

# MyState

## LIMITED

ABN 26 133 623 962

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**This document is important and requires your immediate attention.**

MyState Limited is a non-operating holding company with MyState Financial, The Rock Building Society and Tasmanian Perpetual Trustees as wholly owned subsidiaries.

Registered Office: Level 2, 113 Cimitiere Street, Launceston, Tasmania, 7250.

### NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given that the Annual General Meeting of the members of MyState Limited will be held at Hotel Grand Chancellor – Launceston, 29 Cameron Street, Launceston on Tuesday 29 October 2013 commencing at 10.30 a.m. (Tasmanian summer time).**

**MYSTATE LIMITED**  
**ABN 26 133 623 962**

**Registered Office: Level 2, 113 Cimitiere Street, Launceston, Tasmania 7250**  
**Tel: (03) 6348 1111 Fax: (03) 6348 1173**

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the members of MyState Limited will be held at Hotel Grand Chancellor - Launceston, 29 Cameron Street, Launceston, on Tuesday 29 October 2013 commencing at 10.30 a.m. (Tasmanian summer time).

### ***Business***

#### **1. FINANCIAL STATEMENTS AND REPORTS**

To receive and consider the Financial Reports, the Directors' Report and the Auditor's report for the year ended 30 June 2013.

#### **2. ELECTION OF DIRECTOR**

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

**"THAT** Sarah Merridew who retires from the office of Director by rotation in accordance with rule 62.6 of the Constitution, being eligible and offering herself for re-election, be re-elected as a Director of the Company."

#### **3. REMUNERATION REPORT**

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

**"THAT** the Remuneration Report of the Company for the year ended 30 June 2013 be adopted."

### ***Voting Exclusion***

In accordance with Section 250R(4) of the Corporations Act, the Company will disregard any votes cast on this resolution by or on behalf of a member of the Company's key management personnel (**KMP**), details of whose remuneration are included in the Remuneration Report, or their closely related parties, whether as shareholder or proxy.

However, a vote may be cast by a KMP if:

- the vote is cast by the KMP as a proxy in accordance with a direction by the shareholder as to how the KMP is to vote on the resolution; and,
- the shareholder who directed the KMP how to vote is entitled to vote on the resolution (ie the shareholder is not a KMP or a closely related party of a KMP);

or

- the proxy is the chair of the meeting and the appointment of the Chairman as proxy (by a shareholder who is entitled to vote on the resolution) does not specify the way the proxy is to vote on the resolution; and,
- the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

Shareholders who intend to appoint the Company's Chairman as proxy (including an appointment by default) should have regard to the important information below under the heading "Important information concerning proxy votes on Resolutions 3, 4, 5 and 6".

#### **4. APPROVAL OF THE MYSTATE LIMITED EMPLOYEE SHARE PLAN AND MYSTATE LIMITED EXECUTIVE LONG TERM INCENTIVE PLAN**

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

**"THAT** the issue of shares in the Company under the MyState Limited Employee Share Plan and MyState Limited Executive Long Term Incentive Plan, be approved for the purposes of the ASX Listing Rule 7.2, exception 9."

### ***Voting Exclusion***

In accordance with Section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on these resolutions if:

- the proxy is either a:
  - member of the Company's KMP; or
  - closely related party of a KMP; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- the proxy is the chair of the meeting; and
- the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Company will in accordance with ASX Listing Rule 14.11 disregard any votes cast in respect of these resolutions by the Directors and any associates of those persons.

However, the Company need not disregard a vote on these resolutions if they are cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- 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.

Shareholders who intend to appoint the Chairman of the meeting as proxy (including an appointment by default) should have regard to the important information below under the heading "Important information concerning proxy votes on Resolutions 3, 4, 5 and 6".

### **5. APPROVAL OF MANAGING DIRECTOR'S PARTICIPATION IN THE EXECUTIVE LONG TERM INCENTIVE PLAN (ELTIP)**

To consider and, if thought fit, pass each of the following resolutions separately as an ordinary resolution:

- (a) **"THAT** the issue of up to 89,532 fully paid ordinary shares in the Company to or for the benefit of the Managing Director (Mr John Gilbert) under the 2012 ELTIP be approved for the purposes of ASX Listing Rule 10.14 and Exception 9 in ASX Listing Rule 7.2 and for all other purposes."
- (b) **"THAT** the Company be authorised to offer the Managing Director (Mr John Gilbert) participation in the 2013 ELTIP which may entitle the Managing Director to be issued a maximum number of fully paid ordinary shares in the Company to be calculated by dividing \$327,600 by the weighted average price of the Company's shares over the 20 trading days prior to the offer date. The Managing Director's entitlement to be issued shares under the 2013 ELTIP will be based on the Company's performance in the period 1 July 2013 – 30 June 2016."

