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# **Netwealth Group Limited**

## ***Performance Share Terms***

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# Netwealth Group Limited Performance Share Terms

## 1. Definitions and interpretation

### 1.1 Definitions

In these terms, unless the context otherwise requires, the following terms and expressions will have the following meanings:

**Acquisition Price** means, in respect of a Performance Share, the amount payable (if any) for that Performance Share.

**ASX** means ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange or the securities exchange operated by that entity, as appropriate.

**Board** means the board of directors of the Company, a committee appointed by the board of directors of the Company as constituted from time to time, or, in respect of a particular matter, any person who is provided with delegated authority by the board of directors of the Company in respect of that particular matter from time to time.

**Business Day** means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne, Australia.

**Change of Control Event** means the occurrence of:

- (a) the offeror under a takeover offer in respect of the voting shares of the Company announcing that it has achieved acceptances in respect of 50.1% or more of the voting shares; and
- (b) that takeover offer having become unconditional; or

the announcement by the Company that:

- (c) the holders of voting shares of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme or arrangements under which all the voting shares in the Company are to be either
  - (i) cancelled (except in respect of any shares retained by a third party); or
  - (ii) transferred to a third party; and
- (d) the Court, by order, approves the proposed scheme or arrangement,

but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company.

**Company** means Netwealth Group Limited (ACN 620 145 404).

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Group** means the Company and its Subsidiaries.

**Liquidity Event** means:

- (e) a Trade Sale; or
- (f) any other event determined by the Board in its absolute discretion to constitute a “Liquidity Event” for the purposes of these terms.

**Ordinary Share** means a fully paid ordinary share in the capital of the Company.

**Participant** means a holder of a Performance Share.

**Performance Share** means a “Performance” class performance share in the Company held by a Participant (including, where the context requires, any Ordinary Share in relation to which it has converted) pursuant to these terms.

**Subsidiary** has the same meaning as in Division 6 of Part 1.2 of the Corporations Act.

**Trade Sale** means the sale of all or substantially all of the:

- (a) business and assets of the Company to a third party; or
- (b) issued shares in the Company to a third party and whether or not such a sale occurs as part of one or more transactions,

but does not include any internal restructure under which the composition of the shareholders of the Company do not materially change.

**Vesting Condition** means any conditions to vesting of Performance Shares that are set out in Schedule 1.

## 1.2 Interpretation

In these terms, unless otherwise stated or the contrary intention appears:

- (a) the singular includes the plural and vice versa;
- (b) a gender includes all genders;
- (c) a reference to a document, agreement, plan or rules includes that document, agreement, plan or rules as novated, altered, supplemented, replaced or amended from time to time;
- (d) headings are for convenience only and do not affect the interpretation of these terms;
- (e) a reference to any thing (including any amount) includes any part of that thing and a reference to a group of things or persons includes each thing or person in that group;
- (f) a reference to any legislation includes any modification or replacement of it and all regulations and statutory instruments issued under it and a reference to any provision of any legislation includes any modification or substitution of it;
- (g) a reference to these terms includes all recitals, annexures, addendums and schedules to these terms;

- (h) a reference to a person includes a reference to the person's executors, administrators and successors or a body corporate including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (i) the expression "person" includes an individual, the estate of an individual, the legal personal representative of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (j) a monetary amount is a reference to Australian Dollars;
- (k) in these terms any reference to include means to include without limitation; and
- (l) where any word is given a defined meaning, any other part of speech or other grammatical form in respect of such word or phrase has a corresponding meaning.

## ***2. Rights and features of Performance Shares***

- (a) A Performance Share:
  - (i) is not transferrable;
  - (ii) does not confer on its holder the right to:
    - (A) receive dividends;
    - (B) participate in new issues of securities such as bonus issues or entitlement issues;
    - (C) a return of capital, whether in a winding up, upon a reduction of capital or otherwise; or
    - (D) participate in the surplus profit or assets of the Company upon a winding up; and
  - (iii) confers on its holder the right to receive notices of general meetings of the Company but not to attend or to vote at general meetings of the Company.
- (b) Subject to these terms, if all Vesting Conditions have been met in respect of any Performance Shares, those Performance Shares will automatically convert, by way of variation of the terms of the Performance Shares and change of name, to Ordinary Shares on a 1:1 basis, on the day that is 2 Business Days following the day the Vesting Conditions have been met.
- (c) Subject to these terms, if at any time any Vesting Condition is not been met by the date specified for satisfaction of that Vesting Condition in respect of any Performance Shares on issue on that date, those Performance Shares will automatically be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) for the Acquisition Price on the day that is 2 Business Days following the date on which the relevant Vesting Condition failed to be met.
- (d) Subject to clause 2(e), if the Board determines before 31 December 2020 in its absolute discretion that a Liquidity Event or Change of Control Event will or is likely to occur, the Board may convert any Performance Share to an Ordinary Share on a 1:1 basis, and that converted Ordinary Share may participate and/or benefit from any transaction arising from or in connection with the Liquidity Event or the Change of Control Event.

