

ASX ANNOUNCEMENT

Family Zone Cyber Safety Limited

ASX:FZO ("Family Zone" or the "Company")



Our mission is to protect & support
every child's digital journey.

CHANGES TO DIRECTOR REMUNERATION

Family Zone Cyber Safety Ltd (ASX: FZO, **Family Zone** or the **Company**), supporting and protecting every child's digital journey, sets out in this announcement the establishment of a new executive remuneration incentive scheme (**Remuneration Incentive Scheme**) and changes to the remuneration packages of the Managing Director Tim Levy and Executive Director Crispin Swan under the Company's new Remuneration Incentive Scheme. In addition, equity based remuneration for the Non-Executive Chairman Peter Pawlowitsch.

Remuneration Incentive Scheme

The Company has recently established a new executive remuneration framework to apply with effect from 1 July 2021 thorough to 30 June 2023. The Remuneration Incentive Scheme has been developed taking into account the size of the Company's business and executive team, the nature and stage of development of current operations, market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Remuneration Incentive Scheme comprises the following key components:

- **Fixed Remuneration** or base salary is pay linked to the present value of the executives roles and is payable in cash.
- **Short Term incentives** which are broadly linked to the delivery of annual operational objectives and is payable in equity only.
- **Longer Term Incentives** have been set by the Board for the next 2 years and will be linked to delivery of the Company' key strategic objectives under its business plan as well as growth in Shareholder value over the current term of the Remuneration Incentive Scheme and is payable in equity only.

- **Reward Incentives** which are linked to the delivery of longer term shareholder performance and is only payable in equity.

Further details on the new Remuneration Incentive Scheme are set out in the Company's Notice of General Meeting dated and lodged with ASX on 6 May 2021.

Changes to Executive Service Agreements and Remuneration

The Company has entered into new executive service agreements with Managing Director, Tim Levy and Executive Director, Crispin Swan. These new agreements have been adopted to replace the existing executive service agreements which have been in place since prior to the Company's listing on ASX in August 2016 and to provide for the changes to Messrs Levy and Swan's remuneration in line with the newly adopted Remuneration Incentive Scheme.

A summary of the key terms of the executive service agreements (including changes in remuneration) is set out in Annexure 1.

Chairman Reward Incentives

The Company proposes to issue 3,000,000 Director Options (comprising 750,000 Tranche 1 Director Options, 750,000 Tranche 2 Director Options and 1,500,000 Tranche 3 Director Options) to Non-Executive Chairman, Peter Pawlowitsch as a reward incentive under the Remuneration Incentive Scheme. The Director Options are exercisable at \$0.50 each on or before 30 June 2025 subject to the achievement of various share price vesting targets, outlined in the Annexure 2, linking his remuneration directly to the delivery of longer term shareholder value.

All security incentives proposed to be issued to Directors are subject to Shareholder approval at a General Meeting to be held on 9 June 2021. For further details please refer to the Notice of Meeting dated and lodged with ASX on 6 May 2021.

This announcement was made on 6 May 2021 and authorised for release by the Family Zone Board

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About Family Zone

Family Zone is an ASX listed technology company focused on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed unique and innovative cloud-based solutions which combines Australian innovation with leading global technology.

To learn more about the Family Zone platform and the Company, please visit www.familyzone.com.

ANNEXURE 1 : EXECUTIVE SERVICES AGREEMENTS

The material terms of the Executive Service Agreement with Tim Levy are summarised below

