

# **Total Compensation / Remuneration Policy**

**Adopted by the Remuneration Committee and the Board of Directors of ImpediMed  
Limited on 16 July 2019.**

**March 2019**

## **Purpose**

ImpediMed Limited (“ImpediMed”) and its wholly-owned subsidiary, ImpediMed Inc., have an obligation to set an appropriate compensation / remuneration policy (the “Policy”) for ImpediMed. This Policy will outline philosophy/programs, roles and responsibilities of ImpediMed.

## **Total Compensation /Remuneration Philosophy and Objectives**

The objective of ImpediMed’s compensation and benefit programs is to encourage our employees to continually pursue strategic objectives, goals, milestones and tactics, while effectively managing the day-to-day operations. Specifically, we have created a compensation package that combines short and long-term components (cash, benefits and the ability to earn or acquire equity) at the levels we believe are most appropriate to motivate and reward employees for accomplishing key strategic and operational goals, as well as not rewarding if we do not perform.

The Objectives of ImpediMed’s Total Compensation Program are to:

- attract, retain and develop people capable of making outstanding contributions to ImpediMed’s success;
- provide economic incentives for employees to achieve business objectives by linking compensation to ImpediMed’s business strategy;
- share ImpediMed’s success with all employees;
- provide a total compensation package with base pay, benefits and variable pay (at risk STI/LTI, options, performance rights and other bonus payments) that encourages a high performing, engaged and motivated workforce;
- offer competitive compensation benchmarked against the applicable markets;
- support the corporate mission statement, values, and policies, through the approach to recruiting, organizing and managing people;

In order to achieve these objectives, ImpediMed will:

- provide a total compensation package comparable with the companies with which we compete for talent;
- pay for performance and target the 50<sup>th</sup> percentile of competitive data of the appropriate benchmark groups for on-target performance; however, incentive compensation will be

calibrated to reflect actual performance achieved (e.g. for below target performance and outstanding performance, employees will be rewarded below the 50<sup>th</sup> percentile and within the 75<sup>th</sup> percentile range, respectively);

- set an individual's base pay on several factors, including but not limited to: a) the external market, b) individual's skills matching the role requirements, c) experience and responsibilities, d) internal equity with other employees, e) contribution and performance, f) the financial situation of ImpediMed;
- establish short-term incentives in line with the annual operating plan which will motivate employee performance and link rewards to the achievement of key performance objectives;
- establish long-term incentives plans (subject to shareholder approval) to more closely align employees' interests with shareholders' interests and to share the rewards of ImpediMed's long-term performance with employees.

## **Policy Key Elements:**

**The key elements of this policy are:**

### **Base Pay/Salary:**

ImpediMed's goal is to provide base pay that is competitive and fair. Competitive pay means paying comparably for similar work, based on the relevant external market – companies with whom we compete for talent. Paying fairly means that individual pay is fair in relation to that of other employees with similar skills, knowledge, and responsibilities. See Addendum A.

### **Benefits:**

It is ImpediMed's goal to provide industry competitive benefits for all its employees both to reward them for their contributions but also to aid in attracting talent. These benefits may vary somewhat, depending on the country of employment; however, the health and welfare of our employees and their families is embraced as essential to ImpediMed's success. See Addendum B.

### **Incentives:**

#### **1. Short Term Incentives (STI plan):**

ImpediMed intends to use the STI plan to attract and retain highly qualified individuals as employees, motivate the best possible performance and reward the achievement of the short term and / or annual business objectives of the Company. See Addendum C-1.

#### **2. Long Term Incentives (LTI plan):**

ImpediMed offers an equity incentive plan to assist with attracting, retaining and developing people capable of making outstanding contributions to ImpediMed's short and long term success. See Addendum C-2.

**2-a: New Hire Grants:** ImpediMed desires to incentivize employees joining the Company by granting equity compensation so that their interests are aligned with shareholders and they might begin sharing in and be invested in ImpediMed's financial success following their hire date.

**2-b: Equity Grant Target Guidelines:** ImpediMed's intent is to follow specific guidelines allowing for employees to be rewarded with annual Equity Grants to share in ImpediMed's financial success and to align the interests of employees with shareholders.

**Perquisites:**

ImpediMed does not intend to provide perquisites to employees or executives.

**Clawback Policy:**

The Clawback Policy provides the Board discretion to clawback variable pay of senior executive employees in the event of a serious misconduct or fraud or other specific events as outlined below.

**Scope**

The policy applies to senior executive employees, specifically the MD/CEO, CFO, CTO, SVP Medical Affairs, SVP Ventures, Licensing, and Corporate Development and the SVP R&D and Technology.