- (e) If the Board determines in its discretion to convert Performance Shares to Ordinary Shares under clause 2(d), the number of Ordinary Shares into which the Performance Shares convert must not exceed 10% of the Company's issued ordinary capital as at the date of conversion.
- (f) If any Vesting Conditions have not been met by 31 October 2022, each Performance Share on issue at that date will automatically be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) for the Acquisition Price on the day that is 2 Business Days following 31 October 2022.
- (g) In the event that the Ordinary Shares on issue are sub-divided or consolidated into a larger or smaller amount, the Performance Shares will be sub-divided or consolidated (as the case may be) by the same ratio such that they represent the same proportion of the issued capital of the Company following the sub-division or consolidation of the Performance Shares as they did prior to the sub-division or consolidation of Ordinary Shares.

### **3. Compulsory divestiture**

#### **3.1 Fraudulent or dishonest actions**

Unless varied by prior written agreement with the Board, where, in the opinion of the Board, a holder of a Performance Share:

- (a) acts fraudulently or dishonestly; or
- (b) has wilfully breached his or her obligations to any member of the Group,

then the Board may deem any Performance Shares held by the holder to be compulsorily divested – in which event the holder is deemed to have agreed to sell those Performance Shares to the Company pursuant to an Employee Share Scheme Buy-Back (as defined in the Corporations Act) at the Acquisition Price.

#### **3.2 Insolvency**

Unless otherwise determined by the Board, a Performance Share held by a Participant in accordance with these terms will be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) immediately on the date that the Participant becomes insolvent under administration (as defined in section 9 of the Corporations Act).

#### **3.3 Application of Part 2D.2 Division 2 of the Corporations Act**

- (a) This clause 3.3 applies to all termination payments to which Part 2D.2 Division 2 of the Corporations Act applies.
- (b) Notwithstanding any other provision of these terms, in the absence of shareholder approval, the Company is not required to provide, or procure the provision, of any benefit under these terms which is not permitted by Part 2D.2 Division 2 of the Corporations Act.
- (c) Any benefits required to be provided to a Participant in accordance with these terms will, by operation of this clause, be reduced to ensure compliance with Part 2D.2 of the Corporations Act and the provision of such reduced benefit shall constitute full satisfaction of the obligations of each member of the Group. In the event of overpayment to a Participant, the Participant must, on receiving written notice from the Board, immediately repay any monies or benefits specified in such notice to ensure

compliance with Part 2D.2 of the Corporations Act.

- (d) Where clause 3.3(b) applies the Company may seek or not seek shareholder approval in its discretion.

## ***4. Effect of Compulsory Divestiture***

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### **4.1 Compulsory Divestiture of Performance Shares**

In order to effect a compulsory divestiture of a Participant's Performance Shares under these terms, the Participant is deemed to have undertaken one or several of the following methods of compulsory divestiture at the discretion of the Board:

- (a) agreed to a buy-back of the relevant Performance Shares by the Company for an amount equal to the Acquisition Price of those Performance Shares (**Compulsory Divestiture Value**); and
- (b) otherwise agreed to deal with those Performance Shares in the manner required by the Board in its discretion provided that the consideration for the relevant Performance Shares shall be an amount in aggregate equal to the Compulsory Divestiture Value,

and the Participant must take all necessary steps (and sign all necessary documents) to give effect to the relevant method(s) of compulsory divestiture.

## ***5. Buy-Back***

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### **5.1 General buy-back**

The Company may undertake a buy-back of Performance Shares in the following circumstances:

- (a) as provided for in these terms (including, without limitation, following a conversion by the Board in its absolute discretion to Ordinary Shares pursuant to clause 2(d), or pursuant to clause 4).
- (b) as otherwise agreed from time to time by the Company and the Participant,

provided that at all times the buy back is undertaken in accordance with applicable laws and regulations.

