

# Malus and Clawback Policy



---

Approved by the Board: 21 August 2019

# Contents

---

This policy contains the following topics:-

1.	Purpose	3
2.	Scope	3
3.	Policy Details	3
4.	Disclosure	5
5.	Monitoring, Evaluation And Review	5
6.	Definitions And Abbreviations	5
7.	Associated Documents	5
8.	References	6

## 1. Policy Purpose

Developing “best practice” in corporate governance is moving towards requiring listed entities to include in executive employment agreements a provision allowing for the Board to “clawback” certain elements of an executive’s remuneration in exceptional circumstances if there has been a material misstatement of the company’s or group’s financial statements.

The board of Directors of IDP (the Board) have adopted this executive Remuneration Malus and Clawback Policy (Policy) with a view to further aligning the interests of IDP’s Key Management Personnel (KMP) with the long-term interests of IDP and to ensure that excessive risk taking is not rewarded.

To align shareholder interests and remuneration outcomes ‘at risk’ remuneration may be subject to malus or ‘clawback’ in exceptional circumstances. Malus allows the Remuneration Committee to reduce ‘at risk’ remuneration prior to vesting. A clawback refers to the cancellation of unvested incentives, subject to applicable law, where some or all the performance based remuneration should not be received.

This Policy sets out the circumstances where the Board, following the advice of the Remuneration Committee, may apply its discretion to adjust the value of an unvested Award downwards or cancel unvested ‘at risk’ remuneration to ensure remuneration outcomes are fair, appropriate and reflect business performance.

The Policy framework provides a transparent mechanism for clawback or adjustment in the event of a significant material restatement of the Company’s financial results which impacts any performance based compensation.

## 2. Scope

The Policy applies to current IDP employees denoted as executive KMP which is defined as the Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer.

The Policy only applies to unvested Short Term Incentive (STI) and Long Term Incentive (LTI) awards.

## 3. Policy Details

The Policy is designed to be preventative rather than a purely remedial or punitive measure given it removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay.

### Malus and Clawback Triggers

In keeping with the emerging best practice in corporate governance, the Board may take action on recommendation of the Remuneration Committee to adjust (malus) or recover (clawback) unvested ‘at risk’ remuneration where there is reasonable evidence that an executive KMP has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including:

- a) Personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation or which is characterised as gross misconduct;
- b) Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;
- c) Breaching their material obligations to IDP through error, omission or negligence;
- d) Receiving a STI or LTI Award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or
- e) Receiving a STI or LTI award because of an error in the calculation of a performance measure.

Examples of a breach of material obligation that could trigger application of this Policy could include:

- a) a material misstatement in the accounts of the Group entity for the years relevant to an unvested or unpaid award; or
- b) Conduct exposing IDP to potential reputational damage or legal action or that is otherwise in a breach of the Code of Business Conduct.

This Policy does not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations.

#### **Board Actions**

The Board, on advice from the Remuneration Committee, may where not satisfied that an Award is appropriate or warranted due to exceptional circumstances and where the Award has not vested, decide to cancel or adjust any unvested STI or LTI Awards.

Once an Award has vested no further clawback applies. There is no clawback on a paid cash award.

In making this determination the Board will consider whether the application of the provision may result in unintended consequences, prejudice the interests of the Company in any related proceeding or investigation, or any pending legal proceeding related to applicable fraud or intentional illegal conduct.

#### **Due Process Rights**

Before the Remuneration Committee makes a recommendation to the Board to implement malus or clawback provisions under this Policy the Remuneration Committee is to;

- a) ensure natural justice principles are applied and exercise its duty to act fairly;
- b) review the situation to understand the impact of the misstatement;
- c) assess the proximity of the executive KMP and their level of responsibility regarding the trigger;
- d) consider the written response, clarify matters directly with executive KMP as required (in writing or verbally in a Committee meeting); and

- e) provide the relevant executive KMP with written notice of the intended actions and the right to respond in writing within 14 days to raise any additional salient matters.

### **Roles and Responsibilities**

The Remuneration Committee will make recommendations to the Board in relation to the operation of this Policy and the Board will apply this Policy and exercise its discretion in the exceptional circumstances covered by this Policy.

The CEO or Company Secretary are required to notify the Chairman of the Remuneration Committee and the Chairman of the Board respectively of any circumstances that could constitute a 'trigger' under this Policy as soon as practical.

### **Policy Introduction and Review**

This Policy, on adoption by the Board, will apply to all STI and LTI Award Invitations granted on or after 1 July 2017 to IDP KMP.

Any STI and LTI awarded to a KMP on or after 1 July 2017 will be deemed to be made and accepted by that KMP, subject to the terms of this Policy.

The Remuneration Committee will review the Policy at least annually, and make recommendations to the Board as to any changes it considers should be made.

## **4. Disclosure**

The Board will make appropriate disclosure of this Policy to security holders in IDP's Annual Report. This will include outlining specific objectives regarding the clawback of executive remuneration. The Policy will also be placed on IDP's website for public display.

## **5. Monitoring, Evaluation And Review**

The Policy is to be reviewed annually from the date the Policy was released or last reviewed.

## **6. Definitions And Abbreviations**

<b>Term</b>	<b>Meaning</b>
KMP	Key Management Personnel
Award	STI or LTI
Malus	Adjustment of Awards prior to vesting
STI	Short Term Incentive
LTI	Long Term Incentive
Clawback	Cancellation of Awards that have not vested
Material misstatement	As defined in the Australian Accounting Standards

## **7. Associated Documents**

Board, Executive and Employee Remuneration Policy

## 8. References

**Policy Owner:** Head of People Experience

<b>Action</b>	<b>Date</b>	<b>Responsibility</b>
Approved	7 August 2017	Remuneration Committee
Approved	21 August 2017	Board
Reviewed	13 May 2019	Remuneration Committee
Approved	18 June 2019	Board
Reviewed	5 August	Remuneration Committee
Approved	21 August 2019	Board