

# Group Remuneration Policy

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## Netwealth Group Limited (Company)

Approved and adopted by:

- Netwealth Group Limited (ABN 84 620 145 404) on 27 October 2021
- Netwealth Holdings Limited (ACN 133 790 176) on 27 October 2021
- Netwealth Investments Limited (ABN 85 090 569 109) (AFSL 230975) (in the capacity of Responsible Entity, Operator and Custodian) on 27 October 2021
- Netwealth Superannuation Services Pty Ltd (ABN 80 636 951 310) (AFSL 528032) (RSE L0003483) (in the capacity of Trustee) on *TBC*
- Netwealth Group Services (ABN 89 135 940 840) on 27 October 2021

## Document classification: General use

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## 1.0 Introduction

### 1.1 Application of the Remuneration Policy (the Policy)

The Policy applies to all employees of Netwealth Group Limited (NWL) and all 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);<sup>1</sup>
- employees that APRA determines must be covered under the Policy;<sup>2</sup> and
- any other employees that the board of the relevant Netwealth company determines should be covered by the Policy.

(Applicable Employees).<sup>3</sup>

The Policy also applies to non-executive directors of NWL and all subsidiaries of NWL (Non-Executive Directors).<sup>4</sup>

The Policy forms part of Netwealth's risk governance and management framework.<sup>5</sup>

### 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

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<sup>1</sup> 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 internal audit, risk management, compliance, financial control or actuarial control (includes all manager level Legal, Risk & Compliance employees, GM-Finance Operations and Group Finance Manager), (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.

<sup>2</sup> SPS 510 paragraph 32.

<sup>3</sup> 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 \$200,000 per annum.

<sup>4</sup> ASX Corporate Governance Principles and Recommendations – Principle 8.2.

<sup>5</sup> SPS 510 paragraph 36.

arrangements include measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity-related benefits) 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.<sup>6</sup>

Role	Responsibility
Netwealth entity board(s) ( <b>Board</b> )	<ul style="list-style-type: none"> <li>• Approve or adopt the Policy</li> <li>• Approve certain matters in relation to remuneration as set out in the Policy</li> </ul>
Remuneration and Culture Committee ( <b>Remuneration Committee</b> )	<ul style="list-style-type: none"> <li>• As set in the Remuneration Committee Charter</li> <li>• Conduct regular review of the Policy</li> <li>• Make recommendations to the Board in regard to bonus payments</li> </ul>
Joint Managing Director to whom the Board has allocated responsibility for remuneration ( <b>Joint Managing Director</b> )	<ul style="list-style-type: none"> <li>• Makes decisions concerning remuneration</li> <li>• Consults with the Remuneration Committee in accordance with the Policy</li> <li>• Acts in accordance with the Policy</li> </ul>

## 2.0 Remuneration Objectives

### 2.1 Employee remuneration objectives

Netwealth has the following objectives in relation to employee 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 over the short, medium and long term;
- 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;
- there should not be any gender bias in remuneration;
- remuneration levels should attract and retain high quality employees;
- 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.

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<sup>6</sup> SPS 510 paragraph 26

## 2.2 Non-Executive Director remuneration objectives

Netwealth has the following objectives in relation to Non-Executive Director remuneration:

- remuneration must be sufficient to attract and retain high quality Non-Executive Directors;
- remuneration for Non-Executive Directors must not create a conflict with their obligation to bring an independent judgement to matters before the Board;
- remuneration for each Non-Executive Director should be appropriate based on their role and responsibilities, including the time commitment involved; and
- there must be no gender bias in determining remuneration.

## 3.0 Structure of remuneration arrangements

### 3.1 Employee remuneration arrangements

- All remuneration including all components of performance-based remuneration is determined by the Joint 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.
- The Joint Managing Director determines remuneration having regard to Netwealth's remuneration objectives. In making determinations under the Policy, the Joint 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.
- The Joint Managing Director consults the Remuneration Committee in relation to remuneration arrangements for Applicable Employees and, where the Joint Managing Director considers it appropriate, advice may be sought from external recruiting and remuneration consultants.
- Remuneration reviews are based on individual performance reviews and a consideration of market remuneration levels.
- 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.
- Reviews at other times may also be undertaken where the Joint Managing Director considers this appropriate.
- 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.

