



## NOTICE OF ANNUAL GENERAL MEETING 2018

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12 October 2018

Dear Shareholder

### Annual General Meeting 2018

On behalf of the Directors of FlexiGroup Limited, I am pleased to invite you to attend FlexiGroup Limited's 2018 Annual General Meeting ("**2018 AGM**"). Enclosed is the Notice of Meeting setting out the business of the 2018 AGM.

FlexiGroup's 2018 AGM will be held on Thursday, 15 November 2018 commencing at 4.00 pm (AEDT) at the offices of PwC, One International Towers, Watermans Quay, Barangaroo, NSW, 2000.

If you are attending the 2018 AGM, please bring your Proxy Form with you to facilitate a faster registration and entry. If you are unable to attend the 2018 AGM, I encourage you to complete and return the enclosed Proxy Form no later than 4.00pm (AEDT) on Tuesday, 13 November 2018 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the Notice of Meeting (including the Explanatory Notes) and the Proxy Form and consider directing your proxy how to vote on each resolution by marking the "for" box, the "against" box or the "abstain" box on the Proxy Form.

The Directors of FlexiGroup Limited recommend that shareholders vote in favour of all resolutions proposed to be placed before the 2018 AGM.

I look forward to welcoming you at the 2018 AGM.

Yours sincerely

A handwritten signature in black ink, appearing to read "A. J. Abercrombie".

Andrew Abercrombie  
Chairman

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth Annual General Meeting (Annual General Meeting or 2018 AGM) of FlexiGroup Limited (Company or FlexiGroup) will be held on Thursday 15 November, 2018 at the offices of PwC, One International Towers, Watermans Quay, Barangaroo, NSW, 2000 commencing at 4.00 pm AEDT.

## AGENDA

### Ordinary Business

#### 1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2018.

#### 2. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report (which forms part of the Directors' Report) for the financial year ended 30 June 2018 be adopted".

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

#### 3. Election of Carole Campbell

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Carole Campbell, having been appointed as an additional Director since the last Annual General Meeting be elected as a Director of FlexiGroup."

### Special Business

#### 4. Approval of participation in the FlexiGroup Long Term Incentive Plan and Termination Benefits

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.14, section 200B of the Corporations Act 2001 (Cth) and for all other purposes, the following be approved:

- Participation in the Long Term Incentive Plan ("LTIP") for up to a maximum of 544,358 Performance Rights by Ms Rebecca James, the Chief Executive Officer of the Company;
- the acquisition by Ms James accordingly of Performance Rights up to the stated maximum and, in consequence of the exercise of Performance Rights, of ordinary shares in the Company; and
- the provision of benefits to Ms James under the LTIP including in connection with Ms James ceasing to hold a managerial or executive office or position of employment in the Company,

in accordance with the terms of the LTIP and as described in the Explanatory Notes to this Notice of Annual General Meeting."

#### 5. Approval of participation in Short-Term Incentive Plan

To consider and, if thought appropriate, pass the following as an ordinary resolution:

"That for all purposes the following is approved:

- participation in the FlexiGroup Short-Term Incentive Plan ("STIP") by Ms James, the Chief Executive Officer of the Company;
- acquisition accordingly by Ms James of ordinary shares of the Company; and
- the provision of benefits to Ms James under the STIP, for the year commencing 1 July 2018,

in accordance with the terms of the STIP (as approved by the Board and amended from time to time by the Board) and on the basis described in the Explanatory Notes to this Notice of Meeting."

Further information about each item of business is set out in the Explanatory Notes accompanying and forming part of this Notice of Annual General Meeting.

### Voting Exclusion Statements

#### Item 2

1. In accordance with sections 250R and 250BD of the Corporations Act 2001 (Cth) (Corporations Act), subject to paragraph 2, a vote must not be cast (in any capacity) on the resolution in Item 2 by or on behalf of a member of the Company's key management personnel (KMP) (including the Directors) details of whose remuneration are included in the Remuneration Report or their closely related parties (such as close family members or any controlled entities), regardless of the capacity in which the votes are cast except that a vote may be cast on the resolution in Item 2 by a KMP, or a closely related party of a KMP if the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on the resolution in Item 2 and the vote is not cast on behalf of a KMP or their closely related parties.
2. If you appoint the Chairman of the 2018 AGM as your proxy, and you do not direct your proxy how to vote on the resolution in Item 2 on the proxy form, you will be expressly authorising the Chairman of the 2018 AGM to exercise your proxy, even though Item 2 is connected directly or indirectly with the remuneration of the Company's KMP, which includes the Chairman.

