



ASX Announcement

24 August 2022

The Manager
Market Announcements Office
Australian Securities Exchange Ltd
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000

FY2022 Appendix 4E and Annual Report

Please find attached for immediate release in relation to AUB Group Limited (**AUB**) the following documents:

- Appendix 4E for the full year ending 30 June 2022; and
- Annual Report for the full year ending 30 June 2022.

The release of this announcement was authorised by the AUB Board.

For further information, contact Richard Bell, Group General Counsel and Company Secretary, on +61 2 9935 2222 or richardb@aubgroup.com.au.

About AUB Group

AUB Group Limited (ASX: AUB) is an ASX200 listed group comprising insurance brokers and underwriting agencies operating in ~520 locations across Australia and New Zealand. Over 3,000 team members work with our 900,000 clients to place more than \$4.4bn in insurance premiums with local and foreign insurers.

AUB Group Limited

Level 14, 141 Walker Street
North Sydney NSW 2060

ABN 60 000 000 715
ACN 000 000 715

aubgroup.com.au

AUB Group Limited

ABN 60 000 000 715

ASX Disclosure – Appendix 4E

ASX DISCLOSURE – APPENDIX 4E
Annual Report – 30 June 2022

Under Listing Rule 4.2.A.3 of the Australian Securities Exchange Limited (the “ASX”), the following information must be given to the ASX. The information should be read in conjunction with the financial report for the year ending 30 June 2022.

1. Reporting Period

Current reporting period – twelve months ended 30 June 2022

Previous corresponding period – twelve months ended 30 June 2021

2. Results for Announcement to the Market

| | | | | \$'000 |
|-----|---|----|-------|------------|
| 2.1 | Revenue from ordinary activities ¹ | up | 5.9% | to 372,589 |
| 2.2 | a) Profit (loss) from ordinary activities after tax attributable to members | up | 14.5% | to 80,834 |
| | b) Total comprehensive income after tax attributable to members | up | 8.5% | to 76,321 |
| 2.3 | Net profit (loss) attributable to members | up | 14.5% | to 80,834 |
| 2.4 | Underlying NPAT ² | up | 13.3% | to 74,018 |
| 2.5 | Dividends | | | |

| | Amount Per Security | Franking at 30% tax rate | Franked Amount Per Security |
|---------------------------|---------------------|--------------------------|-----------------------------|
| Interim Dividend | 17.0 cents | 100% | 17.0 cents |
| Final dividend determined | 38.0 cents | 100% | 38.0 cents |

¹ Revenue from ordinary activities includes: Revenue, Other income, and Profits from Associates.

² Underlying NPAT is the measure used by management and the Board to assess underlying business performance. Underlying NPAT excludes adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles. A reconciliation is provided between Reported NPAT and Underlying NPAT in Note 3 of the Financial Report. Underlying NPAT is non-IFRS financial information and as such has not been audited

2.6 Record date for determining entitlement to the final dividend Thursday 8th September 2022.

2.7 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood is contained in the Directors' Report section of the Annual Report – 30 June 2022 attached as Attachment A.

3. Statement of Comprehensive Income

The Statement of Comprehensive Income is contained in Attachment A – Annual Report.

4. Statement of Financial Position

The Statement of Financial Position is contained in Attachment A – Annual Report.

5. Statement of Cash Flows

The Statement of Cash Flows is contained in Attachment A – Annual Report.

6. Dividends

The payment of the fully franked interim dividend on ordinary shares for the year to 30 June 2022 of 17.0 cents per share was paid on 4 April 2022. This dividend totaled \$12,658,040.

On 24 August 2022, the Directors determined a fully franked final dividend of 38.0 cents per share. This dividend is payable on Monday 7th October 2022. Based on issued shares of 92,409,126 shares, this dividend will total \$35,115,468.

7. Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to the final dividend.

8. Movements in Retained Earnings

An analysis of the movements through Retained Earnings is shown in Attachment A – Annual Report.

9. Net Tangible Assets Per Security

| | |
|--------------|--------|
| 30 June 2022 | \$3.86 |
| 30 June 2021 | \$1.42 |

10. Entities Over Which Control has been Gained or Lost During the Period

Entities over which control has been gained during the period.

| Acquisitions | Date |
|---|-------------|
| HQ Insurance Brokers Pty Ltd | 01/07/21 |
| iaAnyware Unit Trust | 01/10/21 |
| Rosser Underwriting Limited | 01/10/21 |
| R.J. Vaughan & Monaghan Pty Ltd | 01/11/21 |
| Dawson Insurance Brokers Limited | 01/04/22 |
| Insurance Advisernet Unit Trust | 30/6/22 |
| Insurance Advisernet New Zealand Unit Trust | 30/6/22 |

Entities over which control has been lost during the period.

| Disposal | Date |
|-------------------------------|-------------|
| Tealrose Pty Ltd | 01/07/21 |
| Financial Affairs Pty Limited | 01/07/21 |

11. Associates and Joint Venture Entities

Details of associates are shown in Attachment A – Annual Report.

12. Any other Significant Information

Any other significant information needed to make an informed assessment of the financial performance and financial position is included in Attachment A – Annual Report.

13. Accounting Standards Applied to Foreign Entities

Not Applicable.

14. Commentary on the Results for the Period

A commentary on the results for the period is contained in the Directors' Report section of Attachment A – Annual Report.

15. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Auditor's Report to the members of AUB Group Limited dated 24 August 2022 prepared by Ernst & Young and included in the Annual Report – 30 June 2022 attached as Attachment A.

Appendix A

2022 ANNUAL REPORT



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CHAIR'S MESSAGE

David Clarke
Chair



Dear Shareholders,

On behalf of the Board of Directors, it is my great pleasure to present AUB Group's 2022 Financial Year (FY22) performance and Annual Report.

FY22 has seen further uncertainty and challenge - an external environment clouded by geopolitical tensions, increasing inflationary pressures, supply chain constraints and financial volatility, combined with catastrophic floods across Australia. This has resulted in exacerbating an uncertain outlook for the future, specifically for insurance, as underwriters increase premiums by shifting rates to improve returns and profitability. With this backdrop, AUB Group partners understand the vital role we play in supporting our clients in managing their risk to safeguard a better future and remain focused on delivering in their best interests.

FINANCIAL PERFORMANCE AND CAPITAL STRENGTH

FY22 continued to deliver ongoing macroeconomic challenges, however AUB's Strategic agenda has once again allowed us to deliver a resilient financial performance driven by strong organic growth fundamentals. In FY22, AUB Group delivered above our original guidance with another strong result where Underlying Net Profit After Tax (UNPAT) from continuing operations increased by 22.2% compared to FY21, to \$74.0m. Throughout the period we maintained a strong balance sheet and capital position. Divisionally, our Australian Broking business grew pre-tax profit by 23.4% as a result of major and strategically important acquisitions and increasing commercial premiums. The performance was assisted by the ongoing benefits of cost-efficiency programs, delivering EBIT margin expansion of 250 basis points (bps) in FY2022 to 33.7%. BizCover continues to deliver accelerated growth, with an increase of 24.7% in pre-tax profit via 21.0% growth in revenue and a further 150bps EBIT margin expansion. FY22 had a strong focus on Agencies remediation and creating a platform for growth,

which delivered an increase in pre-tax profit of 53.5%, primarily as a result of the full-year contribution from the 360 Underwriting acquisition, as well as additional cost-remediation efforts to lift the EBIT margin by 510bps to 37.0%. New Zealand experienced slow growth in revenue of 0.5%. This was primarily due to underperformance in BWRS, while remaining businesses performed in-line with expectations. When grouped with the impact of our ongoing technology investment, an important lever for future growth, the overall business experienced a decrease in pre-tax profit by 15.3% compared FY2021.

Our divisional performance is encouraging and demonstrates continued progress against our medium-term EBIT margin targets, with the overall Group margin improving 240bps compared to FY21 (and 470bps since FY19) despite operating in a challenging external environment.

Post the \$350mn equity capital raising in May 2022, AUB Group used a portion of the proceeds to discharge its debt obligations to its lenders and the existing debt facility was cancelled.

PROGRESS ON STRATEGIC AGENDA

The Group continues to stay focused on its Strategic Agenda and annual priorities, which delivered successfully and resulted in the strong financial performance. Key highlights during the year include strategically important acquisitions including AUB acquiring iaAnyware, 360 Underwriting acquiring Anchorage Marine and Finsura acquiring Vaughan & Monaghan. Additionally, we continued to focus on optimising our network to create scale, efficiency, and market leadership via a number of consolidations and/or portfolio restructures, as well as equity step-ups in existing businesses to capture future growth potential. Our focus on Agencies delivered outperformance, primarily as a result of our acquisition of 360 Underwriting and restructure of our Agency portfolio in FY21, increasing scale and Austbrokers penetration.

CHAIR'S MESSAGE (CONTINUED)

In May 2022, AUB Group announced a transformative acquisition of Tysers, a leading London and Lloyd's broker with access to specialist underwriting expertise and global distribution capabilities. The acquisition is highly strategic for AUB Group's existing business and will result in market leading capacity access and offerings for AUB brokers. The regulatory approval process is progressing well and completion of the Tysers acquisition is targeted for late 2022, subject to receipt of final regulatory approvals. We will keep the market updated on progress over the coming period.

