

Australian Finance Group Ltd

ACN 066 385 822

Short Term Incentive Plan Rules

Adopted 1 May 2015

1 Introduction

This Short Term Incentive Plan is designed to award cash bonus Awards to Eligible Employees. The Awards are an annual 'at risk' bonus and are designed to reward certain Eligible Employees for overall achievement of designated financial targets by the Company.

Eligible Employees will be granted Rights to be paid certain Awards under the STIP based on their role in the Company, and subject to Target Performance thresholds being met. Awards for employees who join or leave employment with the Company during a relevant incentive period will be governed by these STIP Rules.

Awards will be made in relation to achievement of a Target Performance. The Board, in conjunction with the Committee, will determine the amount of the Award payable to Participants following a review of financial statements and performance review processes for the relevant Incentive Period.

These Rules outline the terms and conditions upon which STIP participation will be regulated, including:

- the scope of the STIP (**Rule 2**);
- the process for granting Rights and Awards, and the nature of those Awards under the STIP (**Rule 3**);
- the eligibility of employees to participate in the STIP, including the rules regulating any cessation of employment (**Rule 4**); and
- the administration of the STIP, including the power of the Board to amend the STIP (**Rule 5**).

Capitalised terms are defined in **Rule 6** of these Rules.

2 Scope of the STIP

- (a) The purpose of the STIP is to provide short term financial incentives to Eligible Employees based on the Company's annual profit achievement, the Eligible Employee's department or team's performance and/or the Eligible Employee's individual performance.
- (b) The grant of Rights or Awards on a particular basis in any year does not create any right or expectation of the grant of Rights or Awards on the same basis, or at all, in any future year.
- (c) This document sets out the entire terms and conditions of the STIP and supersedes any prior arrangement or understanding, whether in writing or oral, between the Company and its Eligible Employees with respect to short term incentive plans for any Eligible Employees.
- (d) These Rules will not form part of and are not incorporated into any contract of any Participant or Eligible Employee (whether or not they are an employee of the Group).
- (e) Nothing in this STIP is intended to guarantee tenure of employment with the Company or the Group and participation in the STIP does not confer on any employee any right to future employment and does not affect any rights which

any member of the Group may have to terminate the employment of any Participant.

- (f) Unless the subject of an express provision in an employment contract, the rights and obligations of any employee under the terms of their office, employment or contract with the Company are not affected by their Rights or Awards under the STIP.
- (g) No Participant has any right to compensation for any loss in relation to the STIP, including:
 - (1) any loss or reduction of any Rights or expectations under the STIP in any circumstances or for any reason (including lawful or unlawful termination of employment or the employment relationship);
 - (2) the operation, suspension, termination or amendment of the STIP; or
 - (3) lapse or forfeiture (as applicable) of any Rights or Awards under the STIP.

3 Rights and Awards under the STIP

The STIP is designed to reward Eligible Employees for achievement of a projected Target Performance for a particular financial year. The Award is designed to reward high or on target performance for the Company.

3.1 Offer terms and conditions to take precedence

- (a) To the extent of any inconsistency, any terms and conditions attaching to a Right or Award advised in writing to an Eligible Employee by the Board in an Offer will prevail over any other provision of these Rules.
- (b) The Board may make an Award or grant a Right to an Eligible Employee under this STIP whether or not an Offer has been made to that Eligible Employee.

3.2 Information to be provided to Eligible Employees

When the Board makes an Offer to an Eligible Employee, or otherwise invites an Eligible Employee to participate in the STIP, the Board will advise that Eligible Employee of the following minimum information in connection with their participation in the STIP:

- (a) the nature of the Target Performance measures and any criteria by which the Award and payment will be assessed;
- (b) how any Award will be treated if the Eligible Employee ceases employment with AFG, and any discretions retained by the Board under rule 3.5 in this regard;
- (c) any circumstances in which a Participant's entitlement to an Award under the STIP may be reduced or extinguished pursuant to the rules under rules 4.1 or 4.3.

