

Steadfast Group

# Employee Incentive Scheme

(Extracts from Steadfast Group  
**2024 Annual Report**)



## Remuneration Report continued

### 1.3. Key management personnel

The KMP of the Group for the financial year are as follows:

Name	Role	Date of appointment
<b>Non-Executive Directors</b>		
Frank O'Halloran AM	Chair, Non-Executive Director	21 October 2012
David Liddy AM	Deputy Chair, Non-Executive Director	1 January 2013
Vicki Allen	Non-Executive Director	18 March 2021
Andrew Bloore	Non-Executive Director	15 November 2023
Joan Cleary	Non-Executive Director	28 July 2022
Gai McGrath	Non-Executive Director	1 June 2018
Greg Rynenberg	Non-Executive Director	10 August 1998
<b>Executive Director</b>		
Robert Kelly AM	Managing Director & CEO	18 April 1996
<b>Other key management personnel</b>		
Nigel Fitzgerald	Chief Operating Officer	4 April 2023
Samantha Hollman	Chief Executive Officer – International	4 January 2000
Stephen Humphrys	Chief Financial Officer	2 January 2013
Allan Reynolds <sup>1</sup>	Executive General Manager – Direct, New Zealand & Asia	5 December 2002

<sup>1</sup> Allan Reynolds retired on 31 August 2023.

## 2. Remuneration explained

### 2.1. STI for FY24 and FY25

The table below outlines the key details of the STI plan.

Component	Details
<b>Purpose and link to strategy</b>	Rewards the achievements of the Group's business plan and individual goals over a 12 month period.
<b>Composition</b>	STI plan consisting of cash and DEA.
<b>Potential reward</b>	STI awards are performance-based, at-risk reward arrangements subject to Board discretion . The total of at-risk remuneration for STI is targeted at 33%-50% of total remuneration, depending on the role.

Component	Details
<b>Performance measures</b>	<p><b>Financial measure:</b></p> <p>ROC, being underlying NPAT divided by opening equity attributable to owners of Steadfast Group Limited, is the key metric upon which the STI is calculated. An STI award is made if the ROC target is met or exceeded, and non-financial performance measures are achieved. 70% of STI allocation is based on financial measures.</p> <p>The ROC hurdles are set out in the table below on page 60 and are calculated with reference to the shareholders' equity at the start of the financial year and, in the current financial year, underlying NPAT used in the calculation of ROC for FY24 excludes the Sure Insurance acquisition completed in the financial year.</p> <p><b>Non-financial measures:</b></p> <p>The Board sets the individual objectives for the MD &amp; CEO. Refer to section 2.3 for the MD &amp; CEO's FY24 non-financial objectives with weightings and achievements. Participants must meet or exceed expectation in both strategic and personal KPIs to be eligible for this component of the STI plan. 30% of STI allocation is based on non-financial measures.</p> <p><b>Gateway measure:</b></p> <p>Meeting or exceeding TOGETHER values assessment target.</p>
<b>Rationale for choosing performance measures</b>	<p>The financial measure of ROC is chosen to ensure long-term shareholder value is increased.</p> <p>The non-financial measures are chosen to ensure each member of the Executive Team delivers outcomes that support the success of Steadfast.</p>
<b>Potential maximum STI (including outperformance)</b>	<p>The MD &amp; CEO can earn an STI up to 200% of his annual fixed remuneration, including outperformance incentive for FY24. For FY25 the MD &amp; CEO can earn an STI up to 125% and the outperformance incentive has been removed.</p> <p>The other members of the Executive Team can earn up to 100% of their annual fixed remuneration; however, they are not eligible for outperformance incentives.</p>
<b>Approval of the STI</b>	<p>The MD &amp; CEO's STI is recommended by the Remuneration &amp; Performance Committee based on the Group's financial and his non-financial performance outcomes and approved by the Board.</p> <p>The STI of other members of the Executive Team is recommended by the MD &amp; CEO to the Remuneration &amp; Performance Committee, based on the Group's financial and their non-financial performance outcomes. It is recommended by the Remuneration &amp; Performance Committee and approved by the Board.</p>
<b>Forms of the STI reward elements</b>	<p>60% is paid as cash, normally in September following the end of the financial year.</p> <p>40% is granted as a DEA of conditional rights (rights) to Steadfast ordinary shares, which vest over a one-year tenure performance hurdle period from the grant date.</p>
<b>Key terms of DEA</b>	<p>A DEA is normally granted on the date the audited financial results are announced. These rights are granted to the participants at no cost.</p> <p>The number of rights granted is calculated by dividing the dollar value of the DEA award by the volume weighted average price (VWAP) of shares over the five trading days before the grant date.</p> <p>The participants in the STI plan become eligible to receive one Steadfast ordinary share per right, subject to their continuing employment with the Group over the vesting period post grant date, and no material adverse change to the reported results. The Remuneration &amp; Performance Committee noted there had not been any material subsequent deterioration in reported results due to any prior year adjustments for the year of the grant.</p> <p>These rights will accrue notional dividends and may accrue, subject to Board discretion, any bonus element inherent in any rights issue, which will be paid as additional shares upon vesting.</p>
<b>Forfeiture conditions</b>	<p>The Board retains the discretion to adjust any unpaid or unvested performance-related remuneration (such as STI – cash, STI – DEA) downwards if it is appropriate to do so. Malus provisions also apply.</p> <p>The rights will be forfeited if the Executive resigns before the vesting date.</p> <p>When an Executive ceases employment as a "good leaver", such as genuine retirement, death, redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast ordinary shares, subject to Board discretion.</p>
<b>Change of control</b>	<p>The rights vest upon a change of control event.</p>
<b>Vesting conditions</b>	<ul style="list-style-type: none"> <li>▶ Continued employment to date of vesting, being one year from the grant date.</li> <li>▶ No adverse change to the FY24 result (causing a material overstatement of NPAT for that year).</li> </ul>