#### Item 4

For the purpose of ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Item 4 by any Director of FlexiGroup who is eligible to participate in the LTIP and an associate of any such person. However, the Company need not disregard a vote if:

## NOTICE OF ANNUAL GENERAL MEETING

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Item 4 and Item 5

For the purpose of section 250BD of the Corporations Act 2001 (Cth):

1. a vote must not be cast on Item 4 or Item 5 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 4 or Item 5. However, this voting exclusion does not apply if the KMP is the Chairman of the 2018 AGM acting as proxy and their appointment expressly authorises the Chairman of the 2018 AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the 2018 AGM as your proxy, and you do not direct your proxy how to vote on Item 4 or Item 5 on the proxy form, you will be expressly authorising the Chairman of the 2018 AGM to exercise your proxy even if Item 4 or Item 5 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2018 AGM.

### Entitlement to Attend and Vote

The Board has determined that, for the purposes of determining voting entitlements at the Annual General Meeting, those persons who are registered as holding shares in the Company at 7.00 pm (AEDT) on Tuesday, 13 November 2018 will be entitled to vote.

### Proxies

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A shareholder may appoint not more than two proxies. A proxy need not be a shareholder of the Company, and may be an individual or a body corporate.

If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the Annual General Meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the Annual General Meeting.

If such evidence is not received before the Annual General Meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If you wish to appoint a proxy, please complete and submit the Proxy Form accompanying this Notice of Annual General Meeting, by following the instructions contained in the Proxy Form.

On a show of hands, every person present and entitled to vote shall have one vote. If you have appointed a proxy and the proxy appointed is also a shareholder, or proxy for another shareholder, any direction to the proxy on how to vote may not be effective on a show of hands. Your directions will be effective if a poll is held, subject to any applicable voting exclusions.

Shareholders can direct their proxy how to vote by following the instructions on the Proxy Form, and are encouraged to do so.

The Chairman of the Meeting intends to vote all available proxies able to be voted **in favour of** items 2, 3, 4, and 5.

### Lodgement of Proxy Forms

Proxy Forms may be lodged with the Company's Share Registry:

- (a) by hand at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000;
- (b) by post to Link Market Services Limited in the enclosed reply paid envelope;
- (c) by fax to Link Market Services Limited on +61 2 9287 0309; or
- (d) online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

To be effective, your Proxy Form and the Power of Attorney or other authority (if any) under which it is signed (or a copy of the Power of Attorney or other authority, certified as a true copy by Statutory Declaration), must be received no later than 48 hours prior to the Annual General Meeting (i.e. no later than 4.00 pm (AEDT) on Tuesday, 13 November 2018) in one of the ways specified above.

Dated 12 October, 2018

By order of the Board



Elizabeth Wray

Company Secretary

# EXPLANATORY NOTES

## On the business to be transacted at the FlexiGroup Limited 2018 Annual General Meeting

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the Annual General Meeting. These Explanatory Notes form part of the Notice of Annual General Meeting and should be read with the Notice of Annual General Meeting.

### Ordinary Business

#### Item 1. Financial Report, Directors' Report and Auditor's Report

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2018 will be laid before the Annual General Meeting. Shareholders will be provided with the opportunity to ask questions or raise comments about the reports or on the management of the Company. Also, a reasonable opportunity will be given to shareholders to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the Financial Report and the independence of the auditor in relation to the conduct of the audit.

As there is no requirement for a formal resolution on this item, a resolution will not be put to the 2018 AGM.

#### Item 2. Remuneration Report

Under the Corporations Act, the Company is required to include, in the Directors' Report, a detailed Remuneration Report setting out certain prescribed information relating to Directors' and executives' remuneration, and submit this for adoption by ordinary resolution of shareholders at the Annual General Meeting.

The Company's Remuneration Report for the financial period ended 30 June 2018 is set out in the Directors' Report which forms part of the Company's 2018 Annual Report, a copy of which was provided to shareholders with this Notice of Annual General Meeting.

The Remuneration Report discusses matters including the remuneration policy of the Company, the remuneration paid to Directors and executives who are members of the Company's KMP, and the relationship between the remuneration of those Directors and executives and performance.

The vote on this resolution is advisory only and does not bind the Directors or the Company.

### Board recommendation

The Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

#### Item 3. Election of Carole Campbell

Under the provisions in the Company's Constitution relating to the appointment of additional Directors, Carole Campbell will retire at the 2018 AGM and offer herself for election.

Ms Campbell was appointed as a Director of the Company with effect from 17 May 2018.

Carole has over 30 years' experience in senior finance and treasury roles across diverse industries including: professional services, financial services, media, mining and industrial services. Ms Campbell commenced her career in the Sydney and London offices of KPMG and has worked for Macquarie Bank, Westpac Institutional Bank, Seven Network, Bis Industries and Merivale.

Ms Campbell is Deputy Chair of Council of the Australian Film Television and Radio School where she is Chair of the Finance, Audit and Risk Management Committee. She is also a Non-Executive Director of The Sydney Film Festival and Chair of its Finance Committee.