Looking ahead, the Group's FY23 strategic focus will be primarily a continuation of FY22 objectives, with a particular focus on New Zealand business performance, technology delivery and successful completion of the Tysers transaction.

DIVIDENDS

As a result of our financial performance, the Directors have declared a final fully franked dividend of 38.0 cents per share, payable on 7 October 2022. This, together with the interim dividend of 17.0 cents, results in a full year dividend of 55.0 cents, in line with FY21. The payout ratio of 64.5% is lower than last year, and the Board believes this is appropriate given the equity raising in anticipation of the Tysers acquisition completion in late 2022.

Strong business results as well as disciplined M&A growth also led to historic underlying Earnings per Share from continuing operations increasing by 21.1% compared to FY21.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Our recent focus on uplifting the Group's environmental, social and governance (ESG) practices have resulted in a number of key initiatives being implemented and further planned. Our approach as well as progress in FY22 is reported on page 51 of this report. Key highlights include:

- AUB Group was officially certified as a 'Great Place to Work'
- The recent launch of AUB Giving, allowing employees to support causes they are passionate about via pre-tax donations, with AUB Group matching donations
- The imminent launch of AUB Community Day, where employees are granted a day of paid volunteer leave to participate in community activities such as volunteering, mentoring, and working with charities and other not-for-profit organisations
- 31.5% increase in employee training hours compared to FY21 across the network
- Improved outcomes across key gender diversity metrics
- 17% decrease in our carbon footprint per FTE, with further improvements expected in FY23 through a switch to renewable energy and carbon offsetting efforts at the head office.

With respect to Governance, at the completion of the Tysers acquisition (subject to regulatory approval), we will propose the appointment of an additional Non-Executive Director to the AUB Group Board, an individual with strong knowledge, experience, expertise, and relationships in the London Wholesale Insurance market adding further depth to the AUB Board.

CONCLUSION

I would like to conclude by thanking all our employees and partners for their contributions during the year. Our strong result in FY22 reflects their effort, discipline and ongoing commitment to the Group's success and demonstrate a business that is built on strong foundations by a focused and committed team. I'd also like to acknowledge the ongoing support from our clients and shareholders who continue to place their trust in our business and look forward to further updating you on our progress at our AGM in November.



David Clarke
Chair

CEO'S MESSAGE

Michael Emmett
Chief Executive Officer
and Managing Director



Dear Shareholders,

This has been another eventful year and another good year of performance from businesses across our diverse Group. It would be remiss of me not to recognise the continued challenges our clients and our teams are experiencing, having moved very rapidly from a period of COVID-lockdown to a period of rising inflation and supply chain challenges.

At the beginning of FY20, we set out a plan to transform AUB Group to deliver sustained profit growth to shareholders. Fundamental to this plan was our ability to grow revenue and expand margins by focusing on our core Insurance Broking capabilities and directly related businesses such as Underwriting Agencies.

Over the past three years, we have refocused the business by exiting our Health and Rehabilitation Services investments. We have demonstrated our ability to grow broking organically and through strategic acquisitions, including broadening the spectrum of clients we serve by expanding in the Mid-Market/Corporate as well as the micro-SME segments. Our deployment of technology to support our brokers and service our clients is continually expanding; however, the take-up in some areas is slower than we'd like.

With a few exceptions, our broking businesses in Australia and New Zealand are performing outstandingly, consistently growing premium, revenue and margin above market rates. Our expansion of Underwriting Agencies to support our brokers and clients has delivered robust scale and profit improvement over the past 18 months. The utilisation of these agencies and products by AUB Group brokers continues to increase.

It is, however, a challenging environment for our clients. Significant insurance rate rises and other cost pressures faced by our clients mean that brokers are working harder than ever to assist clients in managing the cost of insurable risks in their businesses. This, combined with increased Insurer risk aversion, means placing specific risk categories is becoming more complex. Whilst we understand the challenge faced by Insurers in the light of significant increases in the frequency and severity of climate-related losses, our priority remains to assist our clients. We are therefore seeing an unprecedented rise in the need to place risks on behalf of our clients in the international market. Completion of the potential acquisition of Tysers is targeted for late calendar 2022, and will enhance the ability of Brokers and Agencies across the AUB Group to access capabilities and facilities in the Lloyd's and International markets to place these global risks and better serve our clients.

We have delivered a strong track record of growth and performance since FY19, which continued in FY22. We grew underlying revenue by 12.2% on the prior year to \$689.5m and expanded the underlying margin by 240bps to 34%. The underlying NPAT of \$74m grew by 22.2% on the prior year on a continuing operations basis and was at the very top of the outlook range provided earlier this year. This represents an Underlying EPS of 96.7cps, an increase of 21.1% on FY21 on a TERP adjusted and continuing operations basis. The Board has proposed a final dividend of 38.0cps giving a full-year dividend of 55cps, flat on the prior year representing a dividend payout ratio of 64.5% of Underlying NPAT. The decision to hold year on year dividend per share flat was made in light of the potential Tysers acquisition and strives to maintain our policy to pay dividends in the range of 50% to 70% of Underlying NPAT and ideally at the midpoint of this range.

CEO'S MESSAGE (CONTINUED)

The overall performance of AUB Group was underpinned by continued momentum in Australian Broking and continued growth and profitability in BizCover. The strong performance in BizCover's Australian Direct business was partially offset by slower growth through intermediary channels and the investment cost for early-stage growth in foreign markets. The AUB Agencies enjoyed an exceptional year, and we made good progress towards our goal to achieve significant scale in this area. New Zealand Broking has also performed well; however, this has been counterbalanced by reduced profits in BWRS, our largest broker and the considerable investment in Project Lola. Good progress has been made with the transformation of BWRS with a new team of branch managers. Many new brokers and team members are now on board with a focus on business growth. Project Lola will implement a market-leading broking and insurance platform, improving margin and revenue growth in future years.

Profit momentum across the AUB Group, together with interest savings arising from the deployment of proceeds from a capital raise in May, gives us the confidence to provide a forecast for FY23 Underlying NPAT of \$86m to \$91m, representing growth of 16.2% to 23% versus FY22.

These forecasts do not include the consequences of the potential Tysers acquisition announced in May.

Each year we define and describe execution priorities for the year ahead. In FY22, we highlighted the following priorities:

- Reinvigorate Insurance Agencies
- Optimise our network
- Execute strategically aligned acquisitions
- Deliver market-leading technology capabilities
- Enhance our Partner proposition

Whilst I won't go through each of these, I would like to highlight the progress we've made in not only continuing to optimise and consolidate our existing network but also expanding through acquisitions that enhance our scale and, more importantly, our capabilities. In particular, I'd like to recognise our Agency teams for a spectacular year while our technology investments and deployments continue at pace with our recent acquisition of the iaAnyware core broking system, significantly enhancing our ability to strengthen broker technologies. Project Lola in New Zealand will transform our proposition to members of our broking network and our engagement with Insurers.

I want to acknowledge and thank our broking and agency partners and all other members of the AUB Group businesses in Australia and New Zealand. The pace and success with which we are progressing AUB Group's strategic priorities is a consequence of their professionalism, passion, capability and a focus on putting the client first.



Michael Emmett

Chief Executive Officer
and Managing Director

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DIRECTORS' REPORT

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

DIRECTORS

Your Directors submit their report for the year ended 30 June 2022. The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



D.C. Clarke LLB MAICD

(Independent Non-Executive Chair)

Appointed: Non-Executive Director from 3 February 2014; Chair from 26 November 2015

Board Committees: Board Audit & Risk, Nomination (Chair), Remuneration & People

Background and experience:

David Clarke was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013. Prior to joining Investec Bank, he was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles, including Chief Executive of BT Financial Group. David has 35 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited. David is the Chair of Charter Hall Group Limited.

Directorships of other listed entities (last 3 years):

– Charter Hall Group Limited (April 2014 to present)



M.P.C. Emmett B Com, H.Dip. Acc CA (SA)

(CEO and Managing Director)

Appointed: 11 March 2019

Board Committees: Nil

Background and experience:

Mike Emmett serves on a number of boards for companies in Austbrokers, AUB New Zealand and Austagencies, in addition to his role as Group CEO. Prior to joining AUB Group, he was Group CEO for Cover-More, previously an ASX-listed global travel insurer and now part of the Zurich Group. Earlier, Mike was QBE Group Executive of Operations and EY Managing Partner for Financial Services Advisory. Prior to moving to Australia, Mike held senior roles in Finance and Consulting in the UK and South Africa.

Directorships of other listed entities (last 3 years):

– 1ST Group Limited (January 2019 to May 2021)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

DIRECTORS (CONTINUED)



P. G. Harmer Harvard Advanced Management Program

(Independent Non-Executive Director)

Appointed: 22 July 2021

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (from 22 July 2021)

Background and experience:

Peter Harmer was previously Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) Limited and is currently a Non-Executive Director of Commonwealth Bank of Australia Limited and nib holdings limited, and the Chair of Lawcover Insurance Pty Limited. Prior to IAG he was Chief Executive Officer of Aon Limited UK and a member of Aon's Global Executive Board, and spent seven years as Chief Executive Officer of Aon's Australian, New Zealand and Pacific operation. Peter has over 40 years' experience in the industry spanning insurance, reinsurance broking, and insurance broking.

