

Group Remuneration Policy

Netwealth Group Limited (Company)

Approved and adopted by:

- Netwealth Group Limited (ABN 84 620 145 404)
- Netwealth Holdings Limited (ACN 133 790 176)
- Netwealth Investments Limited (ABN 85 090 569 109) (AFSL 230975) (RSE Licence L0000192) (in the capacity of Trustee, Responsible Entity, Operator and Custodian)
- Netwealth Group Services (ABN 89 135 940 840)

Netwealth Group Limited

ABN 84 620 145 404

Level 8/52 Collins Street
Melbourne VIC 3000

PO Box 336

South Melbourne VIC 3205

Document version control:

Custodian	Secretary of the Remuneration Committee
Date approved by the Board	21 August 2018
Date of last review	June 2018
Date of next scheduled review	June 2019
Regulator	APRA
Legislative Framework	<ul style="list-style-type: none">• Superannuation Industry (Supervision) Act• SPS 510 Governance
Related Policies	Board Delegation Policy

1.0 Introduction

1.1 Application of the Remuneration Policy (the Policy)

The Policy applies to all employees of Netwealth Group Limited or any of its subsidiary companies, referred to collectively here as 'Netwealth' who are:

- employees required to be covered by the Policy under APRA Prudential Statement SPS 510 Governance (**SPS 510**);¹
- employees that APRA determines must be covered under the Policy;² and
- any other employees that the Board of a Netwealth company determines should be covered by the Policy

(**Applicable Employees**).³

The Policy forms part of Netwealth's risk governance and management framework.⁴

1.2 Purpose of the Policy

The purpose of the Policy is to outline Netwealth's remuneration objectives and the structure of Netwealth's remuneration arrangements, including Netwealth's performance-based remuneration. Remuneration arrangements include measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity-related benefits)

¹ Currently, paragraph 30 of SPS 510 requires that the policy cover, at a minimum:

- (a) each 'responsible person' as that term is defined in SPS 520, excluding auditors and actuaries;
- (b) persons whose primary role is risk management, compliance, internal audit, financial control or actuarial control (collectively 'risk and financial control personnel'); and
- (c) all other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the interests of beneficiaries, the financial position of the RSE licensee, any of its RSEs or connected entities, or any other relevant prudential matter.

SPS 520 defines 'responsible person' as:

- (a) a director of the RSE licensee;
- (b) a senior manager of the RSE licensee;
- (c) [auditor – which is excluded for this purpose];
- (d) [actuary – which is excluded for this purpose];
- (e) a secretary of the RSE licensee; and
- (f) a person who performs activities for a connected entity of the RSE licensee where those activities could materially affect the whole, or a substantial part, of the RSE licensee's business operations, or its financial standing, either directly or indirectly.

² SPS 510 paragraph 32.

³ As at the date of this policy, the board has determined that in addition to employees otherwise covered by SPS 510, this policy applies to any employee whose total remuneration including performance-based remuneration exceeds or is reasonably likely to exceed \$150,000 per annum.

⁴ SPS 510 paragraph 36.

and the timing of eligibility to receive payments that a person receives by virtue of the role that they undertake for Netwealth, regardless of where, or from whom, the remuneration is sourced.⁵

Role	Responsibility
Netwealth entity board(s) (Board)	<ul style="list-style-type: none"> • Approve the Policy • Approve certain matters in relation to remuneration as set out in the Policy
Netwealth Investments Ltd Remuneration Committee	<ul style="list-style-type: none"> • As set in the Remuneration Committee Charter • Conduct regular review of the Policy • Make recommendations to the Board in regard to bonus payments
Managing Directors	<ul style="list-style-type: none"> • Make decisions concerning remuneration • Act in accordance with the Policy

2.0 Remuneration Objectives

Netwealth has the following objectives in relation to remuneration:

- remuneration levels are always to comply with all applicable legal requirements;
- remuneration is to be designed to promote the achievement of Netwealth’s strategic objectives;
- while the structure of remuneration arrangements is designed in part to promote and reward performance, it must also promote conduct which is consistent with the Board’s risk appetite and the protection of the interests of Netwealth’s stakeholders;
- the structure of remuneration is to be consistent with and promote adherence to Netwealth’s ethics, values, policies and procedures;
- employees are to be fairly remunerated for the work undertaken having regard to the remuneration of employees in comparable positions in comparable organisations in comparable geographic locations;
- remuneration levels should encourage an appropriate level of staff retention;
- Netwealth’s long term financial soundness is of critical importance and the prospective financial position and performance of Netwealth is to be taken into account in setting levels of remuneration; and
- the risk gateway set by the Board must be passed for all remuneration increases and bonus payments.