## Remuneration Report continued

Financial metrics for the calculation of STI are detailed in the below table.

Financial year ended 30 June 2024		Financial year ending 30 June 2025	
Return on capital	Award outcome	Return on capital	Award outcome
Below 11.55%	0%	Below 12.68%	0%
11.55% to 11.95%	50% vesting to maximum award on a straight line basis	12.68% to 12.98%	75% vesting to maximum award on a straight line basis
11.95%	Maximum award	12.98%	Maximum award
11.95% to 12.45%	Outperformance award on a straight line basis		
The maximum outperformance award for Robert Kelly AM for FY24 is 50%, while for FY25 it has been removed.			

### 2.2. LTI for FY24 and FY25

The table below outlines the key details of the LTI plan.

Component	Details
<b>Purpose and link to strategy</b>	Rewards the creation of long-term shareholder value through equity acquisition opportunity.
<b>Composition</b>	LTI plan consisting of DEA.
<b>Potential reward</b>	LTI awards are discretionary, performance-based, at-risk reward arrangements. The total of at-risk remuneration for LTI is targeted at 25%-33% of total remuneration, depending on the role.
<b>Performance measures</b>	<b>Financial measures:</b> 50% is based on average underlying diluted EPS growth, and the remaining 50% is based on TSR. Hurdles for each of these measures are set out in the table below on page 61.  <b>Non-financial measures:</b> The Board sets the individual objectives for the MD & CEO on an annual basis. Each participant in the plan may be entitled to a DEA subject to a three year tenure hurdle and the participant's performance must meet or exceed expectations during each year of the three year tenure period.
<b>Rationale for choosing performance measures</b>	The financial measures of EPS growth and TSR are chosen to ensure long-term shareholder value is increased.  The non-financial measures are chosen to ensure each member of the Executive Team delivers outcomes that support the success of Steadfast.
<b>Potential maximum LTI</b>	The MD & CEO and other members of the Executive Team can earn 75% to 100% of their annual fixed remuneration.
<b>Approval of the LTI</b>	The Board approves the LTI based on the financial and non-financial performance outcomes as recommended by the Remuneration & Performance Committee.
<b>Forms of LTI reward</b>	DEA of rights to Steadfast ordinary shares which vest after the achievement of three-year future performance and tenure hurdles.