Directorships of other listed entities (last 3 years):

- Commonwealth Bank of Australia Limited (March 2021 to present)
- nib holdings limited (July 2021 to present)
- Insurance Australia Group Limited (November 2015 to November 2020)



P. A. Lahiff BSc Agr, GAICD

(Independent Non-Executive Director)

Appointed: 1 October 2015

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (Chair)

Background and experience:

Paul Lahiff was previously Managing Director of Mortgage Choice Limited (2003 - 2009) and prior to that was CEO and an Executive Director of Heritage Bank and Permanent Trustee and held senior roles in Westpac in Sydney and London. Paul is the Chair of Harmony Corp Limited, 86400 Holdings Limited and NESS Super, and a director of Sezzle Inc. He is also the Chair of the Steering Committee for ISO 20022 Migration for the Australian Payments System.

Directorships of other listed entities (last 3 years):

- Sezzle Inc. (May 2019 to present)
- Harmony Corp Limited (February 2021 to present)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

DIRECTORS (CONTINUED)



R. J. Low B Com, FCA, GAICD

(Independent Non-Executive Director)

Appointed: 3 February 2014

Board Committees: Board Audit & Risk (Chair), Nomination, Remuneration & People

Background and experience:

Robin Low was a Partner at PricewaterhouseCoopers. She has over 30 years' experience in financial services, particularly insurance, and specialises in assurance and risk management. She is a Director of Appen Limited, IPH Limited and Marley Spoon AG. Robin also serves on the boards of Australian Reinsurance Pool Corporation, Gordian Runoff Limited, and not-for-profit organisations: Guide Dogs NSW/ACT and the Sax Institute. Robin is a member of the audit committee of the University of New South Wales, and is a past Deputy Chair of the Auditing and Assurance Standards Board.

Directorships of other listed entities (last 3 years):

- IPH Limited (September 2014 to present)
- Appen Limited (October 2014 to present)
- Marley Spoon AG (January 2020 to present)
- CSG Limited (August 2014 to February 2020)



C. L. Rogers CFA, B Com, MBA, GAICD

(Independent Non-Executive Director)

Appointed: 3 May 2018

Board Committees: Board Audit & Risk, Nomination, Remuneration & People

Background and experience:

Cath Rogers is a Partner at Antler, a global early-stage venture capital firm. She is a member of the Commercialisation Committee of the Heart Research Institute and was previously a Non-Executive Director of fintech Digital Wallet Pty Limited which trades as Beem It (2018-2021) and McGrath Limited (2016-2018). She has a background in financial services, private equity and venture capital both in Australia and overseas including with AirTree Ventures, Anchorage Capital Partners, Masdar Capital and Credit Suisse.

Directorships of other listed entities (last 3 years):

- Nil



R. J. Carless BEc

(Independent Non-Executive Director)

Appointed: 1 October 2010

Retired: 31 August 2021

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (to 31 August 2021).

Background and experience:

Ray Carless has over 40 years' experience in the insurance industry based in Australia but with management responsibilities throughout the Pacific Rim. Until 2000 he was Managing Director of reinsurance brokers Benfield Greig in Australia, a position he had held for over 14 years, and he had also been a director of the worldwide holding company located in London for 10 years. He has been a director of a number of companies involved in the Australian insurance industry since 2000.

Directorships of other listed entities (last 3 years):

- Nil

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

INTERESTS IN THE SHARES AND RIGHTS OF THE COMPANY

Details of shares and rights held by Directors and KMPs are set out in the Remuneration Report.

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and attendance of Directors during the year ended 30 June 2022 is as follows:

| Director | Board | | Board Audit & Risk Committee | | Remuneration & People Committee | | Nomination Committee | |
|-----------------------------|-------------------|----------|------------------------------|----------|---------------------------------|----------|----------------------|----------|
| | Held ¹ | Attended | Held ¹ | Attended | Held ¹ | Attended | Held ¹ | Attended |
| David Clarke | 21 | 21 | 6 | 6 | 7 | 7 | 4 | 4 |
| Michael Emmett ² | 21 | 21 | 6 | 6 | 7 | 7 | 4 | 3 |
| Ray Carless ³ | 2 | 2 | 1 | 1 | 2 | 2 | 1 | 1 |
| Peter Harmer ⁴ | 21 | 20 | 6 | 6 | 7 | 7 | 4 | 4 |
| Paul Lahiff | 21 | 21 | 6 | 6 | 7 | 7 | 4 | 4 |
| Robin Low | 21 | 21 | 6 | 6 | 7 | 7 | 4 | 4 |
| Cath Rogers | 21 | 21 | 6 | 6 | 7 | 7 | 4 | 4 |

1 The number of meetings held during the time the Director was a member of the Board or of the relevant Committee.

2 Michael Emmett was not a member of any Committee, and attended Committee meetings as an invitee.

3 Ray Carless retired as a Director on 31 August 2021.

4 Peter Harmer was appointed as a Director on 22 July 2021.

COMPANY SECRETARIES

Richard H. Bell, LLB, B.Comm (Law) (Group General Counsel and Company Secretary)

Richard Bell joined AUB Group on 15 June 2021 as Group General Counsel and was appointed Company Secretary on 29 June 2021. Before joining AUB Group, he was General Counsel (Corporate) & Group Company Secretary at Aristocrat Leisure Limited and previously in private practice specialising in Mergers & Acquisitions at Allens Linklaters.

Elizabeth M. McGregor, BA, MBA, FGIA, FCIS, GAICD (Joint Company Secretary (from 29 October 2021))

Elizabeth McGregor joined AUB Group on 1 October 2021 and was appointed Joint Company Secretary on 29 October 2021. She was previously company secretary of a number of ASX listed entities, through her work with the professional services companies Automic Group and Mertons Corporate Services. Elizabeth is a non-executive director of Exopharm Limited.

Allan K. T. Luu, BBus, LLB, MCom, LLM, FGIA, Dip IT (Joint Company Secretary (to 29 October 2021))

Allan Luu was Joint Company Secretary of AUB Group from 20 December 2018 to 29 October 2021. He was previously Legal Counsel at DXC (formerly CSC) and the Transurban Group and General Counsel and Company Secretary at a number of SMEs. Prior to that, he was in private practice at K&L Gates, Baker & McKenzie and Ogier. Allan is currently the Group Commercial and Legal Manager of AUB Group.

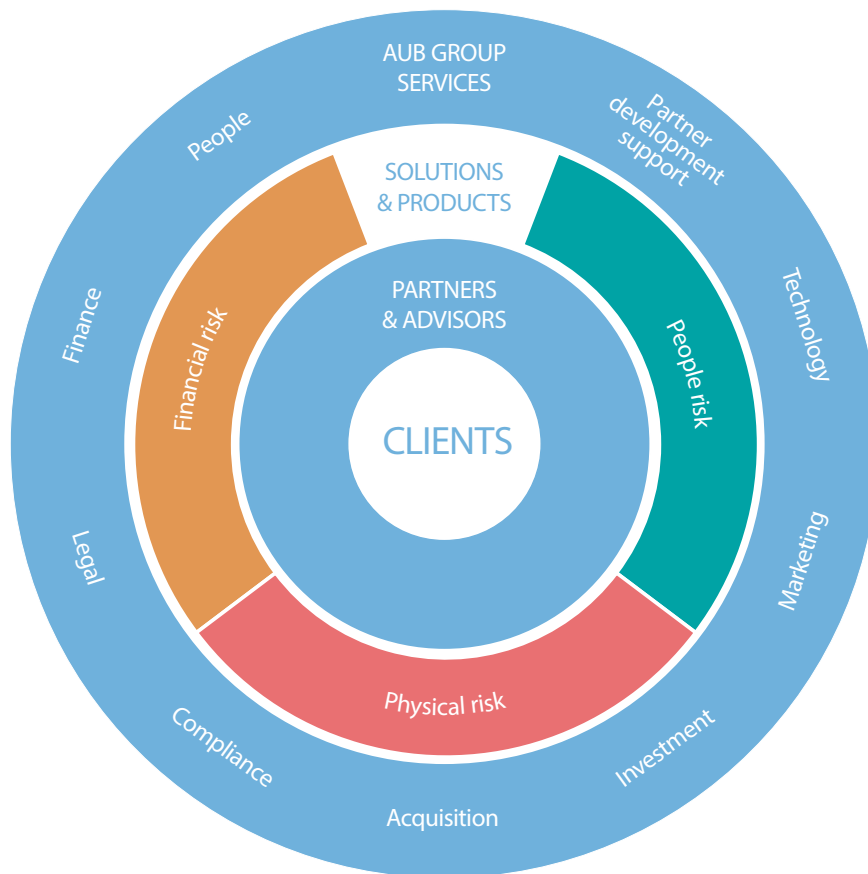
DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

OUR PURPOSE AND VALUES

We place clients at the heart of everything we do – providing products, services and solutions that help protect them from harm, damage and financial burden. Our partners and advisers provide trusted support and guidance to clients on the optimal combination of physical, people and financial risk solutions. Our approach is backed by the same commitment to high-quality service that we've had from the start. Our services are designed to help our partners operate safely, manage the business more profitably and achieve better outcomes for clients. Together we're providing a safer and stronger future for all.

At AUB Group we are guided by a universal set of values that describe the focus of our efforts.