### ***Voting Exclusion***

In accordance with Section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on these resolutions if:

- the proxy is either a:
  - member of the Company's KMP; or
  - closely related party of a KMP; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- the proxy is the chair of the meeting; and
- the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Company will in accordance with ASX Listing Rule 14.11 disregard any votes cast in respect of these resolutions by the Directors and any associates of those persons.

However, the Company need not disregard a vote on these resolutions if they are cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- 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.

Shareholders who intend to appoint the Chairman of the meeting as proxy (including an appointment by default) should have regard to the important information below under the heading "Important information concerning proxy votes on Resolutions 3, 4, 5 and 6".

## 6. APPROVAL OF TERMINATION BENEFITS

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

**"THAT** for the purposes of section 200B and 200E of the Corporations Act, the Company is authorised to give the Managing Director (Mr John Gilbert) any of the benefits described in the Explanatory Memorandum in connection with his retirement as an executive director from the Board or managerial or executive office in the Company, or a related body corporate, arising from his participation in the Executive Long Term Incentive Plan or Short Term Incentive, a termination payment or the unexpired portion of his employment contract, further details of which are set out in the Explanatory Memorandum."

### ***Voting Exclusion***

The Company will disregard any votes on this resolution (in any capacity) cast by or on behalf of:

- the Managing Director (Mr John Gilbert); or
- any associate of the Managing Director.

This restriction does not prevent the casting of a vote if it is cast by the Managing Director as a proxy appointed by writing that specifies how the proxy is to be vote on the resolution, and it is not cast on behalf of the Managing Director or an associate of the Managing Director.

Shareholders who intend to appoint the Chairman of the meeting as proxy (including an appointment by default) should have regard to the important information below under the heading "Important information concerning proxy votes on Resolutions 3, 4, 5 and 6".

### **Explanatory memorandum**

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

### **Entitlement to Vote**

#### ***Snapshot time***

It has been determined (in accordance with Corporations Regulations 7.11.37) that for the purposes of the Meeting, shares will be taken to be held by the persons who are the registered shareholders at 7.00 p.m. (Melbourne time) on Sunday 27 October 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## **Important information concerning proxy votes for Resolutions 3, 4, 5 and 6**

The Corporations Act places certain restrictions on the ability of key management personnel and their closely related parties to vote on the advisory resolution to adopt the Company's remuneration report and resolutions connected directly or indirectly with the remuneration of the Company's key management personnel. Key management personnel of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Members of key management personnel include directors (both executive and non-executive) and certain senior executives. The Remuneration Report identifies the Company's key management personnel for the financial year ended 30 June 2013. Their closely related parties are defined in the Corporations Act, and include certain members of their family, dependants and companies they control.

For these reasons, shareholders who intend to vote by proxy should carefully consider the identity of their proxy and are encouraged to direct their proxy as to how to vote on all resolutions. In particular, shareholders who intend to appoint the Chairman of the meeting as their proxy (including an appointment by default) are encouraged to direct the Chairman as to how to vote on all resolutions. The Chairman of the meeting intends to vote undirected proxies in favour of each of the Resolutions 3, 4, 5 and 6.

If you do appoint the Chairman as your proxy but you do not direct the Chairman how to vote in respect of Resolutions 3, 4, 5 and 6, your election to appoint the Chairman as your proxy will be deemed to constitute an express authorisation by you directing the Chairman to vote your proxy in favour of all of Resolutions 3, 4, 5 and 6 (unless you have exercised your right to direct the Chairman otherwise in respect of a particular Resolution by marking the 'against' or 'abstain' column in respect of any of the relevant resolutions). This express authorisation acknowledges that the Chairman may vote your proxy even if he or she has an interest in the outcome of Resolutions 3, 4, 5 and 6 and even if the Resolutions are connected directly or indirectly with remuneration of a member of the key management personnel of the Company and accordingly your votes will be counted in calculating the required majority if a poll is called.

### **Voting by Proxy**

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Shareholders and their proxies should be aware of the requirements under the Corporations Act, as they will apply to this meeting. Broadly:

- if proxy holders vote, they must cast all directed proxies as directed; and,
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

You should seek professional advice if you need any further information on this issue.

In accordance with section 249L of the Corporations Act, members are advised of the following:

- A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a representative of a body corporate.
- A proxy need not vote on a show of hands, however if a proxy does vote on a show of hands, the proxy must vote as directed.
- A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. If a shareholder appoints two or more proxies that specify different ways to vote on a resolution, none of the proxies may vote on a show of hands.
- If an appointed proxy is not also the Chairman of the meeting, the proxy need not vote on a poll, however if the proxy does vote on a poll the proxy must vote as directed by the shareholder. If a poll is conducted and the proxy holder does not vote, the proxy appointment defaults to the Chairman of the meeting to vote as directed. If the appointed proxy is the Chairman of the meeting, the proxy must vote on a poll in the manner directed by the shareholder.