Prior to submitting herself for election, Ms Campbell acknowledged to the Company that she would have sufficient time to properly fulfil her duties to the Company.

### Board recommendation

The Directors (with Ms Campbell abstaining) recommend that shareholders vote in favour of the election of Ms Campbell as a Director.

### Special Business

#### Item 4 – Approval of participation in the Long Term Incentive Plan and Termination Benefits

##### 4.1 Overview of the LTIP

The LTIP is part of the overall remuneration strategy of FlexiGroup, which is designed to encourage superior performance and commitment to FlexiGroup by the executives participating in the LTIP.

The LTIP operates by giving participants in the LTIP the opportunity to acquire shares in FlexiGroup ("Shares") if applicable performance conditions are met, and any other relevant conditions are satisfied. The performance conditions are set by the Board for each participant.

The Board believes that linking remuneration to achievement is a key driver of FlexiGroup's success and that the LTIP:

- provides a meaningful incentive for the creation of, and focus on, shareholder wealth;
- aligns the interests of executives and other employees with shareholders; and
- encourages employee retention.

##### 4.2 Overview of ASX Listing Rule and Corporations Act requirements

ASX Listing Rule 10.14 provides that a listed company may only permit a director of a company to acquire securities under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

Part 2D.2.2 of the Corporations Act provides that a company, its associates and any prescribed superannuation fund in connection with the company are prohibited from giving a person who holds a “managerial or executive office” a benefit in connection with their ceasing to hold an office or position of employment with the company unless shareholders approve the giving of the “benefit” or an exemption applies. “Benefit” is defined broadly in the Corporations Act to include most forms of valuable consideration. Retirement benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment (and whether or not contractually obliged to be given) including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments at or due to a person ceasing to hold an office or position of employment.

#### 4.3 Reasons why shareholder approval is being sought

The Board has determined that it is appropriate that Ms James’ participation in the LTIP be approved by shareholders given that Ms James is the CEO of the Company. The approval of shareholders is sought to permit Ms James to participate in the LTIP for up to 544,358 Performance Rights, being the maximum acquisition amount specified in the resolution contained in Item 4. See sections 4.5-4.13 (inclusive) of this Notice of Meeting for details of this proposed grant under the LTIP.

Shareholder approval is also sought for the grant of certain benefits under FlexiGroup’s remuneration framework which will be considered to be termination benefits for the purposes of the Corporations Act. In particular, the shareholder approval will cover the automatic or accelerated vesting (including by the Company exercising any discretion) of Performance Rights issued to Ms James under the LTIP which Ms James may potentially receive upon Ms James ceasing to hold a managerial or executive office or position of employment in the Company under her employment contract and arrangements with the Company, and the policies and incentive plans of FlexiGroup.

#### 4.4 Recommendation

The purpose of this resolution and the proposed grant of Performance Rights to Ms James is to ensure that FlexiGroup can:

- ensure that Ms James is remunerated fairly and responsibly;
- align Ms James’ interests with that of FlexiGroup’s shareholders;
- provide long term incentives for participation in FlexiGroup’s future growth; and
- secure and retain the services of Ms James.

The Board notes that it is a competitive market for executives and that it is important to ensure that FlexiGroup’s remuneration arrangements are competitive with the remuneration arrangements offered by its Australian and international competitors.

The Board believes that the terms of the overall proposed remuneration, including the terms of the participation in the LTIP, are reasonable in FlexiGroup’s circumstances.

The Directors recommend that shareholders vote in favour of the resolution in Item 4 on the basis that the overall proposed remuneration for Ms James, which includes Ms James’ participation in the LTIP, the grant of Performance Rights to Ms James under the LTIP and the provision of benefits to Ms James on the terms described in these Explanatory Notes:

- is reasonable having regard to the circumstances of the Company;
- is in the best interests of the Company as a whole;
- is consistent with the Company’s remuneration policy, in particular the Company’s policy of linking remuneration to achievement, and the objective of attracting and retaining highly skilled executives and Directors; and
- will therefore have a positive impact on the Company’s prospects.

#### 4.5 Approval Limits

The maximum number of Performance Rights and Shares for which approval is sought assumes that all of the Performance Rights offered to Ms James are granted and subsequently exercised.

The Board has agreed to grant, subject to shareholder approval being obtained, 544,358 Performance Rights in 1 tranche to Ms James, on the terms of the LTIP and the terms and conditions described below and has agreed to the acquisition of Shares by Ms James on exercise of those Performance Rights (“**Grant**”).