Component	Details
<b>Key terms of DEA</b>	<p>A DEA is normally granted on the date the audited financial results are announced. These rights are granted to the participants at no cost.</p> <p>The number of rights granted is calculated by dividing the dollar value of the DEA award by the VWAP of shares over the five trading days before the grant date.</p> <p>The participants in the LTI plan become eligible to receive one Steadfast ordinary share per right, subject to their continuing employment with the Group for the three-year period from the grant date and meeting performance hurdles, subject to Board discretion.</p> <p>These rights will not accrue notional dividends and may accrue, subject to Board discretion, any bonus element inherent in any rights issue, which will be paid as additional shares upon vesting.</p>
<b>Forfeiture conditions</b>	<p>The Board retains the discretion to adjust any unpaid or unvested LTI downwards if it is appropriate to do so. Malus provisions also apply.</p> <p>The rights will be forfeited if the Executive resigns before the vesting date.</p> <p>When an Executive ceases employment as a "good leaver", such as genuine retirement, death, redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast shares subject to Board discretion.</p>
<b>Change of control</b>	The rights will vest upon change of control; however, the Board has discretion for them to immediately vest or to vest over the vesting period.
<b>Vesting conditions</b>	<p>▶ Continued employment to date of vesting, being three years from the grant date.</p> <p>▶ No adverse change to the FY24 result (causing a material overstatement of EPS or TSR for that year).</p>

Financial metrics for the calculation of LTI are detailed in the below table.

Financial year ended 30 June 2024		Financial year ending 30 June 2025	
50% based on underlying diluted EPS.			
Straight line underlying diluted EPS growth	Vesting outcome	Straight line underlying diluted EPS growth	Vesting outcome
Below 10.0%	0%	Below 10.0%	0%
At 10.0%	25%	At 10.0%	25%
10.0% to 13.0%	Straight line between 25% to 100%	10.0% to 13.0%	Straight line between 25% to 100%
13.0% or higher	100%	13.0% or higher	100%
50% based on TSR measured against Top 200 ASX companies excluding those in the mining industry (peer group).			
TSR		TSR	
Equal to or less than 50th percentile of peer group	0%	Equal to or less than 50th percentile of peer group	0%
Greater than 50th but less than 75th percentile of peer group	Straight line between 50% to 100%	Greater than 50th but less than 75th percentile of peer group	Straight line between 50% to 100%
Equal to or exceeding 75th percentile of peer group	100%	Equal to or exceeding 75th percentile of peer group	100%

LTIs granted in August 2021 (vesting August 2024), August 2022 (vesting August 2025) and August 2023 (vesting August 2026) will be awarded and vested based on underlying diluted EPS growth, there being no TSR hurdle for these periods.

## Notes to the financial statements continued

### Note 15. Contingencies

#### Contingent liabilities

##### Put options

The Group has granted options to various banks to enable them to put shares held by other shareholders in associates and controlled entities of the Group at fair value if the bank enforces its security over those shares. These have been granted in relation to shares held by other shareholders in associates and controlled entities over which the bank holds a security interest to secure indebtedness by those shareholders. The Group expects no material net exposure from this arrangement as the contingent liabilities have contingent assets (being rights to shares held by the relevant shareholders) of similar values.

##### Bank guarantee

In the normal course of business, certain controlled entities in the Group have provided security for bank guarantees principally in respect of their contractual obligations on commercial leases.

##### Legal, regulatory and other proceedings

Steadfast Group (including its subsidiaries and associates/joint ventures) may from time to time be involved in legal, regulatory and other proceedings and disputes arising from its businesses. These may cause Steadfast to incur significant costs, delays and other disruptions to its business and operations.