A Proxy Form accompanies this Notice and to be effective must be received at least 48 hours before the appointed time of the meeting at the Company's corporate registry:

By Post           Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001

By Hand          Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford VIC 3067

Online            [www.investorvote.com.au](http://www.investorvote.com.au)  
Fax                (within Australia) 1800 783 447  
Fax                (outside Australia) +61 3 9473 2555

Custodian voting – For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

### **Voting By Attorney**

A member may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or at the Company's corporate registry listed above, at least 48 hours before the Meeting.

### **Corporate Representatives**

A body corporate which is a member, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

### **Scrutineer**

The Company's external Auditor, Wise Lord & Ferguson will act as scrutineer for any polls that may be required at the meeting.

### **By Order of the Board**



L T Scott  
Company Secretary  
20 September 2013  
Level 2, 113 Cimitiere Street  
Launceston Tasmania 7250

**MYSTATE LIMITED  
ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**INTRODUCTION**

This Explanatory Memorandum forms part of this Notice of Meeting and has been prepared to provide shareholders with sufficient information to consider the resolutions contained in the accompanying Notice of Annual General Meeting of the Company to be held on Tuesday 29 October 2013 commencing at 10.30 a.m. (Tasmanian summer time) at the Hotel Grand Chancellor – Launceston, 29 Cameron Street, Launceston Tasmania.

The Directors recommend that shareholders read this Explanatory Memorandum carefully before making any decision in relation to the resolutions.

**Item 2 - Election of Director**

Pursuant to rule 62.6 of the Constitution, retiring Director Sarah Merridew being eligible to do so, has offered herself for re-election.

The resolution set out in Item 2 of the Notice of Meeting seeks shareholder approval of the re-election of this candidate.

**Details of Candidate**

Details on the candidate standing for re-election are as follows:

**Sarah Merridew**  
BEc, FCA, FAICD

**Independent non-executive Director Appointed 12 February 2009**

**Mrs Merridew** is a non-executive Director of Tasmanian Railway and Tas Water. She is Honorary Treasurer of the Royal Flying Doctor Service Tasmanian Section and actively involved with other community organisations. Mrs Merridew was formerly a Director of the antecedent Tasmanian Water & Sewage Corporations, Tasmanian Public Finance Corporation and a partner of Deloitte Touche Tohmatsu. She is an experienced company director and has extensive experience in providing audit, risk management and business advisory services to the public and private sectors. Mrs Merridew was appointed a Director of MyState Financial and subsidiaries on 22 September 2009 and a Director of Tasmanian Perpetual Trustees on 11 December 2001, following her previous appointment to the Board of Perpetual Trustees Tasmania Limited. She was a Director of Tasmanian Banking Services Limited from 2005 until 2009. She is a member of MyState Limited Board's Group Risk and Group Corporate Governance and Remuneration Committees. Mrs Merridew was appointed a Director of The Rock Building Society Limited in December 2011.

**Re-election recommendation**

The Board has considered its present size and concluded that in the current circumstances, it is appropriate that, for the time being, there be no more than 7 non-executive Directors. This decision is consistent with the Company's current approach to minimising costs where possible and on that basis only Mrs Merridew (as a retiring Director) has been endorsed by the Board for re-election at this meeting.

The Directors (excluding the retiring Director) recommend supporting the re-election of the Director standing for re-election. The Directors make this recommendation on the basis, of their review of the performance of the Director, which was carried out in accordance with the Board's governance policies.

## **Voting**

To be successfully re-elected as a Director, a candidate must receive more votes 'For' than 'Against'.

The Chairman of the meeting intends to vote undirected proxies in favour of the re-election of Sarah Merridew.

### **Item 3 – Remuneration Report**

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is in the 2013 Annual Report and is also available on the Company's website at [www.mystatelimited.com.au](http://www.mystatelimited.com.au). The Remuneration Report:

- Describes the policies behind and structure of, the remuneration arrangements of the Company and the link between the remuneration of employees and the Company's performance;
- Sets out the remuneration arrangements in place for each Director and for specified senior executives of the Company; and
- Explains the differences between the basis for remunerating non-executive directors and executives, including any executive directors.

The Corporations Act requires the agenda for an Annual General Meeting to include a resolution that the Remuneration Report be put to the vote. Should 25% or more of the votes cast on this resolution (votes cast in person or by proxy) to approve the Remuneration Report be against approval of that report, then at the 2014 Annual General Meeting the resolution to approve next year's Remuneration Report must be approved by 75% or more of the votes cast to avoid a resolution being put to the 2014 Annual General Meeting to consider a spill of the Board.

A reasonable opportunity for discussion of, and comment on, the Remuneration Report will be provided by the Chairman at the Annual General Meeting.

Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration report, the Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

### **Item 4 – Approval of MyState Employee Share Plan and MyState Limited Executive Long Term Incentive Plan**

#### **Why are we seeking approval?**

Broadly speaking, without shareholder approval, ASX Listing Rule 7.1 prohibits the Company issuing equity securities which, in aggregate, exceed 15% of the fully-paid ordinary share capital of the Company in any 12 month period.

ASX Listing Rule 7.2 exception 9 provides that Listing Rule 7.1 does not apply in respect of the issue of securities by the Company under an employee incentive scheme if the issue of securities under the scheme has been approved by shareholders within 3 years from the date of issue of the relevant securities.

Accordingly, shareholder approval is required to the Company's current Employee Share Plan (**ESP**) and Executive Long Term Incentive Plan (**ELTIP**) if the Company wishes to exclude issues of securities under the plan for the purposes of Listing Rule 7.1 for the next 3 years.

#### **Summary of the terms of the ESP and ELTIP and number of securities issued under the ESP and ELTIP**

Shareholder approval is sought in respect of the Company's current ESP and ELTIP respectively. A general description of each of the ESP and ELTIP is set out in this Explanatory Memorandum. Copies of the ESP and ELTIP are available at the Company's registered office located at Level 2, 113 Cimitiere Street, Launceston, Tasmania 7250 Australia. Alternatively, a copy of the ESP and ELTIP will be forwarded to shareholders free of charge by contacting the Company Secretary on +61 3 63481105 or +61 3 62159605.

Details of the terms of the Company's ESP and ELTIP and the securities provided under this plan in the last financial year are set out in note 40 of the 2013 Annual Financial Report.

Australian offers of securities under the ESP and ELTIP are made in accordance with a restriction contained in relief granted by the Australian Securities & Investments Commission (**ASIC**), that, subject to various exclusions prescribed by ASIC, the number of securities issued to employees over a 5 year period must not exceed 5% of the total number of ordinary shares in the issued capital of the Company as at the date of each offer of securities. As at 30 August 2013, the number of shares issued over the previous 5 years in accordance with this formulation, is 0.003% of the Company's current issued capital.

#### ***MyState Limited Employee Share Plan (ESP)***

Under the ESP, eligible employees may be offered up to \$1,000 worth of Company shares. The shares provided under the ESP may be purchased on market or newly issued shares. Shares allocated to a participant under the ESP may not be sold or transferred before the earliest of:

- (a) the third anniversary of the date of allocation of the shares; or,
  - (b) the time when the participant ceases to be an employee of the Company.
- (being the **Restriction Period**).

The Company may apply to have a holding lock placed on those shares or refuse to register a transfer of shares during the Restriction Period. Participants receive dividends and can exercise voting rights during the Restriction Period.

111,887 Company shares have been issued to employees under the existing plan since 9 September 2009. No shares have been bought on market under the ESP since that time.

#### ***MyState Limited Executive Long Term Incentive Plan (ELTIP)***

Under the ELTIP, an eligible executive (being a person whom the Board determines is concerned in or takes part in the management of the Company or such other person as determined by the Board), may be offered shares in the Company. The shares provided under the ELTIP may be purchased on market or newly issued shares. The Board may, in its discretion, impose various performance periods and performance criteria before the shares are allocated. Shares allocated to a participant under the ELTIP may not be sold or transferred before the earliest of:

- (a) the seventh anniversary of the date of allocation of the shares;
- (b) the time when the participant ceases to be an employee of the Company
- (c) the time that a Capital Event (as defined in the Plan Rules) occurs;
- (d) the time the Trustee receives written consent of the Board to an application for the sale or transfer of the shares by the participant.

Upon one of these events occurring, the participant has 2 months to either:

- (a) instruct the Trustee to sell the shares held by the Trustee on behalf of the participant; or
- (b) instruct the Trustee to transfer the shares held on behalf of the participant to the participant.

The terms of the offer of participation in the ELTIP include adjustments upon the occurrence of certain events, such as a change of control in the Company, cessation of employment of the participant or certain capital reconstructions in the Company (based on requirements in the ASX Listing Rules).

Participants receive dividends and can, via the Trustee, exercise voting rights whilst the shares are held in trust.

154,095 Company shares have been issued to employees and the Managing Director under the existing plan since 9 September 2009. No shares have been bought on market under the ELTIP since that time.

## **Item 5 - Approval of Managing Director's participation in the Executive Long Term Incentive Plan (ELTIP)**

### **Introduction**

The Board considers the motivation of the Managing Director, Mr John Gilbert, vital to the Company's long term performance.

Consistent with the approvals for participation already given in respect of the 2010, 2011 and 2012 ELTIP, in item 5(a), the Company now seeks the approval of shareholders for the purposes of Rule 10.14 and Exception 9 in ASX Listing Rule 7.2 of the ASX Listing Rules and, for all other purposes, to the issue of up to 89,532 fully paid ordinary shares in the Company under the 2012 ELTIP, which would be allocated and vest for the benefit of Mr Gilbert should the performance criteria be achieved for the performance period 1 July 2012 – 30 June 2015.

