



## **LONG TERM INCENTIVE PLAN**

**Total Face Group Limited**

## **Introduction**

Please find below the main features of the Long Term Incentive Plan ('Plan') approved by the Board and subject to shareholder approval as and when required. The Plan is administered by the Board in accordance with Clause 15 of the Director and Long Term Incentive Plan Rules ('Rules').

## **Features of the Long-Term Incentive Plan**

### **Type of Plan**

The Plan allows for the award of performance-related rights ('Rights') subject to the Rules. The Plan is designed to assist in the motivation, retention and reward of Total Face Group's ('Company') Directors and senior executives. In addition, the Plan is designed to align the interests of Directors and senior executives more closely with the interests of shareholders.

### **Eligibility**

Directors and senior executives are eligible to participate in the Plan subject to receiving an invitation to participate and other Terms of Grant as set out in the Rules. The Board has the discretion in determining which members of the senior executive are eligible to participate in the Plan.

### **Rights**

Each Right carries the conditional right to receive a share, by issue or transfer, upon vesting (subject to the Terms of Grant). If exercised, each Right entitles a Plan participant to one fully paid ordinary share in the Company. Rights will have an exercise price of \$0.50 cents.

Unless otherwise specified in an offer made under the Plan, shares issued under the Plan will rank equally with all existing shares within the same class from the date of issue or transfer.

## **Rights and Time of Issue**

The size of Rights to be issued are as follows:

- 3,500,000 Rights, representing approximately 5% of the Company's issued share capital (subject to Initial Public Offering ('IPO') raising a required minimum), are issued shortly after the time of Completion of the Offer.
- Rights representing 2.5% of the Company's issued share capital as at 30 June 2016 shortly after the release of the Company's audited annual report for the period ending 30 June 2016.
- Rights representing 2.5% of the Company's issued share capital as at 30 June 2017 shortly after the release of the Company's audited annual report for the period ending 30 June 2017.
- Rights representing 2.5% of the Company's issued share capital as at 30 June 2018 shortly after the release of the Company's audited annual report for the period ending 30 June 2018.

## **Performance Conditions**

The number of exercisable Rights will be determined by reference to two equally weighted performance conditions:

- Total Shareholder Return (TSR); and
- 50% Earnings per Share (EPS).

Both, TSR and EPS performance conditions are expressed as a percentage of a compound annual growth rate ('CAGR') during the relevant period.

The TSR growth performance condition is a measure of the increase in the price of a share measured over the relevant period, based on the assumption that dividends are reinvested, with the issue price used as the base level.

The EPS growth performance condition will be measured as the annual compound percentage increase in the Company's EPS over the relevant performance period. The base level of EPS will be calculated by dividing the Company's net profit after tax ('NPAT'), excluding any unusual items, with the number of shares on issue as at the relevant reporting end date.

## **Number of Rights and Performance Condition Hurdles**

In the first three years of the operation of the Plan, the number of Rights to be granted will be limited to those granted around the time of the Completion of the Offer following the Initial Public Offering ('IPO') and will represent not more than 15% of the number of shares as at the Completion of the Offer.

The number of Rights to be vested is dependent on satisfying the following performance condition hurdles:

- 20% of the EPS Rights and TSR Rights will vest if the minimum EPS growth hurdle condition of 20% EPS and TSR CAGR is achieved over the relevant performance period;
- 100% of the EPS Rights and TSR Rights will vest if the EPS and TSR growth hurdle of 35% EPS and TSR CAGR is achieved over the relevant performance period; and
- If the EPS and TSR CAGR is within the range of 20% to 35% EPS CAGR, the number of EPS Rights and TSR Rights that will vest will be straight line pro-rata basis.

## **Performance Periods**

There are three separate performance periods that apply to the EPS and TSR Rights:

- 20% of the EPS Rights and TSR Rights will be assessed against EPS and TSR growth measured in the one year period from the date of their granting and the next relevant reporting end date;
- 50% of the EPS Rights and TSR Rights will be assessed against EPS and TSR growth measured in the two year period from the date of their granting and the next relevant reporting end date; and
- 30% of the EPS Rights and TSR Rights will be assessed against EPS and TSR growth measured in the three year period from the date of their granting and the next relevant reporting end date.

If an EPS Right or TSR Right does not vest at the end of the first and/or second performance period, it does not lapse and remains available for vesting at the end of the next applicable performance period. If an EPS Right or TSR Right has not vested by the end of the third performance period, it will lapse. There is no further re-vesting after the third performance period.

## **Participation in New Issues of Shares**

Subject to Listing Rules (where relevant), a participant may only participate in the new issues of shares or other securities if the Right has been exercised in accordance with its terms and shares are issued or transferred and registered in respect of the Right on or before the record date for determining entitlements to the issue. Participants will also be entitled to receive an allocation of additional shares as an adjustment for bonus issues as set out in Clause 13 of the Rules.

## **Quotation**

The Company will apply for official quotation of any Shares issued under the Plan upon their vesting and payment of exercise monies, in accordance with the Listing Rules.

## **Appointing Trustees**

The Company may appoint a trustee to do such things as considered appropriate to enable implementation of the Plan, including acquiring and holding shares or other securities of the Company, on behalf of participants, for the transfer to future participants or otherwise for the purposes of the Plan.

## **Change in Control**

In the event of a change in control of the Company, unvested Rights will vest on a pro rata basis having regard to the proportion of the performance period that has passed and after testing the relevant performance conditions at the time. The Board has the discretion to determine whether a change in control has occurred and the manner in which the Rights will be treated.

## **Amendments**

As outlined in Clause 16 of the Rules, the Company may amend, terminate or suspend the Plan at any time, provided such action does not adversely affect or prejudice rights of participants holding Rights at that time.

## **Cessation of Employment**

Upon resignation, a participant's unvested Rights will lapse. In addition, in instances where the participant's employment was terminated for cause or as a result of unsatisfactory performance, unvested Rights will lapse. In other circumstances, a person ceasing employment may retain unvested Rights with vesting to be treated at the end of the relevant performance period. However, in all cases, the Board has discretion to permit a participant to retain unvested Rights, including discretion to reduce the number of retained unvested Rights to reflect the part of the performance for which the participant was employed.