Our goal is for all of our decisions and actions to reflect these core values. We believe that putting our values into practice creates the greatest benefits for our shareholders, partners, employees, suppliers and communities in which we serve.

For further information on our stakeholders and measurements of success please refer to our ESG Report on page 51.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

PRINCIPAL ACTIVITIES

AUB Group Limited (ASX: AUB) is an ASX200 listed group comprising insurance brokers and underwriting agencies operating in ~520 locations across Australia and New Zealand. Over 3,000 team members work with our 900,000 clients to place more than \$4.4bn in insurance premiums with local and foreign insurers.

AUB Group operates through four key business segments. The Group's core revenue is derived from arranging insurance policies and from related products and services. The amount of revenue earned is determined by premiums placed, sums insured and the general level of economic activity.

Australian Broking businesses provide insurance broking and advisory services primarily to SME clients. The division encompasses 45 broking businesses, complemented by established capabilities in member services, life insurance broking, premium funding, and claims management.

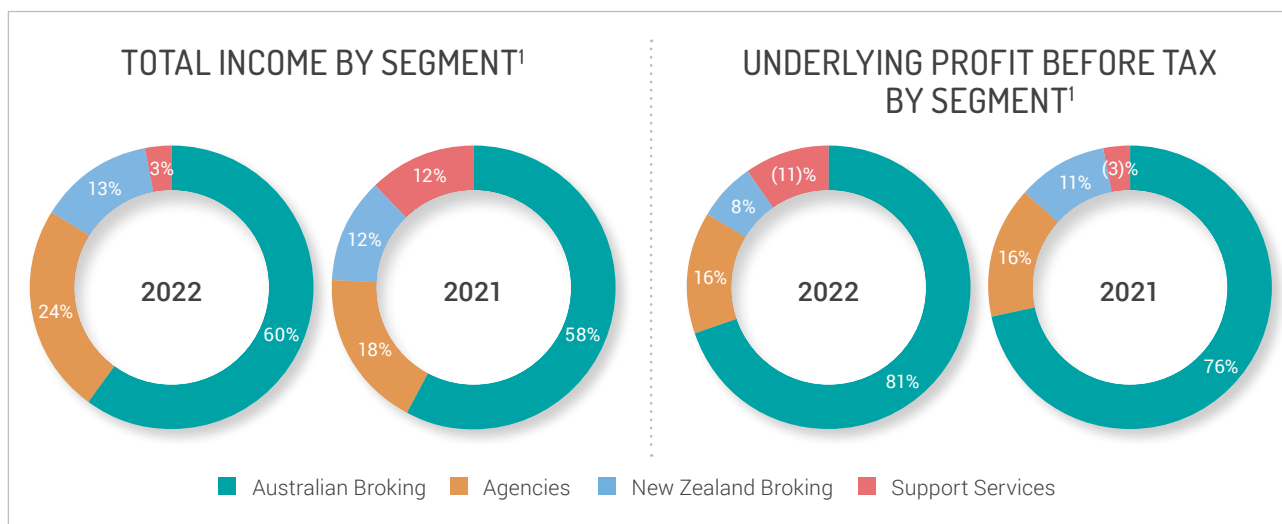
In **New Zealand Broking** our businesses provide insurance broking and advisory services primarily to SME clients. AUB Group holds equity stakes in 5 major insurance broker partners as well as ownership of NZbrokers (the largest broking management group in New Zealand representing 47 member businesses).

Agencies distribute and manage insurance products on behalf of licensed insurance companies through General Commercial, Strata and Specialty sub-divisions with a total of 33 underwriting agencies with access to delegated global underwriting capacity. These products and services are available to customers of insurance brokers, in and outside the AUB Group's broking networks.

Support service businesses provide a diverse range of services to support the Broking, Agency, and New Zealand segments, and external clients. Services include:

- Platforms division: automated quoting & binding, white-labelling, and technological support. This division includes BizCover, Australia's leading digital SME insurance platform with multi-channel presence and a comprehensive insurance offering. The business also supports/provides the Austbrokers network with ExpressCover, Australia's newest SME insurance platform utilising the BizCover quote and bind engine.
- Corporate: AUB Group Head office corporate entities.

These sub segments are not individually reportable.



The Group owns equity stakes in its partner businesses, which in turn provide trusted support and guidance to clients relating to physical, people and financial risks. This is backed by services the Group provides that help our partners operate with less risk, manage their businesses more profitably and ultimately achieve better client outcomes. These services include broker member services, claims and loss adjusting businesses, technology support, a centralised data-center and related infrastructure support, common broking and back-office platforms, finance, tax, M&A, human resources, risk, compliance and other operational support services.

¹ Total Income is presented on a statutory basis whilst Underlying Net Profit Before Tax is a non IFRS measure. Refer to Note 3 within the Financial Report for further information.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

OPERATING AND FINANCIAL REVIEW

Reconciliation of Reported Net Profit After Tax to Underlying Net Profit After Tax

The following reconciliation from Reporting NPAT to UNPAT is presented on the basis attributable to equity holders of the parent:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Net Profit after tax attributable to equity holders of the parent | 80,836 | 70,621 |
| Add back/(less) net impact (after tax and non controlling interests), of the following items: | | |
| - Share of Amortisation of broking registers | 11,143 | 10,948 |
| - Adjustments to value of entities (to fair value) on the day they became controlled entities | (41,046) | (3,851) |
| - Remeasurement of put option liability (net of Interest unwind) | 1,104 | 5,587 |
| - Share of impairment charge | 7,537 | 2,679 |
| - Share of movements in contingent consideration, net of impairment charge | (337) | (372) |
| - (Profit)/Loss on deconsolidation of controlled entity | (3,303) | (18,138) |
| - Capital losses not previously recognised | – | (1,791) |
| - Share of Profit from sale or dilution of interests in associates, controlled entities and broking portfolio | (2,591) | (2,050) |
| - Share of Impairment of the Right of Use Asset and Onerous Lease Expense | 219 | 611 |
| - Share of Legal, due diligence and debt costs | 20,456 | 1,057 |
| Underlying Net Profit After Tax | 74,018 | 65,301 |

Operating results for the year

In the year ended 30 June 2022 (FY22) Reported Net Profit After Tax attributable to equity holders of the parent (Reported NPAT) was \$80.83m (FY21: \$70.62m), a 14.46% increase from the prior year. The increased Reported NPAT was due to strong organic growth in Australian Broking and Agencies along with fair value adjustments in the current period from the step-up investment and consolidation of 3 entities previously held as associates, partially offset by acquisition expenses. The prior year result included the profit on sale of Altius.

On a Reported NPAT basis, earnings per share was 105.60 cents for the full year, 13.39% above the prior comparable period*.

Underlying Net Profit After Tax (Underlying NPAT) is the key measure used by management and the board to assess and review business performance. Underlying NPAT excludes non-controlling interests and the impact of fair value adjustments to the carrying value of associates, profits on sale and deconsolidation of controlled entities, contingent consideration adjustments, amortisation of intangibles, impairment charges and acquisition costs.

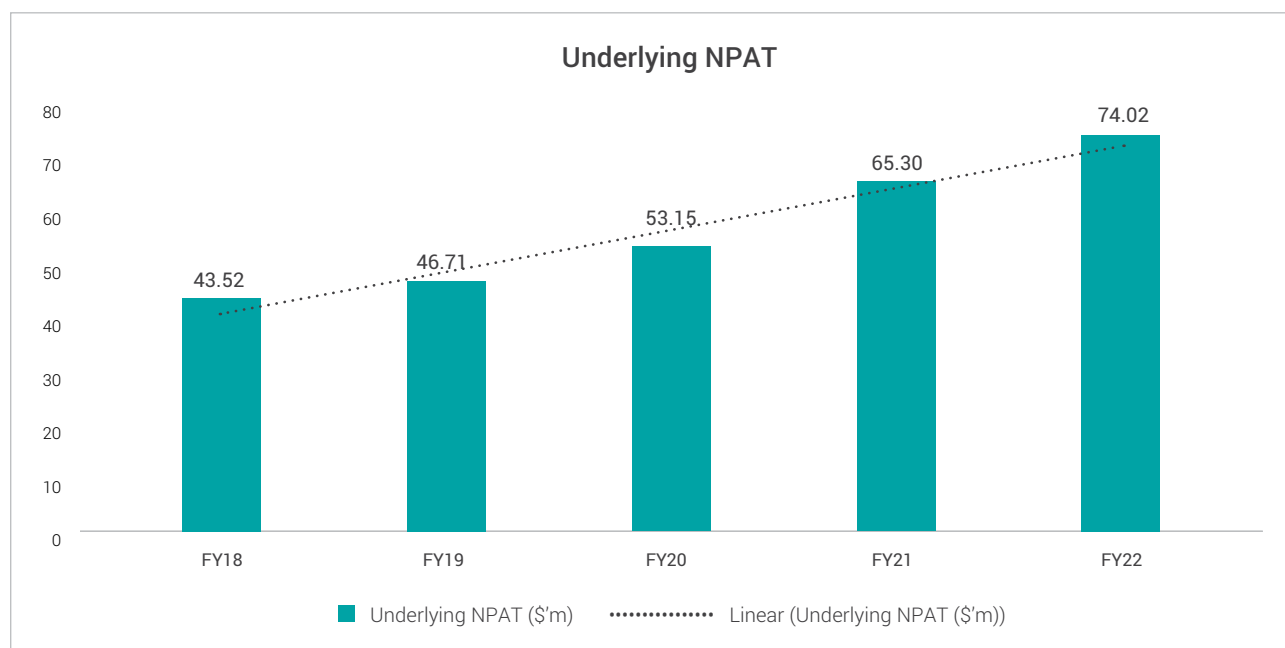
Underlying NPAT increased 13.35% to \$74.02m in FY22 (FY21: \$65.30m) due to strong organic growth in Australian Broking and Agencies.