Effective Date	1 July 2021
Base Salary	Fixed salary of \$375,000 per annum plus \$25,000 statutory superannuation
Performance Based Remuneration:	
Short Term Incentive:	Mr Levy is entitled to receive, subject to Shareholder approval <ul style="list-style-type: none"> • 1,000,000 STI 2022 Performance Rights; and • 1,000,000 STI 2023 Performance Rights¹
Long Term Incentive:	Mr Levy is entitled to receive, subject to Shareholder approval, 1,500,000 LTI Performance Rights ¹
Reward Incentive:	Mr Levy is entitled to receive, subject to Shareholder approval <ul style="list-style-type: none"> • 500,000 Tranche 1 Director Options; • 500,000 Tranche 2 Director Options; and • 500,000 Tranche 3 Director Options¹.
Termination and Notice:	<p>The Company or Mr Levy may terminate the agreement by providing 12 months written notice. The Company may, at its own election, make payment in lieu of notice or request garden leave for the notice period.</p> <p>The Company may terminate the agreement if Mr Levy is unable to perform his duties under the agreement due to illness for 3 consecutive months or an aggregate period of 3 months in any 12 month period.</p> <p>The Company may terminate Mr Levy's employment immediately without notice or payment in lieu of notice in circumstances warranting summary dismissal at law.</p> <p>Mr Levy may terminate the agreement immediately by giving notice in the event of a material breach of the agreement which is not rectified within 21 days. In such circumstances the Company will be required to pay Mr Levy 12 months base salary plus entitlements at the next pay period.</p>
Other Terms:	Mr Levy's agreement otherwise contains standard terms and conditions for agreements of its nature including confidentiality, intellectual property protection, non-competition restraints and leave entitlements.

Note 1: Refer to Annexure 2 for a summary of the terms of the Incentive securities proposed to be issued.

The material terms of the Executive Service Agreement with Crispin Swan are summarised below

Effective Date	1 July 2021
Base Salary	Fixed salary of \$375,000 per annum plus \$25,000 statutory superannuation
Performance Based Remuneration:	
Short Term Incentive:	Mr Swan is entitled to receive, subject to Shareholder approval <ul style="list-style-type: none"> • 1,000,000 STI 2022 Performance Rights; and • 1,000,000 STI 2023 Performance Rights¹

Long Term Incentive:	Mr Swan is entitled to receive, subject to Shareholder approval, 1,500,000 LTI Performance Rights ¹
Termination and Notice:	<p>The Company or Mr Swan may terminate the agreement by providing 12 months written notice. The Company may, at its own election, make payment in lieu of notice or request garden leave for the notice period.</p> <p>The Company may terminate the agreement if Mr SWan is unable to perform his duties under the agreement due to illness for 3 consecutive months or an aggregate period of 3 months in any 12 month period.</p> <p>The Company may terminate Mr Swan's employment immediately without notice or payment in lieu of notice in circumstances warranting summary dismissal at law.</p> <p>Mr Swan may terminate the agreement immediately by giving notice in the event of a material breach of the agreement which is not rectified within 21 days. In such circumstances the Company will be required to pay Mr Swan 12 months base salary plus entitlements at the next pay period.</p>
Other Terms:	Mr Swan's agreement otherwise contains standard terms and conditions for agreements of its nature including confidentiality, intellectual property protection, non-competition restraints and leave entitlements.

Note 1: Refer to Annexure 2 for a summary of the terms of the Incentive securities proposed to be issued.

ANNEXURE 2 : SUMMARY TERMS OF INCENTIVE SECURITIES PROPOSED TO BE ISSUED

A summary of the key terms of the incentive securities proposed to be issued to Directors under the Company's Remuneration Incentive Scheme are outlined below. Refer to the Notice of Meeting lodged with ASX on 6 May 2021 for full terms and conditions.