In item 5(b), the Company seeks approval for Mr Gilbert's participation in the ELTIP for 2013. This approval will authorise the Company to offer a yet to be determined maximum number of fully paid ordinary shares in the Company, to be calculated by dividing \$327,600 by the weighted average price of the Company's shares over the 20 trading days prior to the offer date. The performance period for the shares in respect of the 2013 ELTIP offer will be 1 July 2013 – 30 June 2016. The shares would be issued under this offer if approval for the purposes of ASX Listing Rules 7.1 and 10.14 (only to the extent required) is subsequently given (at a future meeting of the Company's shareholders) and the shares would be allocated and vest for the benefit of Mr Gilbert should the performance criteria be achieved for the performance period 1 July 2013 – 30 June 2016.

General explanations of the Managing Director's current remuneration arrangements were previously released to the Australian Securities Exchange.

The resolutions set out in Item 5 are in accordance with the Company's policies on total remuneration arrangements for the Managing Director, as described in the following section.

### **Basis of Employment of the Managing Director and Executives**

To assist in achieving the objectives of the Company, the Group Corporate Governance and Remuneration Committee (**GCGRC**) links the nature and amount of the Managing Director's and executives' emoluments to the Company's financial and operational performance. The remuneration of the Managing Director and executives is comprised of three components, being:

- fixed annual remuneration (inclusive of superannuation and fringe benefits) (**FAR**);
- cash based short term incentive (**STI**); and,
- executive long term incentive plan (**ELTIP**).

#### **i. Fixed Annual Remuneration**

The FAR is paid by way of cash salary, superannuation and fringe benefits and is reviewed annually by the GCGRC. In addition, external consultants provide analysis and advice to ensure executives' remuneration is competitive in the marketplace. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's FAR.

#### **ii. Cash based short term incentive**

The STI is calculated as a percentage of the FAR and is payable annually with 75% of the benefit being paid following the end of the financial year and 25% being deferred for a period of 12 months after the end of the financial year to which the STI relates and is subject to potential adjustment at the end of the deferral period. STI is also payable annually in respect of each financial year as cash and/or superannuation contributions. The following percentages are used in calculating STI:

- Managing Director - up to 50% and based upon Key Performance Indicators (**KPI's**) to be agreed with the Board; and
- Executive Level 1- up to 30% and based upon KPI's to be agreed between the executive and the Managing Director with reference to those applicable to the Managing Director.

Payment is conditional upon the achievement of strategic, financial, organisational, operational and individual performance criteria during the financial year under review and tailored to the respective role.

Each year, the GCGRC sets the KPI's for the Managing Director who, in turn, sets KPI's for executives. The GCGRC selects performance objectives which provide a robust link between executive reward and the key drivers of long term shareholder value.

The KPI's generally are measures relating to the Company and the individual and include financial, strategic, operational and customer/stakeholder measures. The measures are chosen and weighted to best align the individual's reward to the KPI's of the Company and its overall performance.

The financial performance objectives are, net profit after income tax, and cost to income ratio. The non-financial objectives vary with position and responsibility and include measures such as, achieving strategic outcomes, compliance and support of the Company's risk management policies and compliance culture, customer satisfaction, communication and staff development.

After the end of the financial year, the Chairman assesses the actual performance of the Company and the Managing Director against the KPI's set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the GCGRC as to the STI payment.

After the end of the financial year, the Managing Director assesses the actual performance of the Company and the executives against their KPI's set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the GCGRC as to the STI payment.

The GCGRC recommends the STI payments to be made to the Managing Director and executives for approval by the Board. Payment of an STI to the Managing Director or executives is at the complete discretion of the Board and can be adjusted downwards, to zero, if necessary, to protect the financial soundness of the Company, i.e. to, at a minimum to ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Board also has discretion to adjust the STI payment down (potentially to zero) in the event that the Managing Director or an executive commits a serious breach of duty.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

### iii. **ELTIP**

The ELTIP was established by the Board to encourage the Executive Management Team, comprising the Managing Director and Executive Level 1 positions, to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to the Executive Management Team of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP, an offer may be made to the members of the executive management team every year, as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the Executive Management Team.

The percentages used are as follows:

- for the Managing Director - 50% of FAR; and,
- for the Executive Level 1 positions - 30% of FAR.

The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over the twenty trading days prior to offer date.

In order for the shares to vest in each eligible member of the Executive Management Team, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria and the performance period are set by the Board at its absolute discretion. The Board has, for the time being, set the three financial years commencing with the year in which an offer is made under the plan as the relevant performance period. The performance criteria to apply over the performance period are as follows:

- 2009 and 2010 ELTIP offers made - growth in Earnings Per Share outcomes (**EPS**) and Total Shareholder Return (**TSR**) with the respective measures weighted equally.
- 2011 and 2012/2013 ELTIP offers made - growth in TSR.
- 2013/2014 offer yet to be made – growth in TSR.

