior executives or the taking of undue risks.</p>	<p>Equity-based remuneration: it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interests with the interests of other security holders. However, non-executive directors generally should not receive options with performance hurdles attached or performance rights as part of their remuneration as it may lead to bias in their decision-making and compromise their objectivity.</p>
<p>Termination payments: termination payments, if any, for senior executives should be agreed in advance and the agreement should clearly address what will happen in the case of early termination. There should be no payment for removal for misconduct.</p>	<p>Termination payments: non-executive directors should not be provided with retirement benefits other than superannuation.</p>

The ASX Recommendations also provide the following suggestions:

- (a) the disclosures regarding the remuneration of executive directors and other senior executives should include a summary of the entity’s policies and practices regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of performance-based remuneration in the event of serious misconduct or a material misstatement in the entity’s financial statements;
- (b) no individual director or senior executive should be involved in deciding his or her own remuneration;
- (c) the board should consider periodically using external facilitators to conduct its performance reviews; and
- (d) a non-executive director should be responsible for the performance evaluation of the chair of the board after having canvassed the views of the other directors.