3.3 Target Performance amounts

The amount of an Eligible Employee's Award will be determined at the discretion of the Committee and approved by the Board. The Target Performance amounts payable to each Participant will be determined in relation to their particular remuneration considerations.

3.4 Annual assessment of Awards

- (a) The STIP shall operate on a financial year basis, i.e. 1 July to 30 June.
- (b) Award payments will be made no later than the end of October in the year following an Incentive Period, i.e. FY2016 Awards would be paid by the end of October 2016.
- (c) The Committee will make an annual recommendation to the Board as to the proportion of the target Award payable to each Eligible Employee, taking into account:
 - (1) the completed Financial Statement audit for the relevant Incentive Period; and
 - (2) the Performance review process for the relevant Incentive Period.
- (d) The Board may approve the recommendation of the Committee, or may make a different determination at its discretion, taking into account any unbudgeted extraordinary items.

3.5 Discretion of the Board to make Awards

From time to time, on the recommendation of the Committee, the Board may exercise its discretion to determine that an Eligible Employee be paid an Award in relation to a special project or special circumstance.

3.6 Timing and method of payment

- (a) The Company will pay Eligible Employees any Award payments owing to them as soon as practicable after the end of the Incentive Period.
- (b) Any Award payments owing to an Eligible Employee will be paid in the form of a cash payment.
- (c) Any payment of an Award under this STIP may not be deferred.
- (d) Eligible Employees who have a change in Target Performance criteria during an Incentive Period will be paid an Award prorated across the relevant \$ amounts based on the time spent under each Target Performance criteria.

3.7 Superannuation

The total amount of the Award payable will incorporate any legislated and payable superannuation, i.e. comprise of a cash component and a superannuation component.

4 Eligibility under the STIP

4.1 Eligibility for a Right or Award

- (a) Eligibility for an Award under this STIP requires strict compliance to AFG's company policies and compliance with all relevant legislative and regulatory requirements. Non-compliance, as determined by the Board, will constitute grounds for cancellation of eligibility for Rights or an Award under this STIP.
- (b) Eligibility for a Right or an Award payment requires an employee to be employed and not under notice of resignation or termination, until at least the completion of the period of the Incentive Period is achieved.

- (c) Only in the cases of retirement or bona fide redundancy will a participating and otherwise Eligible Employee be eligible for an Award (either in part or in whole) when having left (or signalled the intent to leave) the employment of the Company during a year in which the STIP is operating.
- (d) Participating Eligible Employees who start employment (or become eligible for a Right or Award) during a STIP year must have completed their probationary period prior to the end of the Incentive Period to be eligible for a prorated Award.

4.2 Preventing inappropriate benefits

- (a) Where, in the opinion of the Board:
 - (1) a Participant:
 - (A) has acted fraudulently or dishonestly;
 - (B) has engaged in gross misconduct;
 - (C) has done an act which has brought the Company, the Group or any entity within the Group into disrepute;
 - (D) has breached his or her duties or obligations to the Group; or
 - (E) is convicted of an offence or has a judgment entered against them in connection with the affairs of the Group; or
 - (2) there is a Financial Misstatement Circumstance; or
 - (3) a Participant received a Right or Award as a result of the fraud, dishonesty or breach of duties or obligations of any other person and, in the opinion of the Board, the Right or Award would not have otherwise have been granted; or
 - (4) the Company is required by or entitled under law or Company policy to reclaim remuneration from a Participant,

the Board may determine that:

 - (5) a Participant must forfeit any Rights to an Award payment, or repay (as the case may be) to the Company as a debt any cash payment received under the STIP or Award process.
- (b) The Board may specify in an Offer or otherwise as provided in rule 3.1 additional or different circumstances in which a Participant's Rights or Award may be reduced or extinguished.