In addition, regulatory disputes may result in fines, payments, penalties and other administrative sanctions. Involvement in any such dispute may adversely impact the reputation and the financial position and performance of Steadfast. The Group continues to review any exposures as a result of heightened regulatory focus on the insurance industry, including pricing promises.

##### Other

In the normal course of business, the Group is also exposed to contingent liabilities (net of any recoveries) in relation to litigation arising out of its activities. The Group may also be exposed to the possibility of contingent liabilities in relation to litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters which may result in legal or regulatory penalties and financial or non-financial losses and other impacts.

### Note 16. Events after the reporting period

#### Final dividend

On 28 August 2024, the Board declared a final dividend for FY24 of 10.35 cents per share, fully franked. The dividend will be paid on 24 September 2024.

#### IQumulate Premium Funding Warehouse Trust extension

At 30 June 2024, the Warehouse Trust limit for IQumulate Premium Funding Pty Ltd was \$660.0 million (including a \$60.0 million overdraft facility). In July 2024, the Warehouse Trust limit was increased by \$60.0 million to \$720.0 million (including a \$60.0 million overdraft facility) with an extended availability period to July 2025.

### Note 17. Share-based remuneration

#### Share-based payments – employee related

Share-based remuneration encourages employee share ownership, links employee reward to the performance of the Group and assists with attracting, retaining and motivating highly qualified and key personnel.

The Company intends to settle its obligations under share-based payment arrangements by the on-market purchase of the Company's ordinary shares which will be held in trust pending exercise of vested rights by employees. The Group has established a practice of purchasing a tranche of shares on or near grant date at the prevailing market price to facilitate building up a portfolio sufficient to meet the obligations when rights vest.

Trading in the Company's ordinary shares awarded under the share-based remuneration arrangements is covered by the same restrictions that apply to all forms of share ownership by employees. These restrictions prohibit an employee trading in the Company's ordinary shares when they are aware of price sensitive information and limit their trading at other times.

The Group has the following types of share-based remuneration arrangements provided to employees; each arrangement has different rules:

- ▶ short-term incentive (STI) plan;
- ▶ long-term incentive (LTI) plan;
- ▶ Steadfast subsidiary long-term incentive (SSLTIP) plan; and
- ▶ sign on bonus.

The share-based payments are included in the employment expense line in the statement of profit or loss and other comprehensive income.

### Senior management and executive share plans

The senior management and executive share plan arrangements are awarded based on the terms and conditions as set out in the STI and LTI plans. When granted, the awards in these two plans may be in the form of cash and/or rights. The Board has approved the participation of each individual in these arrangements as well as the actual awards based on the performance conditions in these two plans being met.

#### A. STI

The STI plan is a discretionary, performance-based, at-risk reward arrangement. STI is awarded based on each participant's performance hurdles and the achievement of a minimum 11.55% (FY23: 11.35%) underlying return on capital (ROC) defined as underlying NPAT (adjusted to remove the impact of the Sure Insurance and IBA acquisitions in FY24 and FY23 respectively) as a percentage of opening shareholders' equity attributable to the owners of Steadfast Group Limited.

The key terms of the STI plan for the 2024 financial year are:

- ▶ total STI will be awarded and settled in the form of cash and rights as approved by the Board if ROC and individual participant's performance criteria for the performance period (i.e. 1 July to 30 June) are met. If met:
  - ▶ 60% of STI will be settled in the form of cash and will be paid in August after the performance period; and
  - ▶ 40% of STI awarded will be deferred and granted in the form of rights;
- ▶ rights are granted for nil consideration;
- ▶ the vesting condition of rights is not market related and requires the participant to continue in relevant employment from the grant date of the rights (retention period) to the vesting date, being one year after grant date;
- ▶ the rights will accrue notional dividends during the retention period;
- ▶ when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share for nil consideration upon exercise by the participant. The notional dividends will be converted into an equivalent number of Steadfast ordinary shares based on the DRP issue price applicable to each dividend;
- ▶ the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares;
- ▶ the vesting is conditional on there being no material deterioration in the FY24 reported results during the performance period before the exercise of the rights; and
- ▶ if the vesting condition is not met then the rights lapse.

