Australian Shareholders' Association

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Credit-able Performance

Company/ASX Code	Credit Corp/CCP
AGM date	Tuesday 25 October 2022
Time and location	10:30am AEDT Cliftons, Level 3, 10 Spring St Sydney
Registry	Boardroom
Type of meeting	Hybrid: https://web.lumiagm.com/301960314
Poll or show of hands	Poll on all items
Monitor	Patricia Beal assisted by Sue Howes
Pre AGM Meeting?	Yes, with Chair Eric Dodd; CFO Michael Eadie and (by weblink) Rem Chair Trudy Vonhoff

The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

ASA will be voting againts the remuneration report this year. We have the following objections:

- The STI is delivered completely in cash.
- The LTI is assessed and delivered over 3 years and has become more short term this year.
- While LTI is delivered “in equity to align the interests of executives and shareholders”, the company policy of not requiring executives to retain a minimum shareholding in the company, results in most executives selling their shares upon vesting, thus not aligining thier interests with those of shareholders.
- Calculation of performance rights uses “Fair value by Monte Carlo simulation and binomial tree valuation models utilising the (VWAP) share price over 90 days up to grant date”. ASA does not approve of this method as it reduces transparency of actual remuneration. Appendix 1 provides more detail, but the main issue is that the 2019-2021 remuneration plan delivered the CEO an LTI of $1.11m. The sale of these shares post vesting delivered an actual value of $7.1m. Approximately $2.9m of this was due to share price appreciation over time whilst around $3.1m was due to the use of Fair Value in determining the number of rights.

Proposed Voting Summary

No.	Resolution description	
2a)	Re-election of Ms Trudy Vonhoff as a Director	For
2b)	Re-election of Mr James M. Millar AM as a Director	For
3	Adoption of Remuneration Report	Against

Financial Summary

(As at FYE)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
NPAT ($m)	**100.7**	88.1	15.5	70.3	64.3	55.2
UPAT ($m)	100.7	88.1	15.5	70.3	64.3	55.2
Share price ($)	20.28	29.73	15.58	26.520	18.070	17.710
Dividend (cents)	74	36.0	72.0	72.0	62.0	54.0
Simple TSR (%)	-29.3	93.13	(38.54)	50.75	5.53	51.96
EPS (cents)	148.9	130.9	25.5	141.9	135.1	116.8

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year. Re-election of directors The board comprises 6 directors, 30% female, 70% male. Two directors have been on the board for more than ten years, and two are more recent appointments. Most directors hold shares of equivalent value to their fees, including Ms Vonhoff. Mr Millar joined the board in December 2021 and has yet to purchase any shares. The candidate's skills and experience appear relevant, although we urge Ms Vonhoff as Chair of the remuneration committee to address our concerns regarding use of fair value to allocate the LTI and to look to institute and minimum shareholding policy for the CEO. See Appendix 1 for more on the remuneration report.

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Appendix 1
Remuneration framework detail

Group CEO Remuneration Framework for FY22	Target $'m	% of Total	Max. Opportunity $'m	% of Total
Fixed Remuneration	0.70	24%	0.70	24%
STI - Cash	0.70	24%	0.70	24%
STI - Equity	0.00	0%	0.00	0%
LTI*	1.50	52%	1.50	52%
Total	2.90	100%	2.90	100%

* As a result of the LTI not vesting in 2020 the opportunity has been increased by 50% for FY21 and FY22

The CEO is not a managing director in this company. For the size of the company the fixed remuneration is quite low compared to peers.

STI is seen by the Board to be salary at risk and hence the Board is satisfied that it be paid in cash. ASA would prefer at least 50% be deferred and preferably paid in equity. The STI has a financial gateway of outperformance of budgeted earnings before the STI pool is allocated.

The LTI plan is designed to align management to shareholders but in practice this does not work well. While the LTI is at a reasonable level compared to peers, the use of fair value when allocating performance rights results in more rights being allocated that would generally be expected by shareholders. The workings of this are shown below. This has been complicated by the increase by 50% over FY21 and FY22 to make up for the LTI not vesting in FY20 due to COVID 19 – seen to be out of the control of management by the Board.

The other issue with the efficacy of the LTI is that there is no requirement for KMP for a minimum shareholding in the company, thus most shares are disposed of soon after vesting resulting in a misalignment with shareholders and windfall profit on vesting to the KMP.

CEO Actual Remuneration

The CEO remuneration paid in the current year is calculated as follows:

Type	Scheme year	Statutory LTI $m	Performance rights issued	Effective PR price	Likely vesting	EOFY Share price		$ received
Fixed*								$719,000
STI								$700,000
LTI								
	2020-2022	1.48	171,022	$8.65	50%	$17.17	Likely to vest Nov 22	
	2021-2023	1.48	148,000	$10.00	100%	$29.73	Likely to vest Nov 23	
	2022-2024	1.57	171,022	$8.65	N/A	$20.28	N/A	
	2019-2021	1.11	222,127	$13.50***	100%	$26.52	Vested, converted, and sold Nov 2021	$7,124,000**

*Includes non-monetary benefits, super and long-service leave.

** Provided by the company as share price for transactions not disclosed. This shows the amplification effect of using fair value to determine the number of rights on issue as well as the lack of alignment that results between shareholders and KMP under this remuneration plan. The share price at end Nov 2018, when the rights were issued, was $19.24. Therefore, the original grant value was $3.0m, the increase in value due to the increase in the share price over time was $1.3m while the remaining $2.8m difference is due to the outworking of the “Fair Value” methodology.

*** The fair value supplied by the company. The previous remuneration plan covered a number of years and thus the rights relate to multiple periods.