



18 November 2013

## **iSelect Limited Annual General Meeting** **Remuneration discussion chaired by Mr Leslie Webb**

Before I move the motion on our FY13 remuneration ("REM") report, I feel it is necessary to clarify a few matters that some shareholders have queried in relation to the report.

It's important to note that the FY13 report is reflective of iSelect's existence as an unlisted entity, and we only listed on 24 June 2013.

We are, however, open to feedback on this year's REM report and are keen to understand the wishes of shareholders for future periods.

The three topics regarding REM that I would like to cover are:

1. Project related KPIs paid during FY13;
2. Short term incentives reported on a cash basis; and
3. The iSelect long term incentive plan (LTIP).

### **Project-related remuneration paid during FY13**

Some have raised queries about project-related remuneration paid to Damien Waller, Matt McCann, and the additional work allowance paid to non-executive directors (including Greg Camm, Shaun Bonett and myself) for the large amount of extra hours put into the IPO beyond the usual director duties.

As you would appreciate, a great deal of work goes into seeing a company list on the ASX. Management worked on the IPO for 12 months in addition to their normal workload with many weekends working solely on the IPO and many long nights including 'all-nighters' in the office in the last months prior to the IPO.

Although we would have liked to have seen a stronger performance of the company on the ASX since listing, the work was done and the company did list.

Greg Camm for example attended 19 due diligence meetings, above and beyond his normal duties as Director. Similarly I spent many months dedicating myself to the development of the LTI plan.

### **Short term incentives (STIs) recognised on a cash basis in FY13**

Some of you have highlighted a discrepancy between the total STIs payable to Damien Waller and Matt McCann, and what they actually received. This is easily explained.

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In FY13, we reported the payment of short term incentives on a cash basis, rather than on an accrual basis. This meant that the FY13 STI payments included a carry-over of FY12 amounts into the FY13 REM report. In FY14 and beyond, we will be reporting payment of short term incentives on an accrual basis to ensure these discrepancies do not occur again.

### **The long term incentive plan (LTIP)**

Over the eight months that I worked on developing the active 2013 LTIP, I was aware of the need to align the interests of shareholders with the company's need to attract, motivate and incentivise key executives.

I consulted broadly across a number of key stakeholder groups and conducted a great deal of due diligence into problems with and criticisms of alternative LTI plans. I considered and eliminated the continuation of the then existing option plan, which had been, rather than motivating in fact demotivating.

The Australian Taxation Office (ATO) had effectively diminished the attraction of options. The alternatives were plans such as performance shares, performance rights and loan plans.

After consulting with PwC it became apparent that the most tax effective plan was a loan plan. Personally I was initially opposed to such a plan because of the negative connotations around non-recourse loans through the 1980s and 1990s.

I then consulted widely with accountants, lawyers, industry experts and key stakeholders.

After these consultations I noted that the objections to previous loan plans were that some did not have vesting hurdles, and some did not have adequate vesting hurdles. Other objections were that those plans allowed dividends to be paid to share loan holders before vesting.

There was also an issue with leavers and the potential for them to claim their loan shares. We addressed all these issues in the current LTIP and again consulted widely. We were universally complimented on the plan, with the common comment being that it was analogous to an option plan without the problems associated with options.

It's important to remember that the LTIP plan does have significant performance hurdles, and the combination of the TSR/CAGR testing would mean that for FY14 vesting the price would need to be \$2.13 for 50% vesting and \$2.20 for full vesting and FY15 \$2.39 for 50% vesting and \$2.53 for full vesting.

Currently, dividends are not payable but if they were they would be used to reduce the loans and would not be paid to unvested shareholders.

While some have queried the non-recourse loan associated with the FY13 active plan, we remain firmly of the view that this offers the best balance available to us.

Shareholders know upfront what the potential dilution will be on full vesting. Yet to vest, the share price would need to improve to an extent that would be aligned with a healthy growth in share price for shareholders.

While some have queried the re-testing of tranches in subsequent years, I'd also like to clarify that when a tranche is re-tested, it is re-tested at the current year's TSR-CAGR hurdle. It will be aggregated and tested on a cumulative basis at subsequent testing dates.

We believe the use of a TSR-CAGR aligns employee interests to those of shareholders. We're very open to shareholder and market feedback on the settings of future LTI conditions, and have already acted in relation any future offers.

We have determined that for future offers under the LTIP, performance conditions will be tested over the full performance period.

We continue to value and welcome feedback on our remuneration plans from you, our shareholders.

**#ENDS#**

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