Class of security	Exercise	Vesting Conditions	Vesting Date	Expiry Date
STI 2022 Performance Rights	Each STI 2022 Performance Right will convert into one Share for no consideration on exercise by the holder prior to the Expiry Date, once vested	<p>If the holder remains in continued employment with the Company until 30 June 2022, the 2022 STI Performance Rights shall vest as follows</p> <p>(i) (Personal Scorecard) If the holder receives a positive "Personal Scorecard" (scorecard to be determined by agreement between the Company and the Executive) for the financial year ended 30 June 2022 from the Board for performance over the previous 12 months, 50% of the STI 2022 Performance Rights shall vest.</p> <p>(ii) (QRR Growth) If the Company achieves 50% growth in Quarterly Recurring Revenue (QRR) from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year, 60% of the remaining 50% of the STI 2022 Performance Rights shall vest, with straight line pro-rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2022 to 30 June 2022 compared to the corresponding period in the previous year.</p>	30 June 2022	30 June 2024
STI 2023 Performance Rights	Each STI 2023 Performance Right will convert into a Share for no consideration on exercise by the holder prior to the Expiry Date, once vested.	<p>If the holder remains in continued employment with the Company until 30 June 2023, the STI 2023 Performance Rights shall vest as follows</p> <p>(i) (Personal Scorecard) If the holder receives a Positive Personal Scorecard (scorecard to be determined by agreement between the Company and the Executive) for the financial year ended 30 June 2023 from the Board for performance over the previous 12 months, 50% of the STI 2023 Performance Rights shall vest.</p> <p>(ii) (QRR Growth) If the Company achieves 40% growth in Quarterly Recurring Revenue (QRR) from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year, 50% of the remaining 50% of the STI 2023 Performance Rights shall vest, with straight line pro-rata vesting for additional percentages of QRR Growth up to 100% from 1 April 2023 to 30 June 2023 compared to the corresponding period in the previous year.</p>	30 June 2023	30 June 2025

LTI Performance Rights	Each LTI Performance Right will convert into a Share for no consideration on exercise by the holder prior to the Expiry Date, once vested.	If the holder remains in continued employment with the Company until 30 June 2023, 150,000 LTI Performance Rights shall vest for each Operational Milestone achieved by 30 June 2023 with a maximum of 450,000 LTI Performance Rights vesting per Objective		30 June 2023	30 June 2025
		Objective	Operational Milestones (to be achieved by 30 Jun 2023)		
		Expand Markets	<ul style="list-style-type: none"> Achieving revenue of greater than \$500,000 in total prior to 30 June 2023 in a market other than USA, Australia or New Zealand. 		
		Expand Products	<ul style="list-style-type: none"> Launch of a new product which generates revenue of greater than \$500,000 in total prior to 30 June 2023. Launch of a new product which achieves 2.5% take-up by School Clients in a particular country. 		
		Launch Community	<ul style="list-style-type: none"> Launch of Community in a market outside of Australian and achieve greater than 20% take-up by School Clients. Launch of Community in a market outside of Australian and achieve greater than 30% take-up by School Clients. Launch of Community in a market outside of Australia and achieve 2% of parents within all participating School Clients activating a Consumer Account. Launch of Community in a country outside of Australia and achieve 5% of parents within all participating School Clients activating a Consumer Account. 		
		Make Sustainable	<ul style="list-style-type: none"> Achieve quarterly average data and hosting costs per student below targets set by the Board. Achieve quarterly Service Margin above targets set by the Board. 		
		Improve Revenues per Student	<ul style="list-style-type: none"> Achieve Average Revenue Per Student targets set by the Board. 		
Tranche 1 Director Options	Each Tranche 1 Director Option entitles the holder to subscribe for one Share upon payment of the exercise price of \$0.50, anytime prior to the Expiry Date, once vested.	The 20 day VWAP of the Company's Shares being greater than \$0.90 by 30 June 2024 and The holder being continuously employed by the Company on 30 June 2023		30 June 2023	30 June 2025

Tranche 2 Director Options	Each Tranche 2 Director Option entitles the holder to subscribe for one Share upon payment of the exercise price of \$0.50, anytime prior to the Expiry Date, once vested	The 20 day VWAP of the Company's Shares being greater than \$1.45 by 30 June 2024 and The holder being continuously employed by the Company on 30 June 2023	30 June 2023	30 June 2025
Tranche 3 Director Options	Each Tranche 3 Director Option entitles the holder to subscribe for one Share upon payment of the exercise price of \$0.50, anytime prior to the Expiry Date, once vested	The 20 day VWAP of the Company's Shares being greater than \$1.90 by 30 June 2024 and The holder being continuously employed by the Company on 30 June 2023	30 June 2023	30 June 2025