4.3 Cessation of employment

- (a) The Board, in its discretion, may determine that some or all of a Participant's Rights:
 - (1) lapse;
 - (2) are forfeited;
 - (3) will immediately be fulfilled by payment of part or whole of the amount to be paid under the Award;

as a result of the Participant ceasing to be an employee of the Company.
- (b) The Board may specify in its invitation to the Participant how the Participant's Rights will be treated on cessation of employment. The applicable treatment may vary depending on the circumstances in which the Participant's employment ceases.

4.4 Approved leave of absence

- (a) Subject to applicable laws, at the discretion of the Board, an Eligible Employee who is granted an approved leave of absence and who exercises their right to return to work under any applicable award, enterprise agreement, other agreement, statute or regulation may be treated as not having ceased to be an employee for the purposes of rule 4.3 of the Rules. Whether a Participant who is granted leave without pay is deemed to have ceased employment will be determined with reference to the Group's policies and any applicable laws.
- (b) Subject to the discretion of the Board, an unpaid leave absence does not count as time worked and an Award will be prorated based on the number of days worked in the Incentive Period.

5 Administration of the STIP

5.1 Discretion of the Board to continue or amend operation of the STIP

- (a) The STIP may operate for as many or as few Incentive Periods as the Board determines, at its absolute discretion.
- (b) This STIP may from time to time be reviewed by the Committee to ensure its alignment with the Company's strategy and goals for any given year.
- (c) The Board may make any amendments to this STIP it has determined during a review for the purpose of issuing Rights or Awards for a new Incentive Period.
- (d) Any issuance under the STIP for any year does not in any way commit the Company to make any similar kinds of Awards under the STIP or any other process in any subsequent year.
- (e) All Awards are payable at the absolute discretion of the Board.

5.2 Power to make amendments

- (a) Subject to rule 5.3, the Board may at any time by resolution:
 - (1) amend or add to (**amend**) all or any of the provisions of the STIP;
 - (2) amend the terms or conditions of any Rights granted under the STIP;
or
 - (3) suspend or terminate the operation of the STIP,
without prior notice to a Participant.
- (b) Notwithstanding rule 5.3 the Board may waive, amend or replace any condition attaching to a Right if the Board determines that the original condition is no longer appropriate or applicable, provided that the interests of the relevant Participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant of the Right.

5.3 Restrictions on amendments

Without the consent of the Participant, the Board may not exercise its powers under rule 5.2 in a manner which reduces the entitlement of that Participant in respect of Rights or an Award already granted other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future laws governing or regulating the maintenance or operation of the STIP or similar

plans, in any jurisdiction in which invitations, Rights or Awards under the STIP have been granted;

- (b) to correct any manifest error or mistake; or
- (c) to take into consideration possible adverse tax implications in respect of the STIP arising from, amongst others, adverse rulings, changes to tax legislation and/or changes in the interpretation of tax legislation by a court of competent jurisdiction.

5.4 Notice of amendment

As soon as reasonably practicable after making any amendment under rule 5.2, the Board will give notice in writing of that amendment to any Participant affected by the amendment.

5.5 Power of the Board to administer the STIP

Except as otherwise expressly provided in the LTIP, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the STIP and in the exercise of any power or discretion under the STIP.

5.6 Waiver of terms and conditions

Notwithstanding any other provisions of the STIP, the Board may at any time waive in whole or in part any terms or conditions in relation to any Rights granted to a Participant.

5.7 Dispute or disagreement

In the event of any dispute, disagreement or uncertainty as to the interpretation of the STIP, or as to any question or entitlement arising from or related to the STIP or to Rights or Awards granted under it, the decision of the Board is final and binding.