⁵SPS 510 paragraph 26

3.0 Structure of remuneration arrangements

- (a) All remuneration including all components of performance-based remuneration is determined by the Managing Director. In the case of an Applicable Employee, the Remuneration Committee or the Board, must approve the employee's initial remuneration and all subsequent changes to that remuneration, in accordance with the Board Delegation Policy.
- (b) The Managing Director determines remuneration having regard to Netwealth's remuneration objectives. In making determinations under the Policy, the Managing Director is acting as a director of the employer of the relevant employees and the Remuneration Committee is acting as a committee of the Board of the relevant employer.
- (c) The Managing Director consults the Remuneration Committee in relation to remuneration arrangements for Applicable Employees and, where the Managing Director considers it appropriate, advice may be sought from external recruiting and remuneration consultants.
- (d) Remuneration reviews are based on individual performance reviews and a consideration of market remuneration levels.
- (e) An employee's remuneration review generally occurs once a year, after the employee's performance has been assessed as part of the annual performance review process.
- (f) Reviews at other times may also be undertaken where the Managing Director considers this appropriate.
- (g) In the case of risk and financial control employees, the structure of their remuneration, including performance-based components if any, must not compromise the independence of these employees in carrying out their functions.

4.0 Performance based remuneration

Design and types of performance-based remuneration

APRA's Prudential Standard 510 has a particular focus on performance-based remuneration. In particular, performance-based remuneration must be designed to encourage behaviour that supports:

- protecting the interests, and meeting the reasonable expectations, of Netwealth's stakeholders;
- Netwealth's long term financial soundness; and
- Netwealth's risk governance and management framework⁶.

Netwealth's fixed and performance-based remuneration structure is designed to promote and reward performance, while still promoting conduct which is consistent with the Board's risk appetite and the protection of the interests of stakeholders. This is done:

⁶ SPS 510 paragraph 27.

- by having regard to the results of performance reviews when setting levels of remuneration;
- in the case of marketing and sales employees, by paying bonuses for achieving or exceeding pre-agreed levels of sales performance;
- by paying bonuses to employees as a reward for exceptional levels performance; and
- by inviting certain senior employees to participate in employee equity plans.

The performance-based components of remuneration are designed to promote performance while remaining aligned with prudent risk-taking. The performance-based components incorporate adjustments to reflect:

- the outcomes of Netwealth’s business operations;
- the risks related to Netwealth’s business operations; and
- the time necessary for the outcomes of those business operations to be reliably measured.⁷

The Board may adjust performance-based components of remuneration downwards, to zero if appropriate, in relation to relevant persons or classes of persons, if such adjustments are necessary:

- to protect the financial position of Netwealth or for the purposes of any other relevant prudential matter;
- where the employee has not passed the risk gateway; and
- to respond to significant unexpected or unintended consequences that were not foreseen when approving the performance-remuneration.⁸

Bonuses

Bonuses for marketing and sales employees are based on sales and other performance targets.

The targets for marketing and sales employees and the method of calculating the bonus based on achievement of the targets must be:

- set in advance, normally before the commencement of the relevant period or the commencement of employment where employment commences during the relevant period;
- based on objectively measurable performance;
- approved by the Board before being communicated and agreed with the employees
- and may be based on individual or group performance.

⁷ SPS 510 paragraph 28.

⁸ SPS 510 paragraph 29.

Except in the case of marketing and sales employees who meet or exceed pre-agreed sales targets, bonuses are not paid as part of an employee's normal remuneration. Bonuses must be approved by the Board. A bonus is only paid in exceptional circumstances where the employee has achieved a level of performance beyond what could reasonably be expected of an employee in their position. Bonuses are also only paid if the employee is currently employed (or on approved leave) at the time of payment.

Bonuses are normally paid after the end of the relevant performance period.

Employee equity plan participation

Participation in employee equity plans is offered to certain senior employees.

Eligibility to participate, the level of participation and the terms of participation are determined by the Managing Director having regard to the remuneration objectives and must be approved by the Board.

An employee who participates in an employee equity plan is prohibited from hedging their economic exposure to the resultant equity price risk before the equity provided under the employee equity plan is fully vested and able to be sold for cash by the recipient. If an employee is found to have breached this requirement, the Board will take such action as it considers appropriate to prevent the employee from benefitting financially from their participation in the employee equity plan to the extent their participation was hedged.⁹

When an employee is invited to participate in an employee equity plan, the Board must include in the terms of the invitation such conditions as the Board believes are appropriate to ensure that, consistently with the preceding paragraph:

- the employee is prohibited from hedging their economic exposure to the resultant equity price risk before the equity provided under the employee equity plan is fully vested and able to be sold for cash by the employee; and
- if the employee is found to have breached this requirement, the board may take such action as it considers appropriate to prevent the employee from benefitting financially from their participation in the employee equity plan to the extent their participation was hedged.

⁹SPS 510 paragraph 33.

5.0 Third party service contracts

Netwealth has appointed a third party to provide internal audit services. The outsourcing to Netwealth's internal auditor is governed by the Group Outsourcing and Supplier Management Policy and the Risk Register relating to Outsourced Arrangements. The Audit Committee has the delegation from the Board to oversee the performance of the internal and external auditor and the Committee are also responsible for ensuring that remuneration is appropriate given the services provided.