**Policy:**

If during the current or previous two financial years an employee:

- has acted fraudulently
- has engaged in gross misconduct;
- has engaged in an act which has brought the Company into disrepute;
- has breached his or her fiduciary duties or obligations to the Company; or
- is convicted of an offence or has a judgment entered against them in connection with the affairs of the Company; or
- there is a material misstatement or omission in the accounts of the company or there are events, which the Board considers may, or are likely to, affect the Company's financial soundness or require re-statement of the Company's financial accounts;

the Board may determine that any:

- unvested Performance Rights or Options held by the employee;
- vested but unexercised Options held by the employee; and/or
- Shares allocated upon vesting of Performance Rights or exercise of Options;

will lapse or be deemed to be forfeited (as the case may be), and/or the employee must pay or repay (as the case may be) to the Company as a debt:

- all or part of the net proceeds of sale where Shares allocated under the Employee Incentive Plan have been sold;
- any cash payment received in lieu of an allocation of Shares; and/or
- any dividends received in respect of Shares allocated under the Employee Incentive Plan.

The Board may specify in an Offer additional circumstances in which the employee's entitlement to incentive securities may be reduced or extinguished.

## **Shareholding Requirement for Executives and NED's:**

### *Minimum shareholding requirement – Executives*

#### **Purpose**

The minimum shareholding requirement allows the Board to ensure that executives build and maintain substantial shareholdings in the company to align their long-term interests with those of shareholders.

#### **Scope**

The policy applies to senior executive employees of the Company, specifically the MD/CEO, CFO, CTO, SVP Medical Affairs, SVP Ventures, Licensing, and Corporate Development and the SVP R&D and Technology.

#### **Policy**

Employees included in the scope of this policy are prohibited from disposing of ImpediMed shares acquired from equity-based share schemes, unless immediately after that disposal they continue to hold ImpediMed shares with a value equal to or greater than the minimum shareholding requirement.

The minimum shareholding requirement for employees included in the scope of this policy is equal to the value of the employee's annual base salary after tax.

All provisions of the ImpediMed Share Trading Policy apply.

#### *Included shares*

All ImpediMed shares held by or on behalf of the executive that are held outright will count towards satisfaction of the minimum shareholding requirement. For the avoidance of doubt, the following securities do not count towards satisfaction of the minimum shareholding requirement:

- a) rights to ImpediMed shares that have vested but remain unexercised; or
- b) unvested rights to ImpediMed shares

#### *Disposal prohibition*

Only ImpediMed shares acquired through ImpediMed's equity-based share schemes will be affected by the prohibition on disposal under this policy.

The disposal of shares is prohibited where, immediately after that disposal, the minimum holding requirement is not satisfied except:

- to the extent that disposal is reasonably necessary to satisfy statutory obligations, such as tax, arising from the participation in ImpediMed equity-based share schemes; or
- as may be permitted by the Board (or its delegate) in any case in its sole discretion



***Minimum shareholding requirement – Non-Executive Directors*****Purpose**

The minimum shareholding requirement for Non-Executive Directors (NEDs) allows the Board to ensure that non-executive directors build and maintain substantial shareholdings in the company to align their long-term interests with that of shareholders.

**Scope**

The policy applies to NEDs of the Company.

**Policy**

ImpediMed NED's are required to purchase ImpediMed shares, in accordance with the Company's Share Trading Policy, to meet and maintain the minimum shareholding requirement within five years of appointment to the ImpediMed Board.

The minimum shareholding requirement for NED's is equal to the value of one year's base fee (excluding committee fees) after tax.

***Included shares***

As NED's do not participate in company share plans, all equity held outright or on behalf of the NED will count towards satisfaction of the minimum shareholding requirement.

**Benchmarking Group:**

A Benchmarking Group will be modified on an as needed basis as market, economic or business conditions dictate. However, the Benchmarking Group will also be reviewed on a regular basis to allow for the addition of newly relevant companies and the removal of companies deemed no longer appropriate. The Benchmarking Group will consist of appropriate industry comparable companies ranging from a similar size to a projected growth range of approximately .3x to 3.0x our size based on our long term strategic plan (typically 3-5 years). These details are included in Addendum D.

**Non-Executive Director Compensation**

ImpediMed compensates its' Non-Executive Directors for their guidance and contributions to implement strategy and operational excellence. This compensation program will be reviewed periodically to assure that the compensation is appropriate. Specifics are covered in Addendum E.



