



### Iress Ltd 2019 AGM Voting Intentions

<b>Company/ASX Code</b>	<b>Iress Ltd (IRE)</b>
<b>AGM date</b>	Thursday 2 <sup>nd</sup> May 2019
<b>Time and location</b>	11.30am AEST, RACV Club 501 Bourke St, Melbourne Victoria
<b>Registry</b>	Link Market Services
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Eric Pascoe assisted by Norm West & Barbara Tadich
<b>Pre AGM Meeting?</b>	Yes, with John Harris CFO Iress Ltd

The individual involved in the preparation of this voting intention does not have a shareholding in this company.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	<b>No vote required</b>

### Summary of ASA Position

Iress Ltd performed well in 2018 and its share price has responded accordingly. Group revenue was up 8% to \$464.5 mill, Segment Profit was up 10% to \$137.7 mill and Statutory Net Profit was up 7% to \$64.1 mill.

Iress is proving to have a reliable income stream with 90% of its revenue 'recurring income', very little customer churn and it has good potential for growth. It generates strong cashflow. Investors might note that it pays out more than its statutory profit in dividends.

Iress is appreciated by the investment community for its policy not to capitalise most of its investment in Product & Technology (2018: \$114m) but rather takes it to account annually as an expense thus affecting its stated profits.

### Governance and culture

Governance at board level is sound. The board appears conscientious about doing the right thing by all stakeholders and especially shareholders which is what you may expect when the chair, Mr. Tony D'Aloisio is a former Commissioner of ASIC and CEO of the ASX.

The culture within the company is very much that of a tech company. It has a people focus, is casual and operates more often in innovative work groups than as a hierarchical structure. There is an air of passion and excitement amongst staff for what they do and achieve.

### Financial performance

With Iress' record result came a lift in (total annual) dividend by 2cents to 46 cents although, with a reduction in the level of franking credit on this result, an Australian Taxpaying Shareholder would have seen no increase in net benefit. The dividend yield is 4.1% franked to 47%.

### Key events

In April 2018 Iress bought the remaining 85% of Lucsan Capital P/L that it didn't own, and this made a positive contribution to the 2018 result.

Also, on 25<sup>th</sup> February 2019 ASX Ltd, which was a founding shareholder in Iress, sold down quitting its 20 percent stake in the company. Shareholders should decide individually whether this is a positive or negative development for Iress and what the ramifications might be. There are many possibilities.

### Key Board or senior management changes

There were no changes to Key Management Personnel in 2018 although the board is wanting to change the company's constitution at the forthcoming AGM to increase the limit on the number of Directors from 8 to 10. There is currently 7 Directors.

### Summary

(As at FYE)	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
NPAT (\$m)	\$64.1	\$59.8	\$59.45	\$55.4
UPAT (\$m)	N/A	N/A	N/A	N/A
Share price (\$)	\$11.12	\$11.58	\$11.87	\$10.00
Dividend (cents)	46c	44c	44c	42.7c
TSR (%)	(0.17%)	1.3%	22.97%	(2.79%)
EPS (cents)	37.6c	35.4c	37c	35.2c
CEO total remuneration, actual (\$m)	\$2,430,561	\$3,317,955	\$2,471,437	\$3,387,738

For 2018, the CEO's total actual remuneration was approximately **29 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

<b>Item 2-Resolution 1</b>	<b>Re-election of Mr. Tony D'Aloisio as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

Mr. D'Aloisio was appointed to the Iress board as an Independent Non-Executive Director in 2012 and became Chairperson in August 2014.

He is currently also an Independent Non-Executive Director and Chairman of Perpetual Ltd but this is his only other involvement with a listed company. He is President of the European Capital

Markets Cooperative Research Centre, a board member of PPB Advisory and of Aikenhead Centre for Medical Discovery Ltd.

Mr. D'Aloisio holds a suitable number of shares in Iress Ltd and he has had a well-regarded history in business. His reappointment does not raise any concerns for the ASA.