There will be 544,358 Performance Rights granted in 1 tranche which relates to the Company’s performance during the period commencing on 1 July 2018 and ending on 30 June 2022 (“**Tranche 6 Performance Rights**”). The rules governing the Performance Rights (“**LTIP Rules**”) were lodged with the ASX on 11 December 2006 and may be accessed through the ASX announcements platform. A summary of the LTIP Rules is set out in the Schedule to this Notice of Meeting.

The Grant provides a conditional entitlement to 544,358 Shares. The Performance Rights comprising the Grant will become exercisable on the satisfaction of the applicable vesting conditions and/or tenure condition described below.

#### 4.6 Consideration for the Grant

Under the Grant, Performance Rights will be granted at no cost to Ms James.

#### 4.7 Exercise Price

The Board has determined that an exercise price of \$Nil is payable by Ms James on the exercise of each vested Performance Right allocated under the Grant.

## EXPLANATORY NOTES

### 4.8 Vesting Conditions

The performance period applicable to each of the performance-based vesting conditions is as follows:

Tranche	Performance Period
Tranche 6	July 2018-30 June 2022

The testing date (“**Testing Date**”) for the Performance Period is the results announcement date for the last financial year in the Performance Period.

The Performance Rights will be performance tested against the following performance-based vesting conditions:

	Percentage of Performance Rights that vesting condition is applicable to	Vesting Condition
Vesting Condition 1	50% of the Performance Rights	Cash EPS growth targets for the relevant Performance Period are met
Vesting Condition 2	50% of the Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 200 Index (excluding Materials and Energy companies)

#### Cash EPS Growth vesting condition

The first performance-based vesting condition is based on growth on an adjusted “cash net profit after tax” earnings per Shares measure (“**Cash EPS**”) which is used by the Company to track earnings per Share on an underlying performance basis.

The Cash EPS Growth vesting condition is calculated by the Company for a financial year as:

- the reported statutory net profit after tax for the relevant financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material infrequent items the Board believes appropriate to reflect underlying recurring earnings;
- divided by the weighted average number of ordinary Shares on issue during the relevant financial year.

This vesting condition is measured by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period (“**Cash EPS Growth**”).

The Cash EPS Growth vesting condition will be satisfied for a Performance Period as follows:

Performance Rights vesting condition	Performance Rights available to vest
Cash EPS growth* less than 4% on FY17	Nil
Cash EPS growth equal to 4% on FY17	30%
Cash EPS growth equal to or greater than 4% but less than 10% on FY17	Pro rata straight line between 30% and 100%
Cash EPS growth equal to or greater than 10% on FY17	100%

The Board has the discretion to vary the target percentages referred to in the Cash EPS Growth vesting condition by 1.5% provided that the target percentages referred to in the Cash EPS Growth vesting condition cannot be varied to a percentage lower than 4%.

*\*Cash EPS Growth relates to CAGR*

#### Relative TSR vesting condition

The second performance-based vesting condition relates to the Company’s Total Shareholder Return (“**TSR**”) for the Performance Period when compared to the peer group of companies in the S&P/ASX 200 Index (excluding Materials and Energy companies)

For the Performance Period, the TSR for the Company will be determined by calculating the amount by which the sum of:

- the 90 day volume weighted average price (“**VWAP**”) for Shares in the period up to and including the 30 June at the end of the relevant Performance Period; and
- the dividends paid on a Share during the relevant Performance Period,

exceeds the 90 day VWAP for the Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

The relative TSR performance condition will be satisfied in accordance with the following table:

Relative TSR target	Percentage of available Performance Rights satisfying condition
Less than 51st percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Nil
51st percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	50%
Greater than 51st percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Pro rata between 51% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	100%

## EXPLANATORY NOTES

The Board will confirm in writing to Ms James as soon as reasonably practicable when any of the above performance-based vesting conditions have been met.

### Vesting Date

As well as the two performance based vesting conditions, the Performance Rights are also subject to a tenure condition. For any Performance Right to vest and become exercisable, Ms James must remain employed by FlexiGroup at the relevant Vesting Date. The Vesting Date is 1 September 2022.

Should Ms James cease to be employed by the Company on or prior to a tranche of Performance Rights vesting, all of the unvested Performance Rights will lapse immediately in accordance with the LTIP Rules, unless the Board makes a determination that those Performance Rights have vested.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the Performance Rights held by Ms James in specified circumstances including Ms James' death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or the genuine redundancy of Ms James).

The accelerated vesting of Performance Rights under the LTIP in connection with the cessation of employment will constitute a termination benefit under the Corporations Act. The value of any such benefit cannot be ascertained as at the date of this Notice of Meeting. The value of the benefit will depend on:

- the number of Performance Rights granted and held by Ms James in accordance with the LTIP;
- the number of Performance Rights held by Ms James which the Board determines should vest; and
- the market price of Shares at the time such Performance Rights are exercised and Shares are acquired.