5.8 Communication

- (a) Any notice or other communication provided under or in connection with the STIP may be given by personal delivery or by sending the same by post, email or facsimile to:
 - (1) in the case of a company, to its registered office;
 - (2) in the case of an individual, to the individual's last notified address; or
 - (3) where a Participant is a director or employee of the Group, either to the Participant's last known address, email address or to the address of the place of business at which the Participant performs the whole or substantially the whole of the duties of the Participant's office or employment.
- (b) Where a notice or other communication is given by post, it is deemed to have been received 48 hours (or, where given by post to an address outside of Australia, five days) after it was put into the post properly addressed and stamped. Where a notice or other communication is given by facsimile or email, it is deemed to have been received on completion of transmission.

5.9 Data protection

By participating in the STIP, an Eligible Employee consents to the holding and processing of personal data provided by the Eligible Employee to the Company for all purposes relating to the operation of the STIP. These include, but are not limited to:

- (a) administering and maintaining employee records;
- (b) providing information to any regulatory authority (including the Australian Tax Office) where required under law; and
- (c) providing information to future purchasers of the Group or a Group company or the business in which the Eligible Employee works.

5.10 Tax

Unless otherwise required by law, no Group company is responsible for any Tax which may become payable by an Eligible Employee as a consequence of or in connection with the grant of any Rights or Award payments made under the STIP.

5.11 Laws governing the STIP

The STIP, and any Rights or Awards granted under it, are governed by the laws of Western Australia and the Commonwealth of Australia.

6 Definition and Interpretation

6.1 Definitions

Term	Meaning
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.
Award	a cash payment made to a Participant under this STIP.
Board	the board of directors of the Company, any committee of the Board or a duly authorised person or body to which the Board has delegated its powers under this STIP.
Committee	the Remuneration and Nominations Committee of the Company
Company	Australian Finance Group Ltd ACN 066 385 822 (AFG).
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Eligible Employee	a director of a Group company employed in an executive capacity or Key Management Personnel of the Group or any other person who is declared by the Board to be eligible to receive an award under the STIP.
Financial Misstatement Circumstance	a material misstatement or omission in the financial statements of a Group company or any other circumstances or events which, in the opinion of the Board, may, or are likely to, affect the Group's financial soundness or require re-statement of the Group's financial accounts, including, without limitation, as a result of misrepresentations, errors, omissions, or negligence.
Group	means the Company and each Related Body Corporate of the Company.
Incentive Period	a period during which the STIP is operational, and employees are eligible to be granted Rights or Awards under the STIP.

Key Management Personnel	personnel and employees of a Group company determined by the Board to be Key Management Personnel.
NPAT	Net Profit After Tax
STIP	the Australian Finance Group Ltd Short Term Incentive Plan as set out in these Rules.
Offer	an invitation or notification to an Eligible Employee made by the Board that the Eligible Employee may be a Participant in the STIP.
Participant	an Eligible Employee or other person who has been determined by the Board from time to time to be eligible for an Award or Right under the STIP, and/or who has agreed to participate according to the terms of this STIP.
Related Body Corporate	has the meaning given in section 50 of the Corporations Act.
Right	an entitlement to an payment of an Award under the STIP subject to satisfaction of applicable conditions (including Target Performance).
Rules	the terms and conditions of the STIP as set out in this document as amended from time to time.
Tax	includes any tax, levy, impost, GST, deduction, charge, rate, contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing.
Target Performance	Achievement of the projected NPAT, or any other measurement mechanism determined by the Board for a given financial year.

6.2 Interpretation

In the STIP, the following rules apply unless a contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of the STIP unless the context requires otherwise;
- (b) any reference in the STIP to any statute or statutory instrument includes a reference to that statute or statutory instrument as amended, consolidated, re-enacted or replaced from time to time;

- (c) a reference to any agreement or document includes a reference to that agreement or document as amended, novated, supplemented or amended from time to time;
- (d) any words denoting the singular include the plural and words denoting the plural include the singular;
- (e) where any word or phrase is given a definite meaning in this STIP, any part of speech or other grammatical form of that word or phrase has a corresponding meaning;
- (f) the word “includes” in any form is not a word of limitation; and
- (g) any determination, decision or exercise of power by the Board, will be at its absolute discretion.