

19<sup>th</sup> October 2015

The Company Announcements Platform  
Australian Stock Exchange Limited

Dear Sir/Madam

**Extension of CEO's Term**

I have the pleasure of announcing the extension of our current CEO Mark Searles' term from 1 January 2016. Mark has done an excellent job in leading the company through difficult insurance market conditions while diversifying operations into New Zealand, Risk Services and achieving increased growth in the underwriting agency business.

In 2012 Mark was granted 233,000 options both to compensate for forgone earned rights in his previous role and as an incentive to earn a material stake in Austbrokers. Based on the 3 year period to 30 June 2015, only 73,000 options are expected to vest reflecting the impact of the current insurance cycle as well as the Board and Mark's commitment to investment in long term development of the Group and its businesses rather than short term returns.

Accordingly the Board has agreed to grant 250,000 options for a 3 year period with the new contract as an appropriate incentive, at the same time updating the method of calculating the hurdles in line with shareholder interests and current market practices. This has been done with the recommendation of the Board's Remuneration Consultants and is still within the remuneration philosophy of the last 10 years of matching available short and long term incentives to fixed remuneration. Mark's total remuneration is still two thirds incentive based and in line with his peers. Granting these options on a 3 year basis gives Mark some certainty whilst fitting within the strategic investment focus of the Group.

Attached is a summary of key terms of Mark's employment.

Yours sincerely



**Richard Longes**  
**Chairman**

**Austbrokers Holdings Limited**  
ABN 60 000 000 715

Level 21 111 Pacific Highway North Sydney NSW 2060, PO Box 1978 North Sydney NSW 2059  
Telephone: (02) 9935 2222 Facsimile: (02) 9929 0320

## **Summary of extension of employment agreement for Austbrokers' Managing Director and CEO, Mark Searles and proposed grant of 250,000 Performance Options to Mr Searles**

This document provides a summary only of the key provisions of the extended employment agreement between Mr Mark Searles and Austbrokers Services Pty Limited (Company).

### **1. Extension**

Mr Searles' appointment as the Chief Executive Officer and Managing Director of the Company, which commenced on 1 January 2013, has been extended. His appointment continues until it is terminated in accordance with the agreement.

### **2. Remuneration**

*Base remuneration:* Mr Searles will be entitled to fixed remuneration of \$630,000 per annum (inclusive of superannuation contributions), and is to be reviewed annually. In addition, he will be entitled to a living-away from home allowance of up to \$50,000 per annum and reimbursement of reasonable out of pocket expenses.

*Short Term Incentive:* Mr Searles will be eligible to participate in a Short Term Incentive arrangement (STI), subject to Board approval. The maximum STI payable in respect of any financial year is 120% of Mr Searles fixed remuneration for that financial year. The maximum STI payment for Mr Searles for the financial year ending 30 June 2016 is \$756,000 per annum. The 2016 STI will be paid in cash and is subject to both personal (individual or team based) hurdles and hurdles based on growth in the adjusted net profit after tax of the Austbrokers Group (being the consolidated net profit after tax excluding fair value adjustments to the carrying values of associates, profit on sale of entities and assets or deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles) over the previous year.

*Long Term Incentive and Performance Options:* Mr Searles will be eligible to participate in the Austbrokers' Senior Executive Option Plan, subject to Board approval and (where required) shareholder approval.

Subject to shareholder approval at the Company's annual general meeting to be held on 26 November 2015, Mr Searles will be granted 250,000 performance options with a nil exercise price. 60% of the performance options will be subject to a growth in earnings per share (EPS) hurdle tested over a 3 year vesting period, with retesting after 4 years if the average annual growth rate of EPS is higher at the retest date. 40% of the performance options will be subject to a relative total shareholder return (TSR) hurdle tested over a 3 year vesting period, with retesting after 4 years if the relative TSR is better at the retest date.

If Mr Searles resigns or his employment is terminated for performance reasons any unvested performance options will lapse unless the Board determines otherwise. If the Company terminates Mr Searles employment without cause or as a result of Mr Searles being unable to perform his duties due to illness, injury or incapacity, then the performance options will continue and will vest or lapse subject to their original terms.

Further details of the performance options are set out in Austbrokers' notice of annual general meeting lodged with the ASX today.

### **3. Termination**

#### *With notice*

Either Mr Searles or the Company may terminate the agreement by giving 12 months' written notice. In that event there is no entitlement for STI for that financial year if notice is given by Mr Searles before payment of the STI nor if the Company terminates by notice if Mr Searles' employment has terminated before payment of the STI. In addition, the Company may terminate Mr Searles' employment on 6 months' written notice due to illness, injury or incapacity. In that event there is no entitlement for STI for that financial year if employment has terminated before payment of the STI.

The Company may elect to make a payment in lieu of notice.

#### *For cause*

Mr Searles may terminate his employment agreement with immediate effect where the Company is in default of its obligations under the agreement and the default has not been remedied within a reasonable time. In that event, there is no entitlement for STI for that financial year if employment is terminated prior to payment of STI. The Company may terminate Mr Searles without notice for serious misconduct, being charged with a criminal offence, becoming bankrupt and similar events. In that event, there is no entitlement for STI for that financial year if employment is terminated prior to payment of STI.

Unvested performance options will be dealt with as set out above.

### **4. Additional items**

The agreement also imposes a 12 month post-employment restriction on Mr Searles' competing with the Austbrokers Group, obligations on Mr Searles to keep Austbrokers Group confidential information confidential and to assign any intellectual property created by him during the course of Mr Searles' employment. The agreement also contains a provision dealing with the Corporations Act limit on termination payments to be made to Mr Searles.