* The Reported EPS in prior periods have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non-renounceable entitlement offer. The TERP adjustment factor applied to the EPS values previously reported is 0.9794.

DIRECTORS' REPORT

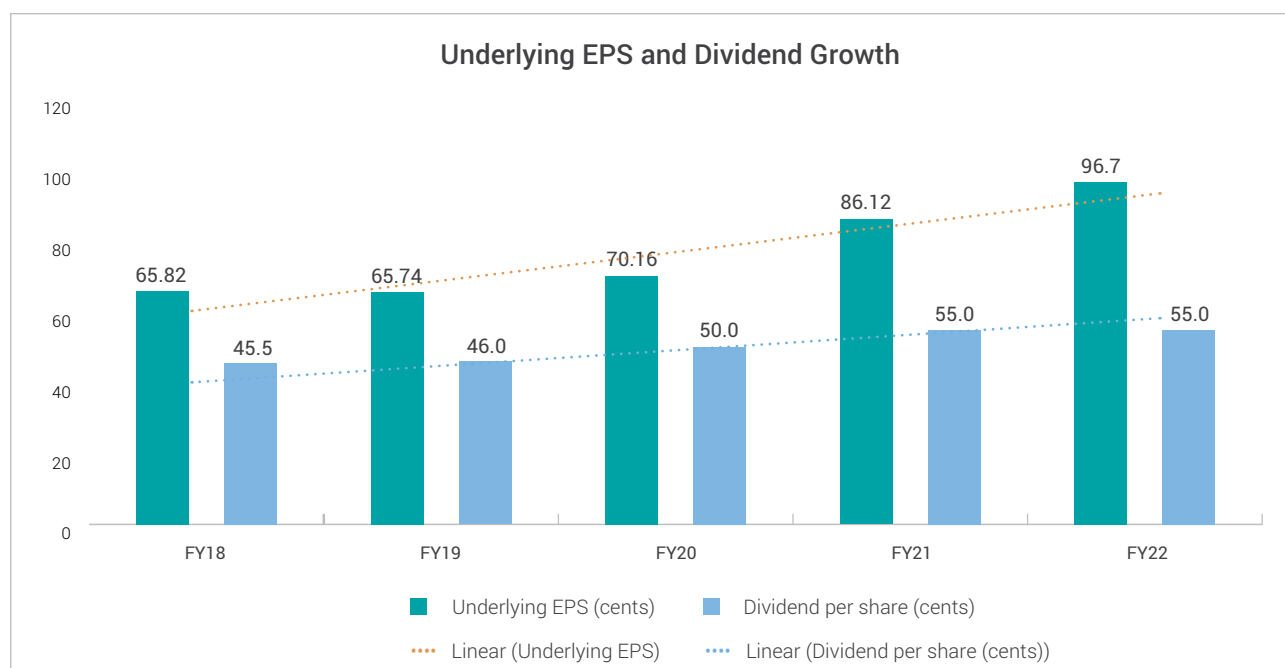
YEAR ENDED 30 JUNE 2022

OPERATING AND FINANCIAL REVIEW (CONTINUED)



On an Underlying NPAT basis, earnings per share (EPS) increased by 9.97% over the prior year to 96.70.

Dividend per share paid and declared for FY22 totaled 55.0 cents.



The Reported EPS in prior periods have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non-renounceable entitlement offer. The TERP adjustment factor applied to the EPS values previously reported is 0.9794.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Results by operating division

Australian Broking – underlying pre-tax profit for the year increased by 19.71% to \$86.15m. Excluding \$2.13mn non-recurring JobKeeper receipts in the prior period, the Underlying pre-tax profit for the year increased by 23.36%. This increase was predominantly driven by organic growth which included:

- Increased Commercial Lines premiums;
- Growth in client and policy counts;
- Ongoing cost reductions from network rationalisations;
- Partially offset by wage inflation and the increased cost of corporate insurances.

Acquisition related profit growth included the investments in iaAnyware (1 October 2021) and Vaughan & Monaghan (1 October 2021).

New Zealand Broking – underlying pre-tax profit for the year decreased by 15.31% to \$8.95m. NZ technology investment costs of \$4.57m were incurred in the current period (FY21: \$2.23m) to transform and enhance the NZ broking experience via a new platform. Excluding NZ technology investment costs from both periods, the Underlying pre-tax profit for the year increased by 5.65% which included:

- Revenue and profit growth for the majority of NZ businesses, supported by increased Commercial lines premiums;
- Partly offset by profit reduction in BWRS with remediation plan underway.

Agencies – underlying pre-tax profit for the year increased by 53.52% to \$22.78m. The current year includes the full period benefit of the investment in 360 Underwriting Solutions from 1 December 2020, which has accelerated AUB Group's scale in Agencies.

Strong organic growth especially across Construction and Engineering, Technology Risks, and Farm and Regional businesses.

Platforms – underlying pre-tax profit for the year increased by 18.39% to \$10.50m. Excluding \$0.45mn non-recurring JobKeeper receipts in the prior period, the Underlying pre-tax profit for the year increased by 24.71%. This increase was due to organic profit growth assisted by operating leverage and scalability of the platform. Future accelerated growth anticipated in foreign markets.

FINANCIAL CONDITION

Shareholders' equity increased from \$598.29m to \$997.68m at 30 June 2022, due to the impact of the current year financial performance as well as the proceeds of a \$350mn equity capital raising to fund the Tysers acquisition which is expected to complete in FY23.

The Group generated positive cash flow from operating activities before customer trust account movements of \$101.96m (2021: \$83.84m). Cash inflow of \$112.44m from investing activities in FY22 were due mainly to the purchase of iaAnyware Unit Trust. Cash flows from financing activities were primarily from a \$350m capital raising, used temporarily to repay debt until the Tysers acquisition is completed. Other finance activity related cash flows were to increase our shareholding in controlled entities and to fund dividends paid to shareholders. Cash held at the end of the period totaled \$259.33m (2021: \$76.59m), excluding monies held in trust).

Interest-bearing loans and borrowings decreased by \$164.48m to \$47.80m. This is largely due to the proceeds of the equity capital raising being used to extinguish the Group's previous syndicated debt facility. At the end of FY22, whilst some debt still exists in subsidiaries and associates, the absence of debt at Group level means we do not report on debt covenant outcomes. Subsidiaries had debt of \$47.80m and the look through share of borrowings by associates (including contingent obligations) of \$21.67m (2021: \$17.54m)¹ are not included in the Group balance sheet as these entities are not consolidated.

The borrowings by subsidiaries and associates relate largely to funding of acquisitions, premium funding and other financing activities.

¹ Total debt of associates, after considering AUB Group's percentage shareholding.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

BUSINESS STRATEGY

AUB Group's strategy remains consistent – exploit the latent potential in our existing business supplemented with strategically aligned and disciplined inorganic growth.:

- Deliver a market leading proposition for our brokers, and in-turn our clients, by investing in processes and technologies that drive efficient and effective outcomes;
- Continued focus on optimising our portfolio through consolidation and targeted involvement to improve underlying business performance; and
- Manage our active pipeline of external M&A opportunities through a disciplined and strategic approach to investment.

In FY23, the business will continue to evolve its focus from FY22 priorities with specific accountability for the following:

- **Improve and enhance New Zealand performance**
 - Successful pilot implementation of Project Lola including interfaces to select Insurers and commencement of roll-out to NZbrokers network
 - Accelerated revenue and profit growth for AUB NZ's portfolio of brokers
- **Optimise our network**
 - Continue to optimise our portfolio of business to outperform by consolidating into more efficient operating entities or to expand specialisation
- **Execute on strategically aligned acquisitions**
 - Disciplined and targeted approach to acquisitions, either bolt-ons that deliver synergy benefits or to expand capabilities and footprint
 - Increased investments in current network businesses to aid consolidation/optimisation
- **Stabilise and optimise Tysers post acquisition**
 - Optimise Tysers 2H23 contribution to AUB Group UNPAT
 - Deliver on key outcomes related to broker retention and performance, Tysers Retail, regulatory projects and acquisition Synergies
- **Enhance partner proposition**
 - Enhancement of member arrangements with external partners especially for Premium Funding and Technology Insurance

PROSPECTS FOR FUTURE FINANCIAL YEARS

AUB Group has benefited from investment in our core capabilities, cost management and pricing tailwinds. The Group continues to hold a modest outlook on the underwriting cycle with a premise that we are in the midst of a positive phase with potential for extension considering recent ongoing losses in key global underwriting markets. The anticipated growth could be reduced by unforeseen impacts of COVID-19.