<b>Item 3-Resolution 2</b>	<b>Re-election of Mr. John Cameron as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr. Cameron was appointed a NED for Iress in March 2010. He is a member of the People and Performance committee.

Mr. Cameron has very specific experience in that he was one of the pioneers of electronic trading and he was a key member of the team that first automated the ASX. He has designed and developed information systems for major financial institutions in the USA, UK, France and Australia.

Mr. Cameron also holds a suitable number of shares in Iress Ltd. His reappointment does not raise any concerns for the ASA.

<b>Item 4-Resolution 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Iress is introducing a whole new framework for the remuneration of its executive team including the CEO. The board claims that Iress has changed, as has the business world and that Iress' remuneration structure also needed to change to keep pace and attract quality leadership. All the while strong shareholder alignment is a primary focus.

The CEO's new pay structure is made up of 36% cash, 32% Equity Rights and 32% Performance Rights. The Equity Rights are granted immediately and vest over 2 years but are subject to a holding lock for a further 2 years. They are based on a set amount of money being divided by a VWAP share price calculated over the same period annually. The only effective test is longevity and appropriate behaviour.

The Performance Rights are priced by the same VWAP method. They vest based on Absolute Total Shareholder Return (ATSR) commencing at 50% for 6.5% ATSR (Compound Annual Growth Rate over 3 years) scaled through to 100% for 10% ATSR.

Senior executives have a similar pay structure to the CEO and all executives are required to hold sizeable amounts of shares after 5 years (MSR: Minimum Shareholding Requirement). For the CEO the MSR is 400% of his base salary and for other executives it is 225%.

The board retains a very large degree of discretion over the pay structure of all executives including the ability to put a holding lock on shares issued, redefine Performance Rights targets,

withhold payments and even claw back payments in certain circumstances mainly based around egregious behaviour on the part of the executive.

The new framework is simpler and clearer and whilst it does not conform to all of the ASA's ideals it is tailored to create strong shareholder alignment amongst the executive. The new framework does not appear to be an excuse to pay executives more and in fact may see a slight reduction in the CEO's actual pay. The equity component of all executive's pay increases and the cash component declines proportionally.

<b>Item 5-Resolution 4</b>	<b>Non-Executive Directors Remuneration</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The board has declared that there will be no increase in NED's fees for 2019. However, they are seeking to raise the Maximum Aggregate Amount Payable to NEDs by \$300,000 to \$1,500,000. Their ambition is to expand the board and introduce new board members prior to the retirement of other experienced members.

As per Item 6 below this is in line with ASA policy (Tenure Limits and Board Size) and therefore the ASA has little choice but to make available the necessary funds.

<b>Item 6-Resolution 5</b>	<b>Amendment to The Constitution</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The board is seeking to change article 10 of the constitution to state that the board is to have an upper limit of "not more than 10 members". The limit is currently 8.

It is also requesting that in future a board limit change, either up or down, can be determined by an Ordinary resolution at an AGM.

The board currently has 7 members and the ASA Policy under *Tenure Limits and Board Size* states that the board limit "should be at least 40% higher than the actual board size in order to give shareholders the flexibility to appoint additional directors without having to remove existing directors".

<b>Item 7-Resolution 6, 7A &amp; 7B</b>	<b>Approval of Grant of Deferred Share Rights, equity Rights and Performance Rights to the CEO/Managing Director Andrew Walsh</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The allocation of up to 60,000 Deferred Share Rights is the carry over of the 2018 (and earlier) CEO remuneration structure.

The granting of 80,200 Equity Rights and 80,200 Performance Rights are allocated under the new 2019 remuneration framework described above. They each represent 32% of the CEO's Total salary and are determined by dividing the dollar value by the VWAP share price for the 20 days to December 31<sup>st</sup>.

The Equity Rights have a 2-year vesting period followed by a 2-year holding lock.

The Performance Rights have Absolute Total Shareholder Return (as described above) as their only hurdle and will vest after 3 years.

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