**ADDENDUMS:**

**Addendum A: Base Pay/Salary**

**Addendum B: Benefits**

**Addendum C: Incentives and Grants**

**Short Term Incentives (STI)**

**Long Term Incentives (LTI)**

**Addendum D: Benchmarking Group**

**Addendum E: Non-Executive Director Compensation**

## **Addendum A: Base Pay/Salary**

Base Salary is the foundation of the total compensation package. It is typically reviewed annually, and paid out semi-monthly or monthly depending on the country.

Initial base pay for new hires is determined by reviewing relevant external market data for benchmark jobs with similar skills and responsibilities in the established benchmark group. Typically, pay is targeted at the 50<sup>th</sup> percentile +/- 10%.

For internal promotions where the position has not been externally advertised, the CEO can use his or her discretion in determining the new Base Salary taking into consideration the individual's current Base Salary, external market data, and the targeted Base Salary for the new role.

Annual remuneration reviews for the NEDs, the CEO and the CEO's Executive direct reports will be conducted by the Remuneration Committee.

The process for non-executive employees will be conducted by Human Resources and the CFO working with the CEO and his direct reports.

## **Addendum B: Benefits**

Benefits are offered to qualifying employees and are determined by the country of employment. Benefits may consist of overtime pay for hourly employees, sick leave, public holidays off with pay, vacation, long service leave, health insurance, life insurance, AD&D premiums, dental insurance, disability insurance, vision insurance, superannuation, matching 401(k) plan and other customary benefits.



## **Addendum C: Incentives and Grants**

### **Short Term Incentives (STI)**

The Company establishes Short Term Incentives for each twelve month FY periods. The members of the Board of Directors review these STI plans. Payout of STI awards are made annually based on an assessment of performance and results.

The STI KPIs should be challenging and encourage performance over and above what is expected as part of the ordinary course of business. In determining the reasonableness of KPIs for the STI, the Company will consider any company announcements or forecasts, peer performance and analyst expectations.

### **Long Term Incentives (LTI)**

The Company has established an Employee Incentive Plan (EIP) approved by shareholders at the 2014 AGM. The approved EIP allows for:

1. equity awards for new employees; and
2. equity awards for existing employees on an annual basis.

The Company will review the allocations of equity awards annually compared to the Benchmarking group and overall long-term shareholder value. The LTI awards will focus on supporting the Company's long term business strategy.

The vesting terms of equity awards will be determined by the Board at the time of grant, but will typically be 4 years for Stock Options Awards and 3 years for Performance Grants Awards. Sign-on equity awards should follow these general guidelines.

The Company will seek to balance the mix of long-term incentive vehicles (e.g. Stock Options and Performance Grants) based on factors including, but not limited to, the number of shares available for grant, the Company's life cycle stage of development and competitive market practices.

Performance-based LTI will be paid in either cash, stock options or rights and revert to Committee.

## **Addendum D: Benchmarking Groups**

ImpediMed's status as a publicly-traded company on the Australian Securities Exchange (ASX), combined with its US business characteristics (majority of operations and executives are located in the US), require a robust assessment of peer practices. As such, the Remuneration Committee has included companies that are representative of several key characteristics:

1. Industry = Healthcare Equipment and Healthcare Supplies
2. Financial size = revenue and market capitalization generally between one-half to two times ImpediMed's financial scope
3. Labor market = companies based in the US.

The following companies represent the executive director peer group for fiscal year 2020:

**Notes:**

Asterisks (\*) denote current peer companies

Data from S&P Capital IQ as of January 9, 2017

Currency in millions of USD. IPD financial data was converted to USD using an exchange rate of USD \$1 = AUD \$1.3829 as of 12/31/2016.