Key matters, events or circumstances which will, or are likely to, affect the calculation of the value of any accelerated vesting of Performance Rights include:

- the financial performance of the Company;
- the personal performance of Ms James;
- the number of years of Ms James' service with the Company;
- the circumstances in which Ms James leaves the Company;
- the proportion of the Performance Period served by Ms James as at the date her employment ceases; and
- performance against the vesting conditions as at the date Ms James' employment ceases.

### 4.10 Exercise

Following the vesting date or the accelerated vesting of a Performance Right, vested Performance Rights will be automatically exercised and Ms James will then be allocated or issued Shares on a one-for-one basis.

### 4.11 Expiry Date

The expiry date for the Tranche 6 Performance Rights is 15 March 2023.

Vested Performance Rights that are not exercised before the relevant expiry date will lapse in accordance with the LTIP Rules.

### 4.12 Disposal restriction

Ms James may not dispose of, deal in, or grant a security interest over any interest in, a Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

Ms James may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to Ms James on exercise of a vested Performance Right for any relevant period determined by the Board.

The Board has imposed a disposal restriction on the Shares the subject of this approval which will be granted on the exercise of any vested Performance Rights. The disposal restriction will be enforced by allocating Shares that are allocated on the exercise of the vested Performance Rights to the trustee of the FlexiGroup Employee Share Plan Trust ("**Trustee**"). The Trustee will hold those Shares on behalf of Ms James until the disposal restriction is lifted. The disposal restrictions on those Shares will be lifted at the relevant Restriction Period End Date as set out below:

Tranches of Shares allocated on exercise of vested Performance Rights	% of Shares allocated on vesting and exercise of Performance Rights	Restriction Period End Date
Tranche 6	100%	15 October 2023

The Board may also implement any such other arrangements (including a holding lock) as it determines are necessary to enforce this restriction. The Board has the discretion to amend or waive any disposal restrictions on the Shares the subject of this approval which will be granted on the exercise of any vested Performance Rights at any time until the disposal restriction ends, if the Board believes it is appropriate to do so to reflect the Company's or Ms James' circumstances.

Once any Board imposed restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of vested Performance Rights may be dealt with freely.

#### 4.13 Additional information

The Performance Rights will be issued to Ms James within 3 years after shareholder approval has been obtained at the 2018 AGM.

No loan will be made by FlexiGroup in relation to the acquisition of the Performance Rights by Ms James under the LTIP.

As at the date of this Notice of Meeting, there is no Director who is eligible to participate in the LTIP. However, it is possible that Ms James will be appointed as a Director of the Company after the date of this Notice of Meeting. If this occurs, Ms James will be the only Director who is currently eligible to participate in the LTIP. Mr Brewis-Weston was the only person who received securities under the LTIP since the last shareholder approval, which was granted at the 2017 FlexiGroup Annual General Meeting on 24 November 2017. As a result of and pursuant to that shareholder approval, Mr Brewis-Weston received 556,862 Performance Right for \$Nil. The Performance Rights lapsed as a result of the resignation of Mr Brewis-Weston effective from 3 September 2018 as the tenure based condition applicable to the Performance Rights was not met. Details of any securities issued under the LTIP and a statement that approval for the issue of securities was obtained under ASX Listing Rule 10.14 will be published in each Annual Report of the Company for the period in which the relevant securities were granted.

Any additional persons who become entitled to participate in the LTIP after the resolution under Item 4 is approved, being persons in relation to whom shareholder approval is required under ASX Listing Rule 10.14 and who are not named in the Notice of Annual General Meeting to which these Explanatory Notes relate, will not be entitled to acquire securities under the LTIP until approval is obtained under ASX Listing Rule 10.14.

#### Item 5 – Approval of participation in the Short Term Incentive Plan and Termination Benefits

##### 5.1 Overview of the STIP

The STIP is part of the overall remuneration strategy of FlexiGroup, which is designed to encourage superior performance and commitment to FlexiGroup by the executives participating in the STIP.

The STIP operates by giving participants in the STIP the opportunity to obtain cash and acquire shares in FlexiGroup (“**Shares**”) if applicable targets are met, and any other relevant conditions are satisfied. The targets are set by the Board for each participant and are set against risk adjusted financial targets and non-financial targets that support FlexiGroup’s strategy. These targets are usually a mix of group and individual performance objectives for the year.

The structure of the STIP is designed to achieve alignment of organisational performance to FlexiGroup’s strategic goals. The STIP contains both FlexiGroup’s

goals (based on FlexiGroup’s strategic objectives) as well as area specific goals that are aligned to FlexiGroup’s strategic objectives but are unique to each department. The goals are consistent across FlexiGroup and were introduced to drive a collaborative approach within the organisation to achieve business success and shareholder value within the financial year.

