



ASX RELEASE

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## Remuneration Update

### Sydney, Australia

Sirtex Medical (ASX:SRX) today provides an update on its remuneration from the Chair of the Remuneration Committee and Non-Executive Director Dr John Eady.

The Remuneration Committee has continued to refine and further develop our remuneration structure and policies, in spite of the challenges faced by the Company during the year. We have sought to address stakeholder concerns while making changes that recognise the evolving nature of the Company and improve the effectiveness of our structure and policies.

The Long-Term Incentive (LTI) component of our executive Total Remuneration Package (TRP) remains core to our executive remuneration packages. We agree with stakeholders that it is imperative for Sirtex's senior executives to take a long-term perspective to their work. Accordingly, over recent years the proportion of LTI has grown while the Short-Term Incentive (STI) component remains largely unchanged.

Deferring parts of the STI has been considered but on balance we feel that the desired longer-term perspective is better achieved through LTIs. It is a simpler process and reflects measures more closely related to shareholder interests than the more operational and internal Key Performance Indicators (KPIs) used to determine individual STIs.

However, these internal measures are critical to the work of every executive. They must reflect the immediate focus necessary to implement Company strategy. Given our recent revitalisation steps, the STI measures to apply to each executive have been reset and their critical importance stressed.

The LTI Plan and structure were also reviewed in the context of our 'resetting the business' strategy and taking into account stakeholder input.

With regard to the LTI measures, and after a fresh analysis of a range of alternatives, we believe that Total Shareholder Return (TSR) and growth in Earnings per Share (EPS) remain appropriate for Sirtex. Standard accounting metrics such as TSR and EPS are the most commonly-used measures for similar Australian companies.

In our LTI Plan TSR is defined as: The total of the movement in the share price over the period plus the value at the end of the measurement period of cash dividends paid during that period, assuming they are reinvested into the Company's shares, expressed as a percentage of the share price at the beginning of the measurement period.

In order to eliminate the possibility of windfall gains due to general market increases, recent Plan hurdles have been based on comparisons with the S&P/ASX 300 Total Return (TR) Index. However, as noted by several stakeholders, resources companies represent a significant portion of the

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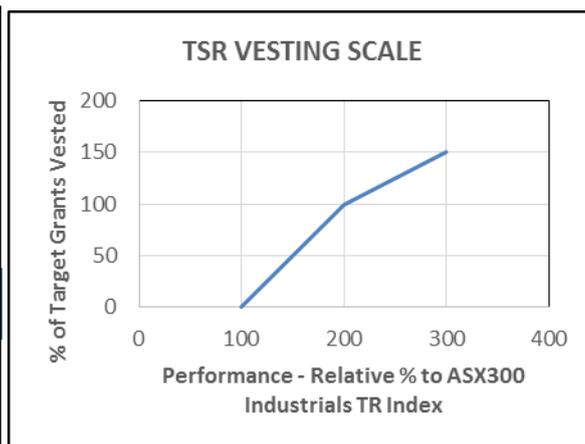
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S&P/ASX 300 and are subject to very different influences to other companies in the Index. Accordingly, it has been decided to use the S&P/ASX 300 Industrials TR Index for TSR comparisons for the FY18 grants, which is considered to be more appropriate. This Index is readily accessible and therefore transparent and should enable investors to have a clearer lens through which to evaluate the performance of companies such as Sirtex, compared to the relevant market in which it operates.

This change augments a significant initiative made last year to clarify vesting rules in circumstances where achieved TSRs may exceed stipulated comparative hurdles but are still very small, or even negative. While the Plan has always provided Board discretion in such circumstances, modifications have been made to 'offer documents' to make it clear that the Board would use such discretion if returns were negative. Moreover, for the FY18 grants, a threshold hurdle has been specified so that Rights will not vest if Sirtex's TSR is less than 10%, even if it outperforms the relevant Index. In effect, elements of the absolute TSR measure are incorporated as a threshold for vesting. The new TSR hurdle structure is:

INDEXED TSR	PERFORMANCE	GRANTS to VEST
Threshold	Average (100%) of ASX300 Industrials TR Index and greater than 10% CAGR over vesting period.	0%
Recognition	Above threshold performance but less than target.	1% of grants for each 1% above index average.
<b>TARGET</b>	<b>2 times (200%) ASX300 Industrials TR Index market average over vesting period.</b>	<b>100% of target grants (equal to 66.7% of awarded grants).</b>
Further Reward	Surpassing Target over vesting period.	0.5% of additional grants for each 1% above 2 times index average up to 1.5 times target.