### **5.2 Further actions**

- (a) The Company may do such things and enter such arrangements with the Company's share registry or otherwise as it considers necessary to implement any buy-back under this clause 5.
- (b) Each Participant agrees to do and procure all things the Company considers necessary in order to fully implement a buy-back under this clause 5, insofar as it relates to Performance Shares held by that Participant.

## ***6. Cancellation***

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- (a) Where the Performance Shares are to be cancelled by the Company, the Company may do such things and enter such arrangements with the Company's share registry or otherwise as it considers necessary to implement any such cancellation.

- (b) Each Participant agrees to do and procure all things as the Company considers necessary in order to fully effect a cancellation under this clause 6, insofar as it relates to Performance Shares held by that Participant.

## ***7. Restrictions on and amendments to the terms***

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### **7.1 Compliance with applicable laws and regulations**

Notwithstanding these terms, no Performance Share may be transferred or vested if to do so would contravene the any applicable laws or regulations.

### **7.2 Amendment of these terms**

- (a) Subject to clause 7.2(b), the Board may:
  - (i) at any time amend any provisions of these terms; and
  - (ii) determine that any amendments to these terms be given retrospective effect, immediate effect or future effect.
- (b) Notwithstanding clause 7.2(a), no amendment to any provision of these terms may be made, other than an amendment which:
  - (i) does not have a material effect on the terms of the Performance Shares or the rights or obligations of a holder of Performance Shares; or
  - (ii) is introduced primarily:
    - (A) for the purposes of complying with or conforming to present or future legislation governing or regulating these terms;
    - (B) to correct any manifest error or mistake;
    - (C) to enable these terms or any member of the Group to comply with its constituent documents or any other applicable laws and regulations; and/or
    - (D) to take into consideration possible adverse taxation implications in respect of these terms including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.
- (c) As soon as reasonably practicable after making any amendments to any provisions of these terms, the Board will give notice of the amendment to each Participant affected by the amendment. Failure by the Board to notify a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

## ***8. Miscellaneous***

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### **8.1 Governing law**

- (a) These terms are governed by the laws of Victoria, Australia.



- (b) Each Participant submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought in connection with these terms.

## Schedule 1 – Vesting Conditions of Performance Shares

Your Performance Shares are subject to the Vesting Conditions set out below. These Vesting Conditions must be fulfilled or waived by the Board before Your Performance Shares vest.

### Condition 1 – continuous service

You must be either:

- (a) continuously employed by; or
- (a) hold office continually with,

one or more members of the Group until 31 December 2020.

### Condition 2 – performance ratings

In each of the four financial years starting with the year commencing on 1 July 2016 and ending with the year ending on 30 June 2020 (the Relevant Period), You must achieve performance ratings of 'Achieving' (or equivalent if the performance rating categories are changed) or higher. (As at the date that Participants received an invitation to apply for Performance Shares, 'Achieving' is defined as 'Valued staff member who is competent and capable in all aspects of their role. Achieves expected standards in all performance areas.')

### Condition 3 – behaviour ratings

In each of the four financial years in the Relevant Period, You must achieve behaviour ratings of 'Effectively displays' (or equivalent if the behavior ratings are changed) or higher. (As at the date that Participants received an invitation to apply for Performance Shares, 'Effectively displays' is defined as 'Consistently displays the expected level of behavior and skills in all aspects of Netwealth's values; has developed all behaviours to the expect level, has a positive impact on others and behavior is aligned to Netwealth's Values.')

### Condition 4 – Company financial performance

The Company must achieve specified levels of financial performance in the year ending 30 June 2020, measured in Earnings Per Share, and the proportion of Your Performance Shares that vest is dependent on the Earnings Per Share of the Company in the year ending 30 June 2020. The levels of financial performance and the proportion of Your Performance Shares that vest is set out below.

Earnings Per Share	Proportion of Your Performance Shares that vest
\$0.1571 or more	100%
\$0.1414 or more but less than \$1.1571	90%
\$0.1271 or more but less than \$0.1414	80%

\$0.1143 or more but less than \$0.1271	70%
less than \$0.1143	Nil

Performance Shares that do not vest will be compulsorily divested at a price of \$0.6143 per Performance Share.