The Board believes that linking remuneration to achievement is a key driver of FlexiGroup’s success and that the STIP:

- provides a meaningful incentive for the creation of, and focus on, shareholder wealth;
- aligns the interests of executives and other employees with shareholders; and
- encourages employee retention.

##### 5.2 Overview of ASX Listing Rule and Corporations Act requirements

ASX Listing Rule 10.14 provides that a listed company may only permit a director of a company to acquire securities under an employee incentive scheme where that director’s participation has been approved by an ordinary resolution of shareholders. ASX Listing Rule 10.15A provides that a director of a company may acquire securities under an employee incentive scheme without shareholder approval where the terms of the employee incentive scheme permit the purchase of the securities on-market by or on behalf of directors under the employee incentive scheme and this is what occurred.

Part 2D.2.2 of the Corporations Act provides that a company, its associates and any prescribed superannuation fund in connection with the company are prohibited from giving a person who holds a “managerial or executive office” a benefit in connection with their ceasing to hold an office or position of employment with the company unless shareholders approve the giving of the “benefit” or an exemption applies. “Benefit” is defined broadly in the Corporations Act to include most forms of valuable consideration. Retirement benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment (and whether or not contractually obliged to be given) including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments at or due to a person ceasing to hold an office or position of employment.

##### 5.3 Reasons why shareholder approval is being sought

As noted above, ASX Listing Rule 10.15A provides that a director of a company may acquire securities under an employee incentive scheme without shareholder approval where the terms of the employee incentive scheme permit the purchase of the securities on-market by or on behalf of directors under the employee incentive scheme and this is what occurred. As such, FlexiGroup is not required to seek shareholder approval for the purposes of the ASX Listing Rules because the STIP

## EXPLANATORY NOTES

rules permit the purchase of shares on-market on behalf of Directors who participate in the STIP and FlexiGroup intends to do this. However, FlexiGroup is choosing to seek approval for the purposes of good governance.

Shareholder approval is also sought for the grant of certain benefits under FlexiGroup's remuneration framework which will be considered to be termination benefits for the purposes of the Corporations Act, in particular, any benefits under the STIP which Ms James may potentially receive upon Ms James ceasing to hold a managerial or executive office or position of employment in the Company under her employment contract and arrangements with the Company, and the policies and incentive plans of FlexiGroup.

### 5.4 Recommendation

The purpose of this resolution and the proposed grant of Shares to Ms James is to ensure that FlexiGroup can:

- ensure that Ms James is remunerated fairly and responsibly;
- align Ms James' interests with that of FlexiGroup's shareholders; and
- secure and retain the services of Ms James.

The Board notes that it is a competitive market for executives and that it is important to ensure that FlexiGroup's remuneration arrangements are competitive with the remuneration arrangements offered by its Australian and international competitors.

The Board believes that the terms of the overall proposed remuneration, including the terms of the participation in the STIP, are reasonable in FlexiGroup's circumstances.

The Directors recommend that shareholders vote in favour of the resolution in Item 5 on the basis that the overall proposed remuneration for Ms James, which includes Ms James' participation in the STIP, the grant of Shares to Ms James under the STIP and the provision of benefits to Ms James on the terms described in these Explanatory Notes:

- is reasonable having regard to the circumstances of the Company;
- is in the best interests of the Company as a whole;
- is consistent with the Company's remuneration policy, in particular the Company's policy of linking remuneration to achievement, and the objective of attracting and retaining highly skilled executives and Directors; and
- will therefore have a positive impact on the Company's prospects.

### 5.5 Details of STIP grant

The STIP opportunity for Ms James is fixed at 75% of fixed remuneration. Any payment will be pro-rated for length of service. The Board has set the maximum opportunity available to Ms James under the STIP at 125% of target.

The STIP target for 2018 is set by performance against set goals. The STIP allows for either partial payment (for performance under target) or a stretch payment (for performance over target) to be paid, subject to the below principles:

- Any partial payments made will consider the performance of the business overall and the closeness of the performance in the specific metric to the identified target; and
- Any stretch payments made will consider the performance of the business overall. For a stretch payment to be made, all metrics will need to have achieved the target or above.

Discretion regarding any payments under the STIP rests with the Board. The Board has the capacity to adjust STIP outcomes (and reduce STIP outcomes to zero if appropriate) as part of the STIP assessment process.

STIP outcomes are subject to both a quantitative and qualitative assessment, including a risk management overlay, which is embedded in the scoreboard measurement process.

### 5.6 STIP key objectives for 2018/19

The structure of the STIP is designed to achieve alignment of organisational performance to FlexiGroup's strategic goals as well as driving performance in key business segments. The Board identified these measures, as they are a critical link between achieving the FlexiGroup's strategic objectives and increasing shareholder value.