In May 2022, AUB entered into a binding agreement to acquire 100% of Tysers subject to some customary matters and regulatory approval. Tysers represents a material acquisition for the Group including its future prospects as well as associated risks with international expansion.

CORPORATE GOVERNANCE

The 2022 Corporate Governance Statement can be found at the AUB Group website: aubgroup.com.au/corporate-governance.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

RISK MANAGEMENT

Effective risk management is an integral element in AUB Group achieving its strategic objectives.

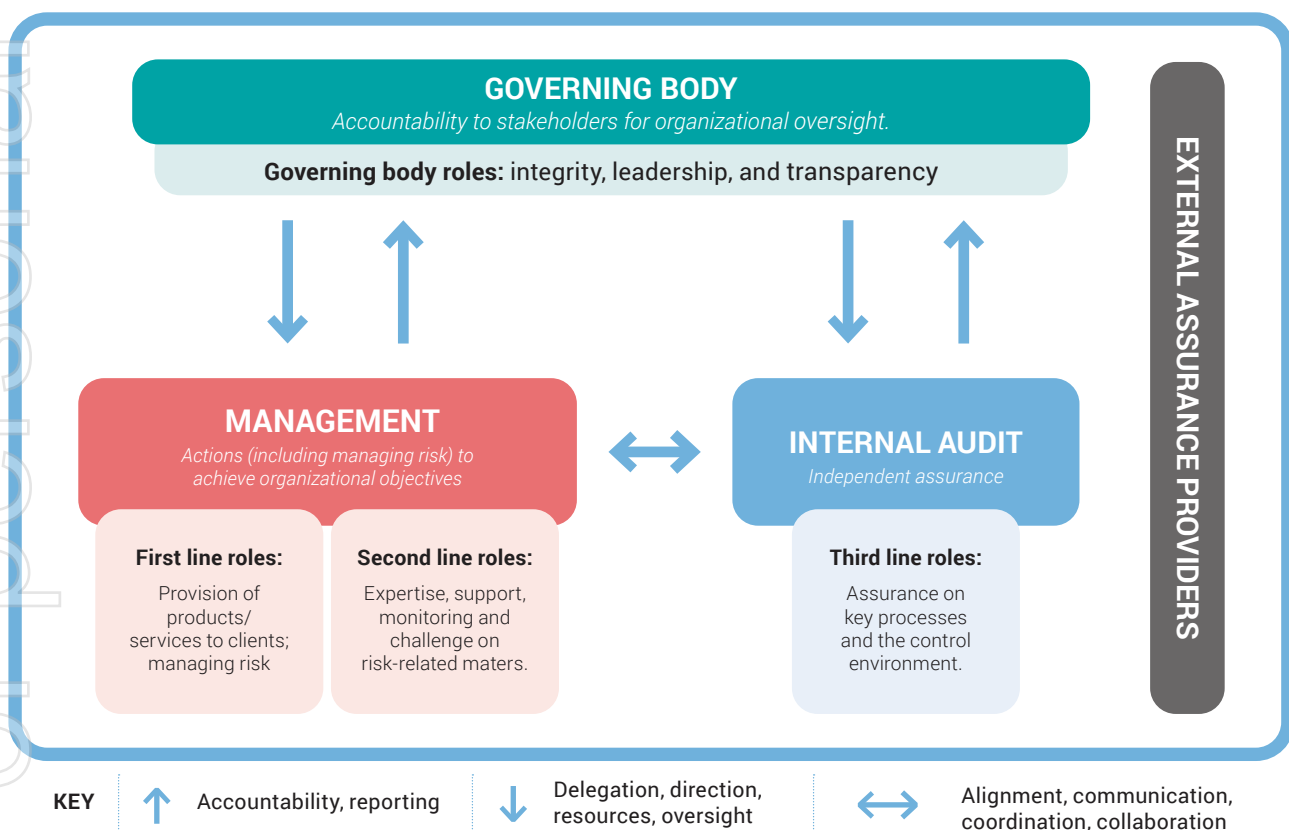
Overseen by the Board and the Board Audit and Risk Committee, the Risk Management Framework underpins identification and management of enterprise-wide and emerging risks and allows for effective decision-making that is within the Board approved risk appetite and specific limits.

The content and status of risk profiles and mitigation plans is considered and updated, in line with changes to the environment and operations, through regular reviews by management.

The Board reviews the Group's key risks and assesses the effectiveness of the risk management framework annually in accordance with the ASX Corporate Governance Principles and Recommendations.

AUB Group continues to review and enhance its governance structure and processes in accordance with the 'three lines model' recommended by the Institute of Internal Auditors (see below).

- Management: responsible for achieving the organisation's objectives through first-and second-line activities and risk-based decision-making. Businesses, the 'first line', are responsible for evaluating their risk environment, putting in place appropriate controls and ensuring that these controls are implemented effectively. The 'second line' provides complementary expertise and continuous monitoring systems in areas including legal and compliance, information and technology security, sustainability, and risk management.
- Internal audit function: undertake assurance and activities to promote and facilitate continuous improvement.
- the Board: responsible for organisational oversight through integrity, leadership, and transparency.



(source: The Institute of Internal Auditors, Australia.)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

KEY BUSINESS RISKS

The Group is exposed to various risks during its operations and achievement of its strategic objectives. Broad risk categories, which may impact the Group's business strategy and prospects for the future financial year, include:

Strategic

Clearly defining and successfully executing the AUB strategy.

Risk description

strategy is unclear, misaligned or fails to take into account the changing competitive, regulatory and technological landscape. Failure to successfully execute the strategy, including M&A, and deliver strategic objectives and outcomes.

2022 Commentary

Business model of acquiring and holding equity in operating business

An important part of AUB's business model and its growth strategy is to acquire and hold equity in insurance broking, underwriting agency.

Key considerations include the likely future performance of the business being acquired and the extent to which the business will fit strategically within the AUB Group.

When due diligence related to acquisitions, mergers or when AUB makes a strategic or financial investment in an entity, fails to detect substantial issues, the transactional documents may not contain corresponding safeguards including representations, warranties or indemnities, to protect AUB against existing and potential liabilities of the target businesses.

AUB can be made financially liable and subjected to legal proceedings for past non-compliances of laws and regulations. These may affect AUB's business operations and hinder its corporate growth. A failed merger and acquisition transaction may also damage AUB's reputation

While AUB ordinarily has veto rights on most decisions concerning AUB group members, it may not have the capacity to implement its decisions in all cases.

There can be no assurance that the anticipated benefits and synergies expected to result from all or some of the integrations of these acquisitions will be realised.

Increased competition or market change

An increase in competition or deterioration in the competitive positioning of AUB may have an adverse impact on AUB network members and could potentially result in a reduction in gross written premium placed through AUB network members due to a loss of market share; a reduction in fees and commissions; and/or a reduction in margins which may adversely impact the revenue and earnings of AUB network members.

Increased competition from new entrants and existing market participants, including increased commoditisation of business insurance products, may have an adverse impact on partner network and AUB earnings. If there are changes in the remuneration model for, or the use of, insurance brokers, underwriting agencies, or risk services businesses, this may adversely impact AUB's earnings and/or financial position and performance.

AUB in some cases acts as agent of the insurers. Insurers may choose to reduce their reliance on insurance brokers and underwriting agencies including through an increase in their direct web-based distribution models.

Continued consolidation in the general insurance industry may result in a more limited product set and/or greater pricing power for insurers which may result in downwards pressure on commissions and fees.

Management and Mitigation

As part of the annual assessment of strategic risks, the Board and Management team assess potential risks from both external and internal factors. Actions to mitigate these risks are designed as appropriate. Changes to these key risks and status of actions are reviewed monthly at the Risk Management Executive Committee meetings and biannually at the Board Audit and Risk Committee meetings.

Specific mitigation actions include:

- Engagement with relevant government stakeholders, regulators, insurers and industry bodies. Responses to relevant reviews including Quality of Advice Review
- Investment and acquisition approach involving skilled resource, due diligence and negotiated representations and warranties.
- Designing and implementing the ESG Program of work.

Environmental, social and governance (ESG) risks and expectations

Evolving community attitudes towards, and increasing regulation and disclosure in relation to ESG issues may impact the operation of AUB's business. Increased expectations, and in particular the failure to meet those expectations, with respect to ESG may impact on the profitability or value of AUB's business, restrict AUB's ability to attract financing or investment, result in heightened compliance costs associated with meeting prevailing regulatory and disclosure standards, or adversely impact on the reputation of AUB, which may have an adverse effect on AUB's business, financial position and prospects.

Financial

Risks relating to funding and liquidity management, expected return on investments and mitigation of fraud, client disputes and professional indemnity claims.

Risk description

Multiple factors could lead to the Group having insufficient capital or cash flow to meet its obligations including unfavourable outcomes from inappropriate management of interest rate, foreign exchange, counterparty credit, liquidity and self-insurance risks, adverse effects from capital structure and funding or losses associated with fraud, claims or disputes.

2022 Commentary

Economic conditions risk

The operating and financial performance of AUB is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates and government fiscal, monetary and regulatory policies.

Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters, as well as the impacts of COVID-19. A prolonged deterioration in general economic conditions could be expected to have an adverse impact on AUB's operating and financial performance and financial prospects.