ELTIP performance assessment will be measured against the performance of the selected group of “financial” companies within the S&P/ASX 300 Index (the benchmark group).

Any reward payable to any member of the executive team under any ELTIP offer is subject to reassessment and possible forfeiture, if the results on which the ELTIP reward was based are subsequently found to have been the subject of deliberate management misstatement.

The ELTIP provides for an independent Trustee to acquire and hold shares. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company. Vesting of shares can occur after an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP Offer.

Vesting of shares to the Managing Director or executives is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary, to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy threshold occurs.

The Trustee will allocate any shares to each member of the executive management team in accordance with their entitlement under the ELTIP. Any shares to be allocated to the Managing Director under this Plan, requires prior shareholder approval, in accordance with ASX Listing Rules. The Trustee will hold the shares which have been allocated on behalf of the executive management team member.

The Executive Management Team member cannot transfer or dispose of shares which have been allocated to them until the earlier of:

- the seventh anniversary of the original offer date of the grant;
- leaving the employment of the Company;
- the Board giving permission for a transfer or sale to occur; or,
- a specified event occurring (e.g. change in control of the Company).

Upon request, the Board will release vested shares to an executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, shares will be released only if the separation is due to a Qualifying Reason or is at the initiation of the Company without cause. A 'Qualifying Reason' is defined by the ELTIP Plan Rules as death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board, in its absolute discretion may determine. If any of these events occur within the three year performance period, shares will be allocated on a pro-rata basis by bringing the qualifying date forward to the date of separation.

During the period that allocated shares are held by the Trustee, the Executive Management Team member is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

On accepting an ELTIP offer made by MyState Limited, executives are required to agree to not hedge their economic exposure to any entitlement. Failure to comply with this directive will constitute a breach of duty and, as such, will involve disciplinary action and the risk of dismissal under the terms of the executive's contract.

### **2013/2014 ELTIP Offer**

The proposed 2013/2014 ELTIP offers (including the proposed offer to the Managing Director) applies to the three year performance period commencing 1 July 2013 and ending on 30 June 2016.

ELTIP performance assessment for the 2013/2014 Offer will be measured against performance of the selected group of “financial” companies within the S&P/ASX 300 Index (the benchmark group).

In respect of ELTIP offers, any reward payable to any member of the Executive Management Team will be calculated as follows:

- 100% of the ELTIP reward for the performance period will be based upon the comparison of the actual MyState Limited TSR growth compared to the benchmark group and will be payable on the following basis:
  - Below the mid-point percentage TSR growth – 0% reward.
  - At the 50th percentile – 50% of the applicable reward.
  - Between the 50th percentile and the 75th percentile TSR growth – 2% for every 1 percentile above the 50th percentile.

- Above the 75th percentile – 100% of the applicable reward.
- No reward will be payable if TSR is negative irrespective of the benchmark group performance.

Details of past offers made under the ELTIP since 9 September 2009 is set out in the following table

**Details of offers made under the 2009 ELTIP are as follows:**

| Item                                                           | Managing Director          | Other executives               |
|----------------------------------------------------------------|----------------------------|--------------------------------|
| Date of offer ("Grant" date)                                   | 30 June 2010               | 30 June 2010                   |
| Performance period                                             | 1 July 2009 – 30 June 2012 | 11 January 2010 – 30 June 2012 |
| Maximum number of shares that may be allocated under the offer | 71,884                     | 56,581 <sup>(1)</sup>          |
| Value of the offer                                             | \$225,000                  | \$177,098                      |
| Share price used in the calculations of the offer              | \$3.13                     | \$3.13                         |

**Details of offers made under the 2010 ELTIP are as follows:**

| Item                                                           | Managing Director          | Other executives           |
|----------------------------------------------------------------|----------------------------|----------------------------|
| Date of offer ("Grant" date)                                   | 29 March 2011              | 29 March 2011              |
| Performance period                                             | 1 July 2010 – 30 June 2013 | 1 July 2010 – 30 June 2013 |
| Maximum number of shares that may be allocated under the offer | 59,840                     | 104,731 <sup>(1)</sup>     |
| Value of the offer                                             | \$225,000                  | \$393,789                  |
| Share price used in the calculations of the offer              | \$3.76                     | \$3.76                     |

**Details of offers made under the 2011 ELTIP are as follows:**

| Item                                                           | Managing Director          | Other executives           |
|----------------------------------------------------------------|----------------------------|----------------------------|
| Date of offer ("Grant" date)                                   | 2 November 2011            | 6 September 2011           |
| Performance period                                             | 1 July 2011 - 30 June 2014 | 1 July 2011 - 30 June 2014 |
| Maximum number of shares that may be allocated under the offer | 65,677                     | 88,403 <sup>(1)</sup>      |
| Value of the offer                                             | \$235,125                  | \$316,482                  |
| Share price used in the calculations of the offer              | \$3.58                     | \$3.58                     |