The FY19 Short Term Incentive components and weightings are outlined in the table below:

Components	Weighting
Group Goals	60%
Personal Goals (Segment/Functional Specific)	40%

### 5.7 Awards under the STIP

Ms James will have a portion of her STIP paid as deferred (restricted) Shares. By deferring a portion of Ms James' STIP entitlement, incentive payments are better aligned with the interests of shareholders as the ultimate value of the deferred portion is tied to the share price at the end of the restriction period. The deferred STIP awards recognise past performance and are not subject to further performance conditions, but are subject to a tenure condition.

Ms James will receive dividends whilst the Shares are subject to restriction.

Ms James will be offered a grant under the STIP with the following details:

Plan Component	Detail
Performance Period	1 July 2018 to 30 June 2019
STI split	67% paid in cash in September 2019 33% provided as restricted Shares
Restriction Period	24 months from the date the shares are allocated
Dividends/Voting rights	Ms James will be entitled to dividends and voting rights during the restriction period.
Forfeiture	The deferred Shares are subject to a continued service condition of 24 months (" <b>Restriction Period</b> ") which means that the Shares are forfeited if Ms James resigns or breaches company policies or the terms of her employment agreement during the Restriction Period.
Clawback	Restricted shares may also be forfeited if a clawback event occurs during the Restriction Period. A clawback event is a circumstance where an employee has engaged in fraud, dishonesty or gross misconduct, or where the financial results that led to the restricted Shares being granted are subsequently shown to be materially misstated.

The acceleration of receipt of restricted Shares or cash under the STIP in connection with the cessation of employment will constitute a termination benefit under the Corporations Act. The value of any such benefit cannot be ascertained as at the date of this Notice of Meeting. The value of the benefit will depend on:

- the Company's performance and Ms James' performance during the financial year;
- the number of restricted Shares granted and held by Ms James in accordance with the STIP;
- the number of restricted Shares held by Ms James which the Board determines should vest; and
- the market price of Shares at the time such restricted Shares are released.

Key matters, events or circumstances which will, or are likely to, affect the calculation of the value of any restricted Shares and the amount of cash received include:

- the financial performance of the Company;
- the personal performance of Ms James;
- the number of years of Ms James' service with the Company;
- the circumstances in which Ms James leaves the Company;
- the proportion of the Performance Period served by Ms James as at the date her employment ceases; and
- performance against the targets as at the date Ms James' employment ceases.

# SCHEDULE 1

## Summary of the LTIP Rules

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's management and shareholders and assist the Company in the attraction, motivation and retention of executives. In particular, the LTIP is designed to provide relevant executives with an incentive for future performance thereby encouraging those executives to remain with the Company and contribute to the future performance of the Company.

Under the LTIP, eligible persons participating in the LTIP may be granted Options and/or Performance Rights on terms and conditions determined by the Board from time to time. An Option and a Performance Right are both rights to acquire a Share, subject to the satisfaction of applicable vesting and/or exercise conditions.

A grant of Options or Performance Rights is subject to both the LTIP Rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of Options and/or Performance Rights to participants in the LTIP.

### Eligibility and Participation

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

### Options and Performance Rights

A person participating in the LTIP (**Executive**) may be granted Options and/or Performance Rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. The Board will determine the exercise price payable on exercise of a vested Option and may determine the exercise price (if any) payable on exercise of a vested Performance Right. The LTIP Rules provide that a Performance Right has a nil exercise price unless determined otherwise by the Board. The Board may also determine the exercise period of an Option or a Performance Right.

### Consideration for Grant

The Board may determine the amount (if any) payable for the grant of an Option or a Performance Right from time to time.

### Vesting

Following the satisfaction of the performance hurdles applying to an Option or a Performance Right, the Option or the Performance Right vests on, and becomes exercisable on or after, a date predetermined by the Board (**Vesting Date**), provided that the Executive remains employed by the Company as at that date.

### Automatic and Accelerated Vesting

Unless the Board determines otherwise, early vesting (prior to the relevant Vesting Date) of an Option or a Performance Right will automatically occur if there is

a change of control, reconstruction or amalgamation, winding up or delisting of the Company for the purposes of the LTIP Rules.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the Options or Performance Rights held by an Executive in specified circumstances including the death, total and permanent disablement, or cessation of employment for other reasons (e.g. retirement, redundancy or the Executive's employer ceasing to be an entity in FlexiGroup or its business being transferred to a non-FlexiGroup entity) of that Executive.