The ability of AUB to secure debt financing, or financing on acceptable terms, may be affected by volatility in the financial markets, globally or within a particular geographic region, industry or economic sector. An inability to obtain, or increase in the costs of obtaining, financing on acceptable terms could adversely impact AUB's financial position and performance. AUB is exposed to movements in interest rates through its debt facility.

Fraudulent or inappropriate conduct

AUB has in place policies and procedures implemented in relation to the risk of fraud. However, particularly in relation to businesses where AUB does not control the day-to-day operations, there is a risk that funds of the business or of those held on behalf of clients may be the subject of fraudulent behaviour. Any such fraudulent behaviour would likely have an adverse impact of AUB's financial position, performance and reputation.

Management and Mitigation

AUB Group proactively manages these risks and opportunities through its established corporate governance structures, through the Compliance Framework, Risk Management Framework, and Assurance program supported by company policies, standards and procedures.

We employ specialised and experienced resources and teams to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, we also engage specialist advisors to support internal resources where required.

Other specific mitigation plans include:

- Finance specialists undertake forecasting and financial scenario testing activities
- The organisation operates with segregation of duties and a Board approved delegation of authority
- Actions to improve fraud reporting and dashboards to facilitate more effective oversight
- Implementation of external advisory channels for improved accessibility, accuracy and consistency.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

Compliance and regulatory risk

Risk of non-compliance with obligations (legal, regulatory, contractual) or failure to identify or appropriately respond to changes in the regulatory environment.

Risk description

AUB operates in a highly regulated environment which has been and continues to be subject to regulatory review and change.

2022 Commentary

Government policies and regulations

Failure to act in accordance with regulation, licenses, industry standards and codes, internal policies and procedures and principles of good governance could result in regulatory or legal action, licences being suspended or withdrawn, significant fines, penalties, other costs, reputation damage and/or reduced investor confidence. This, in turn, may adversely impact AUB's reputational, financial performance and position.

Regulatory changes may also impact AUB and/or its operating entities through costly and burdensome regulation and may have consequences which cannot be foreseen. Additionally, compliance with these regulatory obligations may require considerable investment into the establishment of compliance systems and the monitoring and maintenance of such systems to minimise the risk of noncompliance in the future.

AUB also faces the risk of failing to identify or appropriately respond to changes in the regulatory environment or of damaging AUB's standing with its regulators as a result of AUB not meeting regulatory expectations. A key emerging regulatory risk is that commission-based remuneration of general insurance brokers may cease to be exempt from bans on conflicted remuneration. The Australian Government has commenced the Quality of Advice Review, which will consider (among other things) the effectiveness of measures that have been implemented by regulatory bodies and financial services entities to improve the quality of financial advice, and whether each remaining exemption to the ban on conflicted remuneration (such as commissions) remains justified, including the exemptions for general insurance products and consumer credit insurance products. Any changes resulting from the Quality of Advice Review may impact AUB's remuneration structure.

Management and Mitigation

AUB Group proactively manages these risks and opportunities through its established corporate governance structures, through the Compliance Framework, Risk Management Framework, and Assurance program supported by company policies, standards and procedures.

We employ specialised and experienced resources and teams (Legal, Compliance, Finance, etc.) to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, we also engage specialist advisors to support internal resources where required.

Other specific mitigation plans include:

- Continuous disclosure policy and Management Disclosure Committee
- Improved oversight and reporting at a Group and Board level
- Policies, Frameworks and Procedures
- Defined approach for Regulatory change implementation

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

Operational

A disruption that impacts the ability of AUB to operate effectively.

Risk description

AUB may be unable to continue to operate effectively due to inadequate or failed internal systems and processes, disruption including inability to access premises, inability to use technology or systems (may be information security or cyber related), an infrastructure failure, impact to people and third-party disruption (including loss of Binder arrangements).

2022 Commentary

Loss of capacity for underwriting agencies

Unexpected loss of underwriter capacity, whereby an underwriter fails to renew a binder or withdraws capacity for strategic reasons (such as exiting lines of business or a specific country exit) is likely to result in significant loss of income.

Further risk may be as a result of an underwriter withdrawing capacity due to uneconomic underwriting results. This would severely constrain the ability of underwriting agencies to write new business and may restrict them from renewing existing business. Any such scenario would have an adverse impact on the financial performance of AUB's underwriting business.

Management and Mitigation

We apply the Three Lines model to operational risk management, with each Line having defined roles, responsibilities and escalation procedures to support effective design and implementation of controls to manage the risks. We are committed to continuous monitoring and improvement to ensure our approach to operational risk continues to meet organisational needs and regulatory requirements.

Specific mitigation actions include:

- Binder management approach
- Business Continuity Framework and Plans
- Disaster recovery plans and annual disaster recovery tests
- Information security strategy, framework, roadmap
- Tactical controls such as malware, multi-factor authentication, network segmentation among others
- Ongoing delivery against the Cyber Roadmap

Technology and cyber security risk

AUB's information technology systems (including those provided by third party technology vendors) are vulnerable to damage or interruption from a number of sources. Information security breaches or Cyber incidents could significantly curtail AUB's ability to conduct its business and generate revenue and lead to losses associated with investigation, rectification and remediation activities. Loss of sensitive (personal or organisational) information can lead to reputational damage, client distrust and regulatory inquiries or actions.

Group has designed and implemented a suite of core capabilities to manage cyber security and cyber risk. From the establishment of a set of strategic objectives, to an industry aligned cyber security framework, to a roadmap focused on embedding solid foundations, we have developed an ecosystem whereby our cyber posture is continually assessed and enhanced. Taking a risk-based approach to prioritising the cyber roadmap initiatives, we are focused on meeting our strategic information security objectives and managing risk within the enterprises risk appetite and tolerance levels. Mitigation plans include:

- a security operations centre with technologies such as managed detection and response (MDR) and security information and event management (SIEM).
- cyber awareness training,
- phishing simulation exercises,
- vulnerability and patch management,
- risk and threat assessments,
- third party audits,
- penetration testing, and
- incident and disaster recovery exercises.

The minority of member firms within the group who manage their own IT services and security, are subject to AUB's IT Service Standards and periodic assurance audits and attestations.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

Partnering and Outsourcing

AUB failing to identify, develop and manage Broker partnerships and third party relationships to best deliver the long term strategy

Risk description

Inability to identify, onboard and effectively manage insurers and third parties by AUB may result in missed opportunities, financial losses, inability to deliver the strategy, reputation damage and increased concentration risk.

2022 Commentary

Business partnering and third party risks

An important part of AUB's business model and its growth strategy is to acquire and hold equity in insurance broking, underwriting agency or risk services businesses. These relationships are a significant contributor to AUB Group success. Failure to manage these relationships effectively could lead to reduced revenues, increased costs and an inability for AUB Group to deliver its strategy.

AUB utilises third party suppliers to bring external expertise and support to the business. Insufficient or uncommercial contractual arrangements may impact the Groups ability to maintain efficiency and ensure third parties meet their obligations.

Management and Mitigation

Specific mitigation actions include:

- Contract development and review approach
- Third party Service Level Agreements (SLAs)/Key Performance Indicators (KPIs) embedded in contracts and monitored
- Partner Development Manager Roles

People

AUB relies on the recruitment, retention and engagement of skilled personnel.

Risk description

Ineffective recruitment, retention and engagement of skilled/key personnel, or failure to appropriately manage work health and safety, may result in AUB being unable to operate efficiently and effectively, leading to potential financial and reputational impacts and inability to successfully execute its strategy.

2022 Commentary

Succession risks, ability to attract and retain talent

A loss of key personnel by AUB may lead to material business interruption and loss of key customer or partner relationships. AUB also relies on the need to be able to attract staff with the right experience and expertise to assist AUB with successful execution of its strategic priorities and growth plans. Particularly given the presently competitive labour market, there can be no certainty that AUB will be able to attract the people it desires.

Skilled/Key personnel may include key persons noted on Binder Authorities, Responsible Managers as noted on AFSL's, incumbents in key roles or individuals who hold business critical knowledge.

Management and Mitigation

Specific mitigation plans include

- Succession plans and review approach
- KPI setting and performance reviews
- Regular monitoring of staff hours and skills gaps to identify recruitment needs
- Workforce planning including recruitment and employee development plans to assist achieve the organisation's future goals and keep talent engaged
- Use of employee engagement surveys and anonymous feedback to be pro-active in employee satisfaction, work-life balance, and mental health

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year, other than acquisitions and disposals disclosed above, a capital raising during the period, and repayment of the Company's syndicated debt facility.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 May 2022 AUB entered into a binding agreement to purchase 100% of Tysers for GBP 500m, with a potential further deferred consideration of GBP 100m subject to meeting revenue growth hurdles.

The acquisition is expected to complete in FY23 subject to customary conditions and regulatory approvals.

AUB will fund the acquisition through the recent equity capital raising of \$350m, a private placement with the vendors of \$176m in AUB issued shares (escrowed for 24 months post completion) and a committed Syndicated Debt facility of \$675m. The facility includes an accordion feature to fund the potential deferred consideration.

Effective 1 July 2022, Austbrokers Corporate Pty Ltd (AUC), a controlled entity of the Group acquired 100% of SRS Broking Pty Ltd. AUC partially funded the acquisition by issuing shares, resulting in AUB diluting its ownership in AUC by 20% to 80%.