**Details of offers made under the 2012 ELTIP are as follows:**

| Item                                                           | Managing Director          | Other executives           |
|----------------------------------------------------------------|----------------------------|----------------------------|
| Date of offer ("Grant" date)                                   | 14 November 2012           | 9 October 2012             |
| Performance period                                             | 1 July 2012 - 30 June 2015 | 1 July 2012 - 30 June 2015 |
| Maximum number of shares that may be allocated under the offer | 89,532                     | 48,516 <sup>(1)</sup>      |
| Value of the offer                                             | \$325,000                  | \$316,482                  |
| Share price used in the calculations of the offer              | \$3.63                     | \$3.58                     |

(1) Figure inclusive of all key management personnel at the time of offer

Shares allocated to Executives under these plans, is disclosed in the Remuneration Report, within the 2013 Annual Report.

**Disclosures for purposes of ASX Listing Rule 10.14 and Exception 9 in ASX Listing Rule 7.2 – Resolution 5(a)**

Listing Rule 10.14 provides that a company must not permit a director of the company to acquire shares under an employee incentive scheme without the approval of holders of ordinary securities.

ASX Listing Rule 7.1 provides that (subject to certain exceptions), prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period. However, Exception 9 in Listing Rule 7.2 provides that this limitation does not apply in relation to securities issued under an employee incentive scheme that has been approved by shareholders.

Whilst the number of shares proposed to be issued to Mr Gilbert is not, of itself, more than 15% of the number of shares on issue, the Company is seeking shareholder approval so that this share issue does not consume any part of the Company's capacity to issue shares without shareholder approval.

The Board considers that the award of the shares under the ELTIP is an important component of the overall remuneration arrangements designed to:

- a. retain the services of Mr Gilbert; and,
- b. encourage enhanced performance by Mr Gilbert for the future growth of the Company and thereby add value for shareholders.

The resolution set out in item 5(a) seeks approval to the issue of shares to or for the benefit of Mr Gilbert for the purposes of ASX Listing Rule 7.2, exception 9 and ASX Listing Rule 10.14. ASX Listing Rule 7.2, exception 9 and ASX Listing Rule 10.14 require the following additional information be provided to shareholders:

- **The maximum number of shares that may be acquired by all persons for whom approval is required and the formula for calculating the number of shares to be issued:**

A maximum of up to 89,532 fully paid ordinary shares in the Company under the 2012 ELTIP, which will be allocated and vest for the benefit of Mr Gilbert if the performance criteria are achieved for the performance period from 1 July 2012 to 30 June 2015 for nil issue price.

- **The names of all persons referred to in ASX Listing Rule 10.14 who received shares under the scheme since the last approval:**

No other persons (besides Mr Gilbert) have previously been issued shares under the ELTIP since the formation of the Company.

- **The name of every person referred to in ASX Listing Rule 10.14 entitled to participate in the scheme:**

Mr Gilbert is the sole Director entitled to participate in the ELTIP.

- **The terms of any loan in relation to the allocation:**

There are no loans applicable to the allocation of shares to Mr Gilbert under the Plan.

- **The Company confirms that, details of any shares issued under the ELTIP will be published in each Annual Report of the Company relating to a period in which the securities have been issued and that approval for the issue has been obtained under Listing Rule 10.14. Any additional person (to whom an approval of an issue would be required under Listing Rule 10.14) who becomes entitled to participate in the ELTIP after resolution 5 is approved (if shareholders approve the resolution at the Annual General Meeting) and who were not named in the Notice of Meeting will not participate in the ELTIP until a further approval in respect of their participation is obtained under Listing Rule 10.14.**

- **The dates by which the Company will allocate the shares:**

If Mr Gilbert becomes entitled to an allocation of shares under the 2012 ELTIP offer, the shares will be allocated to him as soon as practicable after the end of the specified performance period but no later than 3 months after the end of the relevant performance period (and in any event, no later than 3 years after the date of this Annual General Meeting).

## **Resolution recommendations**

The Directors (other than Mr Gilbert) support each of the resolutions in item 5, and recommend that shareholders vote in favour of the issue of shares under the 2012 ELTIP for the benefit of Mr Gilbert and the offer for Mr Gilbert's participation in the 2013 ELTIP.

## **Item 5 – Approval of Termination Benefits**

Subject to a number of exemptions under the Corporations Act, shareholder approval is required to give a person a benefit in connection with a person's retirement from an office, or a position of employment in a company or a related body corporate where either:

- a. the office or position is a managerial or executive office; or,
- b. the person retiring has at any time in the previous 3 years before his or her retirement held a managerial or executive office in the company or a related body corporate.

The term 'benefit' has a wide meaning and includes compensation for, or otherwise in connection with, a person's loss of an office or position.