### Lapse

An unvested Option or Performance Right will lapse on the earliest of:

- (a) the expiry of the exercise period applicable to that Option or Performance Right;
- (b) the Board determining that the performance hurdles in respect of the Option or Performance Right are not satisfied and not capable of being satisfied on the relevant testing date or retesting date (as the case may be) and that the Option or Performance Right has lapsed;
- (c) 30 days after the Executive's death or total and permanent disablement, if death or total and permanent disablement occurs;
- (d) 30 days after the Executive ceases to be employed by the Company (including where the Executive's employer ceases to be an entity in FlexiGroup or its business has been transferred to a non-FlexiGroup entity) unless the Board makes a determination that the Option or Performance Right has vested; or
- (e) the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act of dishonesty, fraud, wilful misconduct or breach of duty, serious and wilful negligence or incompetence in the performance of the Executive's duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a FlexiGroup entity, and that the Option or Performance Right has lapsed.

Upon the occurrence of any of the events set out in (c), (d) (excluding termination of employment with cause) or (e) above, any vested Option or Performance Right held by the Executive may be exercised during a specified period unless that Option or Performance Right lapses on the expiry date applicable to it prior to the end of that specified period. In the event of an Executive's termination of employment with cause, all the Executive's vested Options and Performance Rights that have not been exercised will lapse on the date of termination (excluding any notice period), unless otherwise determined by the Board.

## SCHEDULE 1

Subject to the Listing Rules, the Board may, in its discretion, extend a period during which an Executive may exercise an Option or Performance Right, provided that the Board does not extend the Exercise Period beyond the expiry date. If the Board exercises its discretion to extend the period during which an Executive may exercise an Option or Performance Right, the Board will give written notice of such extension to the Executive as soon as reasonably practicable.

### **Exercise**

Following the Vesting Date or the automatic or accelerated vesting of an Option or Performance Right, the vested Option or Performance Right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued Shares according to the number of Shares comprised in each vested Option or Performance Right exercised by the Executive.

### **Delivery of Shares on Exercise of Vested Options or Performance Rights**

The Board has the discretion to have Shares issued or transferred to an Executive or to the Trustee (on behalf of an Executive) on the exercise of vested Options or Performance Rights. Any Shares issued under the LTIP will rank equally with those Shares traded on ASX at the time of issue except for any rights attaching to those Shares by reference to a record date prior to the date of issue.

### **Adjustment**

In the event of any capital reorganisation by the Company (including any bonus issues and rights issues), an Executive's Options or Performance Rights, and the Shares allocated to the Executive on exercise of the Executive's Options or Performance Rights, will be adjusted as set out in the LTIP Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the Executive will not receive any advantage or disadvantage from such adjustment.

### **Restrictions on Disposal of Shares**

An Executive (or any person holding a Share on behalf of an Executive) may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to the Executive on exercise of a vested Option or Performance Right for any relevant period determined by the Board. This disposal restriction may be imposed by the Board at the time of grant or at any time after the date of grant prior to the exercise of the Option or Performance Right (subject to the Executive's agreement). The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board may amend or waive any disposal restriction imposed if in the Board's opinion it is appropriate to do so taking into account the Participant's (or any other person holding Shares on behalf of the Participant, including the Trustee) circumstances or the Group's circumstances.

Once the restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of vested Options or Performance Rights may be dealt with freely.

### **Restrictions on Transfer of Options or Performance Rights**

An Executive may not dispose of, deal in, or grant a security interest over any interest in, an Option or Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing. The transfer or transmission of an Option or Performance Right is permitted where it is effected by force of law, on death or legal incapacity of an Executive to the Executive's legal representative.

### **Transfer of Vested Options to a Broker**

The Company may, by written notice, invite an Executive to offer to transfer the Executive's vested Options to a broker in accordance with terms and conditions determined by the Company and the LTIP Rules. The broker may refuse the offer if it considers, acting reasonably, that the market value or price of any Shares that will be delivered on exercise of a vested Option is less (or reasonably likely to be less) than the relevant vested Option's exercise price. If a broker acquires a vested Option, it must exercise the vested Option and then deal with the Shares delivered to it in accordance with the terms and conditions contained in the Company's written notice.

### **Administration of the LTIP**

Any power or discretion of the Board conferred under the LTIP Rules will be administered in the interests and for the benefit of the Company. Any power or discretion of the Board conferred under the LTIP Rules may be delegated by the Board to a committee consisting of the Company's officers and/or employees, a related body corporate and/or a third party for such periods, and on such conditions, as the Board sees fit.

The Board may at any time, by written instrument, amend all or any of the provisions of the LTIP Rules including with retrospective effect. Any amendment to the LTIP Rules must not materially reduce the rights of any participant as those rights existed before the date of the amendment (with limited exceptions).

The Board may suspend or terminate the LTIP at any time. The suspension or cancellation of the LTIP must not prejudice the existing rights (if any) of Executives. The Board may also amend the LTIP Rules, provided that subject to specified exceptions, there is no reduction of the rights of Executives in respect of Shares allocated or Options or Performance Rights granted under the LTIP prior to the date of such amendment.