LTM = Last Twelve Months

Peer Companies (n=20)	Location	Industry	Market Cap	Market Cap 12-Month	Revenue	Revenue CAGR		Net Income	Annualized TSR as of 12/31/18			Employee
						1-Year	3-Year		1 Year	3 Year	5 Year	
Antares Pharma, Inc. <sup>1</sup>	Ewing, NJ	Health Care Supplies	\$429	\$437	\$64	17%	12%	-\$7	37%	5%	18%	n/a
GenMark Diagnostics, Inc. <sup>1,4</sup>	Carlsbad, CA	Health Care Equipment	\$272	\$335	\$71	35%	22%	-\$51	17%	-27%	-9%	477
Rockwell Medical, Inc. <sup>1</sup>	Wixom, MI	Health Care Equipment	\$129	\$251	\$61	8%	2%	-\$32	-61%	-30%	-26%	300
Nuvectra Corporation	Plano, TX	Health Care Equipment	\$288	\$249	\$49	53%	110%	-\$48	111%	48%	--	n/a
IRadimed Corporation <sup>1</sup>	Winter Springs, FL	Health Care Equipment	\$267	\$230	\$30	32%	-1%	\$6	61%	30%	-3%	n/a
Corindus Vascular Robotics, Inc. <sup>1</sup>	Waltham, MA	Health Care Equipment	\$161	\$209	\$10	240%	48%	-\$36	-17%	6%	-24%	106
BioLife Solutions, Inc.	Bothell, WA	Health Care Supplies	\$223	\$191	\$17	34%	21%	\$2	101%	95%	41%	40
FONAR Corporation	Melville, NY	Health Care Equipment	\$131	\$163	\$94	6%	7%	\$20	-17%	2%	3%	525
Apyx Medical Corporation	Clearwater, FL	Health Care Equipment	\$215	\$148	\$43	6%	12%	\$67	149%	22%	25%	211
Ra Medical Systems, Inc. <sup>4</sup>	Carlsbad, CA	Health Care Equipment	\$101	\$129	\$6	-2%	--	-\$19	--	--	--	n/a
REVA Medical, Inc. <sup>2,4</sup>	San Diego, CA	Health Care Equipment	\$62	\$128	\$0	--	--	\$16	-78%	-48%	-29%	51
HTG Molecular Diagnostics, Inc. <sup>3</sup>	Tucson, AZ	Health Care Technology	\$72	\$103	\$22	188%	64%	-\$16	25%	4%	-10%	96
Osprey Medical, Inc. <sup>2</sup>	Minnetonka, MN	Health Care Equipment	\$50	\$75	\$3	54%	144%	-\$18	-72%	-37%	-17%	n/a
Conformis, Inc. <sup>1</sup>	Billerica, MA	Health Care Equipment	\$23	\$71	\$90	15%	11%	-\$43	-85%	-65%	-54%	n/a
AirXpanders, Inc. <sup>2</sup>	San Jose, CA	Health Care Equipment	\$15	\$68	\$8	100%	199%	-\$27	-96%	-70%	-50%	n/a
Visioneering Technologies, Inc. <sup>2</sup>	Alpharetta, GA	Health Care Supplies	\$38	\$65	\$3	214%	296%	-\$17	-72%	--	--	n/a
Vermillion, Inc.	Austin, TX	Health Care Equipment	\$23	\$63	\$3	18%	7%	-\$12	-84%	-32%	-30%	40
Obalon Therapeutics, Inc. <sup>1,4</sup>	Carlsbad, CA	Health Care Equipment	\$47	\$56	\$9	-8%	31%	-\$37	-69%	-38%	--	n/a
iCAD, Inc. <sup>3</sup>	Nashua, NH	Health Care Technology	\$62	\$54	\$27	7%	-14%	-\$10	8%	5%	-6%	117
Digirad Corporation <sup>1</sup>	Suwanee, GA	Health Care Services	\$12	\$33	\$104	-12%	20%	\$1	-76%	-49%	-35%	n/a
75th Percentile			\$217	\$214	\$62	54%	60%	\$1	31%	6%	-1%	278
Median			\$87	\$128	\$24	18%	20%	-\$16	-17%	-12%	-14%	112
25th Percentile			\$45	\$67	\$7	6%	8%	-\$33	-74%	-38%	-30%	62
ImpediMed Limited	Pinkenba, QLD	Health Care Equipment	\$51	\$140	\$4	-17%	0%	-\$18	-81%	-43%	-31%	68
<b>Percent Rank</b>			34%	55%	20%	Lowest	12%	43%	17%	24%	23%	31%

**Notes:**

Data sourced from S&amp;P Capital IQ

Currency in millions of USD

LTM = Last Twelve Months

1. Denotes current peer company

2. Denotes ASX-listed company

3. Denotes health care technology company

4. Denotes Carlsbad/San Diego-based company

The Remuneration Committee believes that this approach allows the Company to achieve its Executive Director remuneration philosophy, and emphasize shareholder alignment and performance-based incentives.

To execute our thorough governance practices, the Remuneration Committee also considers market competitive data for Non-Executive Directors. Given the composition of our Board of Directors, and the Australian shareholder perspectives on Non-Executive

Director remuneration, the Remuneration Committee assesses the Board of Director compensation program relative to other ASX-listed companies. We have also considered industry and financial size (similar to the Executive Director peer group process) to ensure a reasonable and relevant list of peers are referenced. The following companies comprise this peer group:

**Notes:**

Data from S&P Capital IQ as of January 9, 2017

Currency in millions of USD. Australian company financial data was converted to USD using an exchange rate of USD \$1 = AUD \$1.3829 as of 12/31/2016.

