

Voting Intentions – Liberty Financial Group 2021 AGM

ASX Code	LFG
Meeting Time/Date	12.30pm, Wednesday 17 November 2021
Type of Meeting	Virtual https://agmlive.link/LFG21
Monitor	Chris Lobb assisted by John Whittington
Pre AGM Meeting	Yes, with Chair Richard Longes and CFO/Coy Sec Peter Riedel

Proposed Voting Summary

2	Adoption of Remuneration Report	Against
3	Re-election of Richard Longes as a Director	For
4	Appointment of Auditor	For
5	Approval of MTI award to CEO/Managing Director James Boyle	Against
6	Approval of MTI award to Executive Director Sherman Ma	Against
7	Approval of termination benefits	For

Key Financials

	2021*	2020
Statutory NPAT (\$m)	185.4	134.7
Underlying NPAT (\$m) -based on Prospectus	226.0	140.6
Statutory EPS (cents)	0.61	0.44
Distribution/Dividend per Security (cents)	0.653	0
Share Price at End of FY (\$)	7.86	N/A
Statutory CEO Remuneration (\$)	2.565	1.790
Total Shareholder Return (%) based on IPO price of \$6	42	N/A

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company. In this case we have used the IPO issue price for this calculation.

*LFG was admitted to the ASX on 15 December 2020. Its securities were offered at \$6.00 in the IPO.

Summary of Historical ASA Issues with the Company

The company first listed in December 2020 and therefore ASA has had no previous engagement.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent Non-Executive Chair and a majority of independent directors.
- Directors and other KMP have invested at least one year's worth of base cash fees in company shares.
- The company discloses ESG issues or risks facing business and the processes to manage them.

Areas for Improvement

- The Board has currently only one female director but will look to address this when new appointments are made to achieve the ASA desired target of a minimum 30%.
- Whilst the company discloses a skills matrix of the board within its Corporate Governance Statement it is not easily accessible by shareholders.

Summary

In discussions held with the company, they acknowledged that they were in the process of moving towards structures and practices of a publicly listed company. Further details are to be announced by the company moving forward as to the proposed changes. ASA will monitor these announcements and their compatibility with ASA guidelines.

Items for Voting

Item 2	Adoption of Remuneration Report
ASA Vote	Against

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	1.134	67%	1.134	67%
MTI - Cash	0.180	11%	0.180	11%
MTI - Equity	0.360	22%	0.360	22%
LTI	0	0%	0	0%
Total	1.674	100%	1.674	100%

*The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. In addition to the above, the CEO has previously been rewarded with IPO options. An expense of \$600k was recognized in FY21 as part of the cost of these options, with the first tranche available for exercise in December 2023. In addition the CEO received in FY21 a cash MTI bonus of \$290,000 which is a deferred payment relating to CY18 and CY19.*

We were unable to identify any difference between target and maximum opportunity in the reports provided.

Positives

- At least 50% of medium term incentives (MTIs) is paid in equity (currently 2/3rds) with the balance in cash.

Areas for Improvement

- Some current MTI awards are subject only to continuing service

- 33% of CEO’s pay is genuinely at risk with MTIs, whereas we seek at least 50%.
- MTIs are not based on quantifiable performance metrics and, where non-financial hurdles are used, MTIs can be paid without a financial gateway being met.
- Some share grants are allocated at fair value not face value.
- Share grants are not currently satisfied by equity purchased on-market
- Overall, the Remuneration report is challenging to work through and needs a greater logical relationship between rewards and financial performance and corporate governance
- In terms of both MTI’s and long term incentives (“LTI’s”) we await disclosure on future KMP performance hurdles and the weightings applied for each incentive. The company advises it intends to finalise this in coming months.

Conclusion on Remuneration

Given the number of ‘Areas for Improvement’ identified above, ASA are voting against this remuneration report. This is notwithstanding the company has advised us it is undertaking a total review of their remuneration policies and structures to be more in line with ASA guidelines and intend to announce these in the current financial year.

We acknowledge that to date, at-risk remuneration awards have been primarily focussed on past performance and centre on retention of key executives over the initial public offering (“IPO”) period. As part of this process, IPO bonus options were issued on the successful listing of the company and have exercisable dates in December 2023, 2024 and 2025.

Item 3	Re-election of Richard Longes as a Director
ASA Vote	For

Mr Longes is a lawyer by profession and has had considerable experience in the listed environment as a non-executive director. Richard holds, and has held, positions with Government advisory boards as well as significant non-profit organisations.

Whilst under ASA guidelines he would not be considered independent due to his length of service as a director of the company, in the context of the structure of the company (with a major shareholder holding 72% of the securities), we acknowledge his “independence” from this controlling interest. It is also important to retain corporate memory at this time in guiding the company through its early days as a listed entity.

For these reasons, ASA proposes to support Mr Longes election.

Item 4	Appointment of Auditor
ASA Vote	For

As part of the transition to a public company, an auditor must be appointed at the first AGM following listing. KPMG has been the incumbent auditor for a number of years and the company wishes to retain their services as part of the transition.

ASA proposes to support their appointment.

Item 5	Approval of MTI award to CEO/Managing Director James Boyle
ASA Vote	Against

As noted under item 2, awards being made this year relate predominantly to past performance and the need to retain key executives as part of the transition to a public company. The main vesting condition relates to continuing service to December 2022. There are also some non-financial conditions relating to some of the awards but these are not considered particularly challenging. Nil consideration is payable on the vesting of the securities and fair value (not face value which is ASA preference) was used in determining the number to be issued.

ASA therefore proposes to vote non-directed proxies against this item.

Item 6	Approval of MTI award to Executive Director Sherman Ma
ASA Vote	Against

Refer to the comments made under item 5.

Item 7	Approval of termination benefits
ASA Vote	For

Key executives have been awarded substantial incentives by way of options and MTI's to assist the company in its transition to a public company and to retain their services during this process. The Board is seeking shareholder approval to use their judgement and discretion to make termination payments in the event any of these key executives exiting the company.

ASA is prepared to support this item on this occasion.

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

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