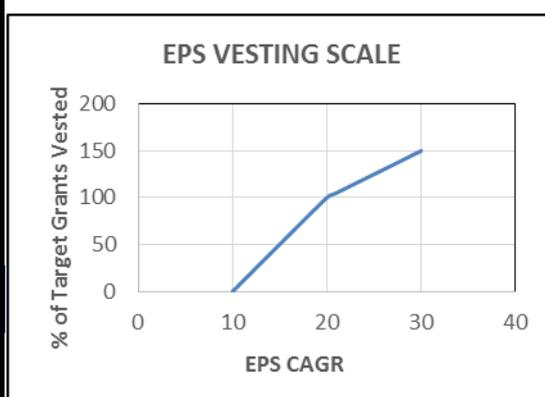
With such a Plan structure, the number of grants made to senior executives must take into account the possibility for a 'surpassing target' reward. As some limit is required, a maximum of 1.5 times target has been determined.

EPS growth is defined as: Compound Average Growth Rate (CAGR) for earnings per share, is calculated based on reported net profit after tax, adjusted for significant, specified non-recurring items, and expressed in constant currency. The constant currency exchange rate will be the average exchange rate for the base year, which is the financial year prior to the year of issue of the performance rights.

As examples, for the financial year ended 30 June 2017 the one off non-recurring items are the impairment to internally-generated intangible assets and the restructure provision.

Appropriate hurdles for this measure must reflect Company strategy but again, as with the TSR measure, a significant CAGR threshold continues to be a requirement. The new EPS hurdle structure is:

EARNINGS per SHARE	PERFORMANCE	GRANTS to VEST
Threshold	Compound EPS growth over vesting period of 10%.	0%
Recognition	Above threshold performance but less than target.	10% of grants for each 1% of EPS CAGR greater than threshold and up to target.
<b>TARGET</b>	<b>CAGR EPS of 20% over vesting period.</b>	<b>100% of target grants (equal to 66.7% of awarded grants).</b>
Further Reward	Surpassing Target over vesting period.	5% of additional grants for each 1% CAGR above target up to 1.5 times EPS CAGR target.



Another matter addressed is the apparent lack of retention of vested LTI shares. This has been a concern to the Board and other stakeholders for some time. A review has found that part of the issue was that not all Company shares owned by the executive and his/her associated entities were being captured in our reporting. It has been decided that a more accurate picture of share retention would result if future reporting were to include both direct and indirect holdings.

In addition, the Executive Rights Plan has been recently amended to require senior executives to:

- Seek and receive time-limited written approval from the CEO or Chair before any vested Company shares can be sold; and
- Retain a percentage of those vested shares so that, over a maximum accumulation period of 3 years, the executive has the equivalent of 1 year's then current base salary in Sirtex shares, unless special circumstances exist.

Selling restrictions for the Non-Executive Director (NED) salary sacrifice shares were also revisited. While the recent move to extend disposal restrictions to the sooner of 15 years after granting or ceasing to be a Director, has been supported, stakeholder input questioned whether the ability to sell those shares immediately after ceasing to be a director may raise insider trading issues, given that the NED would still be familiar with Company information at that time. Trading with inside information is illegal, but nevertheless possible modifications to the Plan were explored in order to minimise the chances of any inadvertent inappropriate trading.

It was agreed that it would be prudent to add a requirement in the NEDs Rights Plan for someone who ceased to be a NED to inform the Sirtex Chair of his/her intention to sell any of their salary sacrifice shares within 6 months after their departure. This would enable the Chair to provide an additional perspective and alert the recently departed NED of any facts that may raise potential insider trading concerns. At the same time, it was recognised that selling portions of shares to pay tax as soon as they became taxable is sound financial behaviour.

As Chair of the Remuneration Committee, I would like to acknowledge the interest shown, and input provided by, many stakeholders. As would be expected, suggestions frequently reflect very different views, but all make us think and so help us to improve our remuneration policies and structures.

Dr John Eady

Chair of the Remuneration Committee

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