Prior to the merger of MyState Financial and Tasmanian Perpetual Trustees, which took effect in September 2009, the MyState Limited Board established a Human Resources and Remuneration Committee which established a broad framework for the remuneration of the Managing Director.

Subsequent to the merger, to determine the most appropriate approach for the Company, the Committee (now renamed the Group Corporate Governance and Remuneration Committee) has reviewed:

- its Terms of Reference; and,
- remuneration arrangements of both pre-merger organisations applying to executive directors and senior executives.

The MyState Limited Remuneration Policy is based upon the long-term sustainable financial security of MyState Limited, as evidenced by:

- appropriately balanced measures of performance weighted towards long-term shareholder interests;
- variable performance-based pay for executives involving a long-term incentive plan subject to an extended period of performance assessment;
- recognition and reward for strong performance;
- a considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the shareholders; and,
- short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company.

This item has been proposed to deal with the Company's current remuneration arrangements, insofar as they may provide for termination benefits the payment of which would require shareholder approval for Mr Gilbert, the Managing Director.

The Company's remuneration arrangements are summarised under "Basis of Employment of the Managing Director and Executives" in item 5 for Resolution 5 in this Explanatory Memorandum, which includes, for each of the Managing Director and the executives:

- (a) total fixed annual remuneration, inclusive of superannuation and fringe benefits;
- (b) annual cash based short-term incentives calculated as a percentage of FAR (**STI**); and,
- (c) allocations of shares in the Company under the Executive Long Term Incentive Plan (**ELTIP**).

An approval which is given by the shareholders for the purposes of this Resolution 6 will apply to the termination benefits described in the following Schedule given by any of the following persons (collectively, the **Group**):

- the Company;
- any associate of the Company (other than a related body corporate); and,
- a prescribed superannuation fund in relation to the Company. This includes the Company or an associate giving a benefit to a superannuation fund, and a superannuation fund giving a benefit to another superannuation fund, where the benefit is given solely for the purpose of enabling or assisting the fund to give a benefit in connection with the retiring person's retirement from the office or position in the Company or its related bodies corporate.

The value of the proposed benefits cannot currently be stated in dollar terms, but will be determined in accordance with the relevant contracts as summarised in the Schedule.

## Schedule - Termination benefits to Managing Director

| Circumstances in which the benefit is given                                                                                                                                                                                                                                                         | Notice period                                                                                    | Total fixed remuneration <sup>1</sup>                                                                                                                                                          | Short term incentive (STI) and Executive Long Term Incentive Plan (ELTIP) <sup>2</sup>                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Managing Director</b>                                                                                                                                                                                                                                                                            |                                                                                                  |                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                            |
| Ceases to hold office or employment with MyState Limited due to serious breach of duty, grave misconduct or disability by reason of becoming of unsound mind.                                                                                                                                       | Immediate termination by the Company                                                             | Nil.                                                                                                                                                                                           | <p><b>STI</b> – Payment of the Managing Director's earned but unpaid STI from any previous 12 month performance period.</p> <p><b>ELTIP</b> – Allocation and vesting of any Shares in respect of an offer or issue to the Managing Director under the ELTIP, where a relevant performance period has been completed.</p>                                                                   |
| Ceases to hold office or employment with MyState Limited voluntarily, or because of the Managing Director's death, or for any reason other than specified in the previous row of this table (including disability by reason of accident, illness or any cause other than becoming of unsound mind). | <p>60 days notice by either party</p> <p>Immediate termination on death of Managing Director</p> | In certain circumstances a termination payment of 9 months FAR prior to the 14th December 2013, or thereafter – 9 months or the balance of the contract term, whichever is greater, may apply. | <p><b>STI</b> - Pro-rata STI payment applied as at the date of termination.</p> <p><b>ELTIP</b> – The number of shares calculated on a pro-rata basis according to the number of days in the performance period under any current Long Term Incentive Plan (ELTIP) agreement up to the date the termination takes effect, subject to an independent assessment of Company performance.</p> |

### Resolution recommendation

The Directors (other than Mr Gilbert, who has an interest in the resolution) support this item. The Directors (other than Mr Gilbert, who has an interest in the resolution) do not make this recommendation on behalf of Mr Gilbert.

<sup>1</sup> The total fixed annual remuneration payable to the Managing Director is subject to ongoing annual market based review mechanisms. As at 30 June 2013, the amounts payable are as stated in the Remuneration Report which is contained in the 2013 Annual Report and is also available on the Company's website at [www.mystatelimited.com.au](http://www.mystatelimited.com.au).

<sup>2</sup> Any reward payable to the Managing Director under an offer in the Executive Long Term Incentive Plan (ELTIP) is subject to reassessment and possible forfeiture, at the election of the Board, if the results on which the ELTIP reward was based are subsequently found to have been the subject of deliberate management misstatement.