Further details of the 2024 STI in relation to the Group's KMP are disclosed in the Remuneration Report.

#### B. LTI

The LTI plan is a discretionary, performance-based, at-risk reward arrangement. LTI is awarded based on each participant's performance hurdles and the achievement of the minimum diluted EPS growth and TSR performance hurdles.

The key terms of the LTI plan for the 2024 financial year are:

- ▶ LTI will be awarded in the form of rights as approved by the Board and will be granted in August following the end of each financial year;
- ▶ rights are granted for nil consideration;
- ▶ the vesting condition of rights is conditional on meeting the following performance hurdles:
  - ▶ the participants meeting their individual performance hurdles during the three-year employment tenure from the grant date of the rights (retention period);
  - ▶ 50% (FY23: 50%) based on the Group achieving a minimum 10.0% (maximum at 13.0%) average straight line per annum diluted EPS growth during the retention period; and

## Notes to the financial statements continued

- ▶ 50% (FY23: 50%) based on the Group achieving a minimum TSR above the 50<sup>th</sup> percentile (maximum at 75<sup>th</sup> percentile) of the peer group during the retention period;
- ▶ the rights will not accrue notional dividends during the retention period;
- ▶ before vesting, the Board will determine the number of rights to vest based on the combined outcome of the performance hurdles;
- ▶ when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share for nil consideration upon exercise by the participant;
- ▶ the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares;
- ▶ the vesting is conditional on there being no material deterioration in the FY24 reported results during the performance period before the exercise of the rights; and
- ▶ if the vesting conditions are not met then the rights lapse.

Further details of the 2024 LTI in relation to the Group's KMP are disclosed in the Remuneration Report.

### C. SSLTIP

The SSLTIP is a discretionary arrangement that aims to provide executives of a Group company with the opportunity to acquire equity in Steadfast Group Limited as a reward for loyalty through performance and tenure over the longer term.

The key terms of the SSLTIP for the 2024 financial year are:

- ▶ subsidiary company executives may be given the opportunity to participate in the SSLTIP with the approval of the Group Chief Executive Officer (GCEO). Offers to participate in subsequent periods are at the discretion of the GCEO and will be the subject of separate confirmation, including confirmation of terms, each year;
- ▶ the SSLTIP applies for five years from 2024 to 2028. Awards can be made in five equal tranches over the five-year period;
- ▶ rights are granted for nil consideration;
- ▶ the rights will not accrue notional dividends during the retention period;
- ▶ prior to the vesting date for an entitlement year, the GCEO will determine for each participant the extent to which each of the criteria have been met for the entitlement year; and
- ▶ when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share for nil consideration upon exercise by the participant.

### Employee share plan

The Short-Term Employee Incentive Plan (STEIP) is a discretionary, performance based at-risk reward arrangement for employees other than senior management and executives that aims to recognise the contributions of the eligible employees of the Group when outstanding financial results and individual performance objectives are achieved.

The 2024 STEIP consists of two potential reward components:

- ▶ cash component – a cash award which may be delivered if ROC targets are met; and
- ▶ deferred equity award (DEA) – a DEA of rights to Steadfast shares if ROC targets are met and subject to a tenure hurdle and no material deterioration in ROC. Participation in the DEA component of the STEIP is by invitation only and is limited to participants approved by the Group Managing Director & CEO.

The ROC growth targets for the STEIP are aligned with those in the senior management and executive STI plan.

Notional dividends on the rights will accrue during the tenure hurdle period from the first interim dividend after the grant date. The notional dividends will be calculated in accordance with the DRP as varied from time to time. The accrued value of notional dividends will be provided to a participant on the vesting date of a conditional right in the form of additional Steadfast shares (or cash in lieu).