### 3.2 Non-Executive Director remuneration arrangements

- Non-Executive Director remuneration is determined by reference to:
  - industry-specific factors such as the remuneration of directors of comparable companies in the financial services industry;
  - company-specific factors such as the size and profitability of Netwealth (or the relevant Netwealth subsidiary in the case of directors who are not directors of all the Netwealth companies), the complexity of its operations, the time required to be committed to board duties and shareholder votes on remuneration reports (where applicable); and
  - director-specific factors such as the qualifications and experience required to be a Non-Executive Director;
- Non-Executive Directors are remunerated by way of monthly fees in cash and superannuation contributions.

- Non-Executive Directors may receive additional fees for participation on board committees.
- Non-Executive Directors do not participate in schemes designed for the remuneration of executives.
- Non-Executive Directors do not receive bonuses although they may receive additional remuneration if they undertake additional duties on behalf of Netwealth.
- An individual Non-Executive Director may not be involved in determining their own remuneration but may, in their capacity as a member of the Remuneration Committee, be involved in setting as a 'benchmark' the appropriate level of remuneration for Non-Executive Directors generally.

### 3.3 Expectation that Non-Executive Directors NWL will hold shares in NWL

- Non-Executive Directors of NWL are expected to acquire shares in NWL with a total value equal to at least approximately one year's remuneration.
- The shares must be acquired from the Non-Executive Director's own resources although this may be done by way of a 'salary sacrifice' arrangement agreed by the Board of NWL and the Non-Executive Director.
- It is expected that the Non-Executive Director will acquire the shares within 3 years of their appointment.

## 4.0 Performance based remuneration

### 4.1 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 framework<sup>7</sup>.

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

- by having regard to the results of performance reviews when setting levels of remuneration;
- where the Board considers it appropriate, by obtaining and having regard to advice from external remuneration consultants;
- in the case of JMDs who choose to participate and members of the Executive Committee, by having a short-term incentive (STI) and long-term incentive (LTI)<sup>8</sup> framework;
- in the case of marketing and sales employees, by paying bonuses for achieving or exceeding pre-agreed levels of sales performance;
- in the case of key employees whom the Board considers make a material contribution to the success of Netwealth, by making offers of incentive securities under the NEIP; and

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<sup>7</sup> SPS 510 paragraph 27.

<sup>8</sup> The Board has adopted the Netwealth Equity Incentive Plan (NEIP) which allows the Board to make offers of LTIs in the form of incentive securities to employees.

- in the case of all employees, by paying bonuses to the employees as a reward for exceptional levels performance.

Performance requirements for the receipt of performance-based remuneration are clearly specified and are intended to be consistent with Netwealth's short, medium- and longer-term performance objectives as well as its circumstances, purpose, strategic goals, values and risk appetite. The Board retains a discretion which is designed to prevent performance-based remuneration rewarding conduct that is contrary to Netwealth's values or risk appetite.

Remuneration packages for executive directors and other senior executives have an appropriate balance of fixed remuneration and performance-based remuneration.

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.<sup>9</sup>

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.<sup>10</sup>

## 4.2 Bonuses for marketing and sales employees

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.

## 4.3 JMD and Executive STI and LTI framework

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<sup>9</sup> SPS 510 paragraph 28.

<sup>10</sup> SPS 510 paragraph 29.

The STI and LTI framework applies to JMDs who choose to participate and members of the Executive Committee. The table below summarises the framework.

STI		LTI	
<b>Maximum target amount</b> JMD – 50% of base remuneration Executive Committee - 25% of base remuneration * Where the Head of Distribution is a member of the Executive Committee and entitled to participate in sales bonuses, the Head of Distribution is not entitled to an STI under the JMD and Executive STI and LTI framework.		<b>Maximum amount</b> JMD - 50% of base remuneration Executive Committee - 25% of base remuneration	
<b>Form and time of payment</b> Cash – half paid following announcement of annual results for the FY in which earned (FY1), and the other half paid in following FY (FY2) after announcement of results. The only conditions for payment of the second half in FY2 are: <ul style="list-style-type: none"> <li>continued employment</li> <li>achieve rating of 'Aligned' or above for each values measure in FY2</li> </ul>		<b>Form of payment</b> Performance rights, i.e. zero exercise price options (e.g. a right to a share with a market price at the time of grant of \$15 is valued at \$15 for the purpose of valuing the LTI benefit).	
Performance metrics	Weighting	Vesting period	
		The vesting conditions are tested over 3 financial years (FY1, FY2 and FY3). Rights are converted to ordinary shares upon vesting after the end of FY3.	
		Performance metrics	Weighting
Netwealth actual NPAT in FY1 relative to budget NPAT in FY1. Between 95% and 105% of budget, a proportionate amount is paid. *As short-term profitability could be seen as being in conflict with robust compliance and mitigation of risk, a different metric applies to the Head of Legal, Risk and Compliance.	50%	50% of Performance rights are subject to an EPS vesting condition based on the Company's EPS over the vesting period. The percentage of Performance rights that vest under the EPS vesting condition, if any, is determined by reference to the average annual growth rate of the Company's	50%