LTM = Last Twelve Months

Peer Companies (n=10)	Location	Industry	Market Cap (12/31/18)	Market Cap 12-Month Avg	Revenue (LTM)	Revenue CAGR		Net Income (LTM)	Annualized TSR as of 12/31/18			Employee Count
						1-Year	3-Year		1 Year	3 Year	5 Year	
Starpharma Holdings Limited <sup>1</sup>	Abbotsford, VIC	Pharmaceuticals	\$440	\$495	\$4	36%	43%	-\$11	-13%	18%	10%	n/a
Polynovo Limited	Port Melbourne, VIC	Biotechnology	\$393	\$356	\$9	58%	535%	-\$5	14%	27%	15%	n/a
Medical Developments International Limited <sup>1</sup>	Scoresby, VIC	Pharmaceuticals	\$288	\$349	\$19	-5%	15%	\$0	-38%	0%	4%	55
Bionomics Limited <sup>1</sup>	Thebarton, SA	Biotechnology	\$57	\$198	\$10	-56%	-8%	-\$27	-73%	-32%	-22%	n/a
REVA Medical, Inc. <sup>2,4</sup>	San Diego, CA	Health Care Equipment	\$88	\$181	\$0	--	--	\$23	-78%	-48%	-29%	51
SomnoMed Limited <sup>1</sup>	Crows Nest, NSW	Health Care Equipment	\$115	\$150	\$67	29%	23%	-\$15	-50%	-22%	-7%	n/a
Osprey Medical, Inc. <sup>2</sup>	Minnetonka, MN	Health Care Equipment	\$70	\$106	\$4	54%	144%	-\$25	-72%	-37%	-17%	n/a
AirXpanders, Inc. <sup>2</sup>	San Jose, CA	Health Care Equipment	\$21	\$97	\$11	100%	199%	-\$38	-96%	-70%	-50%	n/a
Visioneering Technologies, Inc. <sup>2</sup>	Alpharetta, GA	Health Care Supplies	\$55	\$92	\$5	214%	296%	-\$24	-72%	--	--	n/a
OBJ Limited <sup>1</sup>	Leederville, WA	Pharmaceuticals	\$33	\$49	\$2	4%	10%	-\$2	-55%	-36%	-19%	n/a
75th Percentile			\$245	\$311	\$11	58%	199%	-\$3	-41%	0%	4%	54
Median			\$79	\$166	\$7	36%	43%	-\$13	-63%	-32%	-17%	53
25th Percentile			\$55	\$99	\$4	4%	15%	-\$25	-73%	-37%	-22%	52
ImpediMed Limited	Pinkenba, QLD	Health Care Equipment	\$72	\$198	\$5	-17%	0%	-\$25	-81%	-43%	-31%	68
Percent Rank			46%	64%	46%	18%	14%	27%	16%	25%	19%	Highest

**Notes:**

Data from S&P Capital IQ as of March 4, 2018. Currency in millions of AUD. Financial data reported in USD converted using an exchange rate of USD \$1 = AUD \$1.4188 as of 12/31/2018.

LTM = Last Twelve Months. 12-month average market capitalization as of 12/31/2018

1. Denotes current peer company
2. Denotes crossover company that is ASX-listed company with U.S. headquarters
3. Denotes health care technology company
4. Denotes Carlsbad/San Diego-based company

The Committee may also reference competitive U.S. Non-Executive Director remuneration practices to ensure that ImpediMed is able to attract and retain Non-Executive Directors from the U.S. market

We believe that this process for both Executive Directors and Non-Executive Directors is market competitive, inclusive of shareholder perspectives and aligned with governance best practices.



## **Addendum E: Non-Executive Director Compensation**

The directors play a critical role in guiding the strategic direction and overseeing the management of the Company. Ongoing developments in corporate governance and financial reporting have resulted in an increased demand for such highly qualified and productive public company directors. The many responsibilities and risks and the substantial time commitment of being a director of a public company require that we provide adequate compensation commensurate with the directors' workload. The non-employee directors are compensated based upon their respective levels of board participation and responsibilities, including service on board committees.

The director compensation is overseen by the Remuneration Committee, which makes recommendations to the Board of Directors on the appropriate amount and structure of the programs in light of then-current competitive practice. The Remuneration Committee may, if deemed necessary, receive advice and recommendations from a compensation consultant with respect to its determination on director compensation matters.

The maximum aggregate remuneration for non-executive directors is approved by shareholders. The Remuneration Committee considers the level of remuneration required to attract and retain directors with the necessary skills and experience for the Group's board. This remuneration is reviewed with regard to market practice and director duties and accountability.