In this condition 4, 'Earnings Per Share' (EPS) is determined as follows:

$$\text{EPS} = \text{P/S}$$

where:

- P is the 'Profit for the Year' as disclosed in the 'Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2020' of the Company\*;  
and
- S is the total number of Ordinary Shares of the Company on issue for the year ended 30 June 2020.

\* The 'Profit for the Year' is effectively the net profit after tax attributable to members of the Company as disclosed in the audited consolidated financial statements of the Company adjusted for extraordinary items and discontinued operations. If the Australian Accounting Standards are changed so as to provide for a different measure of net profit after tax, the Board will adopt the amount disclosed in the statutory accounts for the year ending 30 June 2020 which it believes most closely represents net profit after tax.

### Changes to capital structure

If, during the Relevant Period there is one or more changes to the capital structure of the Company that in the reasonable opinion of the Board may affect EPS, the Board must, acting reasonably adjust the manner in which EPS is calculated for the purposes of determining whether the targets in the above table have been met so that the value of the Performance Shares remain the same as it would have been prior to the one or more changes to the capital structure. For example if considered appropriate by the Board in the circumstances, and without limiting the above, in the event there is one of the following changes to the capital structure of the Company during the period without any other change:

1. Bonus issue, then the number of issued shares used to calculate the EPS shall exclude any shares issued pursuant to the bonus issue;
2. Share division or consolidation, then the number of issued shares used to calculate the EPS shall disregard the share division or consolidation; or
3. Rights Issue at a discount, then the number of issued shares used to calculate the EPS shall exclude the number of shares calculated pursuant to the following formula, on the basis that these shares have been issued for no value:

$$A = B \times C/D \times E$$

Where:

A the number of Ordinary Shares excluded from the calculation of EPS

B the number of Ordinary Shares which were entitled to participate in the rights issue

C / D is the ratio of the number of Ordinary Shares a holder of Ordinary Shares is entitled to subscribe for under the rights issue for a set number of Ordinary Shares (eg a 1 new share for 5 existing shares rights issue would be 1/5)

E the percentage discount at which Ordinary Shares were issued under the rights issue when compared to closing price of Ordinary Shares on the day prior to announcement of the rights issue

### **Leave of absence / work less than usual full time working hours**

If You take leave of absence (as approved and determined by the Company) in the Relevant Period, then all the percentages in the table in condition 4 will be scaled back in accordance with the following formula:

$$SB = \frac{TWD - DLA}{TWD}$$

where:

SB is the scale back;

TWD is the total number of working days in the Relevant Period; and

DLA is the total number of working days taken as days of leave of absence in the Relevant Period.

For example, if You take a total of 20 working days as days of leave of absence in the Relevant Period and there are 1000 working days in the Relevant Period, and if the Earnings Per Share is \$0.1271 or more but less than \$0.1414, the scale back will be:

$$\frac{1000 - 20}{1000} = 0.98$$

and the percentage of Performance Shares that vest will be 80% x 0.98 = 78.4% (with the actual number of shares to vest to be rounded down to the nearest whole number).

If at any time during the Relevant Period You work less than usual full time working hours, then the percentages in this condition 4 will be scaled back based on the weighted average of Your part time employment hours compared to usual full time employment hours.

For example, if there are 1000 working days in the Relevant Period and if you work the equivalent of a four working day week for 800 days and usual full time working hours for 200 days, the weighted average of Your part time employment hours compared to usual full time employment hours will be:

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Weighted average =  $[4/5 \times 800/1000] + [5/5 \times 200/1000] = 0.64 + 0.20 = 0.84$

and therefore, if the Earnings Per Share is \$0.1271 or more but less than \$0.1414, the scale back will be 0.84 and the percentage of Performance Shares that vest will be  $80\% \times 0.84 = 67.2\%$  (with the actual number of shares to vest to be rounded down to the nearest whole number).

If You take leave of absence (as approved and determined by the Company) and work less than usual full time working hours, both scale backs will apply.

No scale back applies for agreed periods of annual leave that exceed the usual annual leave entitlements.

### **Condition 5 – repayment of loan**

Repayment, by 31 October 2022, of any loan made by Netwealth Group Services Pty Ltd (ACN 135 940 840). (or any other entity nominated by the Company) to a Participant to enable the Participant to fund the aggregate Acquisition Price for the relevant Performance Shares.