See note below this table.		EPS over the vesting period.	
Individual values rating	25%	Average of individual values ratings over FY1, FY2 and FY3.	25%
Individual contribution to delivery of strategic initiatives (based on the Board's assessment).	25%	Individual contribution to delivery of strategic initiatives (based on the Board assessment) over FY1, FY2 and FY3.	25%
<b>Gateways</b> Personal - must achieve rating or 'Aligned' or above for each values measure in FY1 Corporate – Netwealth must achieve at least 95% of budget NPAT in FY1 for any STI to be payable		<b>Gateway for vesting</b> Personal – must achieve rating or 'Aligned' or above (or equivalent measure) for each values measure in FY1, FY2 and FY3.	
<b>Commencement</b> Applies from FY21 onwards		<b>Commencement</b> Applies from FY22 onwards	
<b>Eligibility</b> JMDs who choose to participate and members of the Executive Committee		<b>Eligibility</b> JMDs who choose to participate and members of the Executive Committee	

#### Metric for Head of Legal, Risk and Compliance

Netwealth's long term enterprise value and profitability are dependent on at all times maintaining robust compliance and risk mitigation. The role and responsibility of the Head of Legal, Risk and Compliance is to promote robust compliance and risk mitigation. Long experience has shown that compliance and risk failures have a greater detrimental effect on profitability than the prevention and avoidance. Therefore, in the long term, there is no inconsistency between robust compliance and risk mitigation and promoting profitability. However, in the short term, the cost of effective compliance and risk mitigation can reduce profitability and providing an incentive based on current year profitability could be seen as inconsistent with the role of the Head of Legal, Risk and Compliance. Therefore, in lieu of 1/3 of the STI being based on actual NPAT relative to budget NPAT, the 1/3 metric for the Head of Legal, Risk and Compliance is based on the Board's assessment of the contribution of the Head of Legal, Risk and Compliance to the effective management of Netwealth's legal, compliance and risk functions in the relevant year.

## 4.4 General LTI framework

The general LTI framework applies to all employees, including executives. The table below summarises the framework.



<b>LTI</b>	
<b>Maximum amount</b> Variable based on the value of each employee’s potential contribution to the success of the Company.	
<b>Form of payment</b> Options with an exercise price equal to the value of the Company’s shares at or about the time of grant.	
<b>Vesting period</b> The vesting conditions are tested over 3 financial years (FY1, FY2 and FY3).	
<b>Performance metrics</b>	<b>Weighting</b>
<b>Gateway for vesting</b> Personal – must remain employed by the Company and achieve rating or ‘Aligned’ or above for each values measure in FY1, FY2 and FY3.	
<b>TSR Vesting Condition for Executives</b> For members of the Executive, 50% of Options are subject to a relative TSR condition measured over the Vesting Period. The percentage of Options that vest, if any, is based on ranking over the Vesting Period against a comparator group of companies comprising the S&P/ASX 300 Diversified Financials Index as at 1 July FY1 over the same period. The TSR over the Vesting Period must be more than zero.	50%
<b>EPS Vesting Condition for Executives</b> For members of the Executive, 50% of Options are subject to an EPS condition based on absolute EPS growth over the Vesting Period. The percentage of Options that vest is determined by reference to the average annual growth rate of earnings per share over the Vesting Period.	50%
<b>Commencement</b> Applies from FY22 onwards	
<b>Eligibility</b> All employees.	

## 4.5 Bonuses for other employees

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.

## 4.7 Termination payments

- Termination payments may be made to senior executives in accordance with their employment contracts in the case of early termination.
- Non-Executive Directors do not receive termination payments or retirement benefits, other than superannuation from superannuation contributions.
- There should be no payment for removal for misconduct.

## 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 Supplier and Purchasing Agreement Policy, the Netwealth Superannuation Services Pty Ltd 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.