Effective 1 July 2022, AUB acquired an additional 10.7% of AUB Group NZ Limited, increasing its shareholding to 100%.

On 29 July 2022, the Group disposed of its 50% investment in SRG Group Pty Ltd.

On 24 August 2022, the Directors of AUB Group Limited determined a final fully franked dividend on ordinary shares of 38.0 cents per share in respect of the 2022 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is estimated to be \$35.1m.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors are satisfied that adequate systems are in place for management of the Company's environmental responsibility and compliance with various requirements and regulations. The Directors are not aware of any material breaches of these requirements, and to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements. Refer to the Environmental, Social and Governance Report for more details.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of AUB Group Limited against liabilities, past, present and future.

In accordance with normal commercial practice, the disclosure of the total amount of premiums under and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young Australia, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

REMUNERATION & PEOPLE COMMITTEE CHAIR'S LETTER

Dear Shareholders

On behalf of the Board of AUB Group Limited (AUB Group), I am pleased to present our Remuneration Report for the financial year ended 30 June 2022.

The purpose of this report is to describe AUB Group's remuneration strategy and framework for its Key Management Personnel (KMP), in particular the links between AUB Group's executive remuneration framework and business strategy, performance and reward.

Key financial highlights and governance measures for FY22

Key FY22 financial highlights include:

- Underlying revenue (including associates) of \$689.5m, representing growth of 12.2% from FY21;
- Underlying NPAT of \$74.02m, representing growth of 13.35% from FY21; and
- Underlying earnings per share of 96.70 cents, an uplift of 12.3% in comparison to FY21.

Key remuneration governance measures and areas of focus include the following:

- Introducing a deferral component into the Short Term Incentive (STI) program for Group Executives, under which part of the STI outcome is delivered in cash and the remainder is deferred into equity for up to 24 months. Deferred STI supports retention, more closely aligns the interests of executives and shareholders and enhances risk management and governance.
- For all LTI grants after FY20, the Board has shifted to a policy of no retesting of vesting conditions at the end of the three year performance period. Any PSRs that do not vest following testing, lapse.
- Following strong support from shareholders (99.5% of votes were cast in favour at the 2021 AGM), an Outperformance (OP) Plan was introduced for certain Group Executives which complements the annual executive remuneration framework by providing a reward for significant longer term outperformance. The OP plan is delivered in the form of Share Appreciation Rights (SARs), where vesting will require stretch performance well exceeding regular Long Term Incentive (LTI plan) and market expectations. It will also need successful execution of growth initiatives in a highly competitive landscape.

The Board believes that these changes further enhance AUB Group's remuneration framework and people strategy, and the additional disclosure practices mean that AUB Group continues to provide clear and transparent disclosure.

"Performance Options" issued under the Long Term Incentive Plan have been renamed "Performance Share Rights" (PSRs). These securities are issued to employees under the Long Term Incentive Plan, and convert to shares, subject to satisfaction of the vesting conditions. The reason for the name change is to better reflect the actual nature of these securities, and provide greater transparency to AUB shareholders and the broader market. There is no change to the terms of the securities – it is a name change only. The name "Performance Share Rights" will be used both for securities already issued, and for any future grants.

Alignment between performance and remuneration outcomes

AUB Group's remuneration strategy and framework is based on a 'pay for performance' philosophy which supports sustainable value for our shareholders.

Group Executives received on average 135% of their STI target award (compared to the maximum target STI opportunity of 150%), supported by Underlying NPAT increasing by 13.35% to \$74.02m from FY21. This strong Underlying NPAT growth was driven by both underlying organic growth and acquisition driven growth, primarily in the Australian Broking division.

This Remuneration Report discloses the outcomes of both the FY19 LTI grant (performance period ending 30 June 2021, with a 4th year retesting in August 2022) as well as the FY20 LTI grant (performance period ending 30 June 2022). Based on sustained long-term performance over these relevant performance periods, 96.50% (in total) of LTI PSRs across these two grants will vest following testing against the TSR and EPS performance measures. This was driven by strong EPS growth, combined with high relative TSR performance resulting in AUB Group significantly outperforming its Peer Comparator Group.

Looking ahead – FY23 and beyond

The international expansion of AUB's business reinforces the need for AUB's remuneration structures to evolve and take into account global pay philosophies, while also being regionally appropriate. The Board therefore continues to monitor and review the structure of AUB's incentive schemes to ensure they are competitive across its respective markets and effective in retaining and attracting the leadership and talent it needs to drive business strategy and financial performance in the interests of shareholders, while continuing to reflect our 'pay for performance' philosophy.

We invite you to read the Remuneration Report and welcome your feedback.



Paul Lahiff
Chair of Remuneration & People Committee

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

REMUNERATION REPORT OVERVIEW

This Remuneration Report for the financial year ended 30 June 2022 has been prepared in accordance with section 300A of the Corporations Act and has been audited as required by section 308(3C) of the Corporations Act.

Terms used in this Remuneration Report are defined in the Glossary in Section 7 of this report.

List of KMPs – Reporting Period

Table 1 below outlines the KMP during the Reporting Period

| Name | Position | Term as KMP |
|--------------------------------|---|---------------------|
| Non-Executive Directors | | |
| David Clarke | Chair; Non-Executive Director | Full financial year |
| Ray Carless ¹ | Non-Executive Director | To 31 August 2021 |
| Peter Harmer ² | Non-Executive Director | From 22 July 2021 |
| Paul Lahiff | Non-Executive Director | Full financial year |
| Robin Low | Non-Executive Director | Full financial year |
| Cath Rogers | Non-Executive Director | Full financial year |
| Executive KMP | | |
| Michael Emmett | Chief Executive Officer and Managing Director | Full financial year |
| Mark Shanahan | Chief Financial Officer | Full financial year |

¹ Ray Carless retired as a Director on 31 August 2021.

² Peter Harmer was appointed as a Director on 22 July 2021.

Contents

This Remuneration Report is set out in the following sections:

Section 1 – Group Executive Remuneration Framework

Section 2 – How variable remuneration is structured

Section 3 – Remuneration Outcomes and Alignment to Performance

Section 4 – Remuneration Governance

Section 5 – Non-Executive Director Remuneration

Section 6 – Statutory Remuneration Tables and Data

Section 7 – Glossary of terms commonly used in this Remuneration Report

SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK

OUR REMUNERATION PRINCIPLES

The following principles guide AUB Group's remuneration strategy and 'pay for performance' philosophy, which are designed to attract, retain and motivate highly skilled individuals.



SENIOR EXECUTIVE REMUNERATION STRUCTURE

| FIXED | STI | LTI |
|---|--|--|
| FIXED REMUNERATION Base salary, superannuation & other benefits | SHORT-TERM INCENTIVE (STI) Reward for strong individual and group performance during the performance period | LONG-TERM INCENTIVE (LTI) Reward for sustainable longer-term AUB Group performance |
| VALUE DETERMINED BY | | |
| <ul style="list-style-type: none"> Experience, position and responsibilities Competitive fixed remuneration in the market (market median) | Achievement of annual financial and non-financial performance hurdles at a: <ul style="list-style-type: none"> Group level Business unit level Individual level | <ul style="list-style-type: none"> TSR – 40% weighting EPS – 60% weighting |

AT RISK

HOW DOES IT LINK WITH STRATEGY & PERFORMANCE

| | | |
|--|---|--|
| <ul style="list-style-type: none"> Provides competitive ongoing remuneration in recognition of day-to-day responsibilities and accountabilities | <ul style="list-style-type: none"> Supports annual delivery of key strategic and operational targets and to recognise and reward individual performance Deferred STI supports retention and more closely aligns the interest of executives and shareholders | <ul style="list-style-type: none"> Focuses on multi-year metrics that support sustained shareholder value creation Delivered in equity to align the interests of executives and shareholders Supports retention |
|--|---|--|

SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

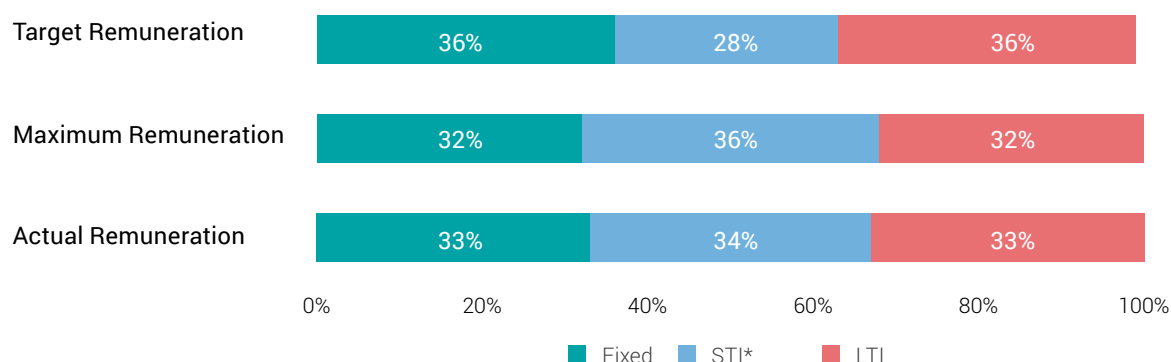
Group Executive Remuneration Mix

Total remuneration includes both a fixed component and an at-risk or performance-related component, comprising both short-term and long-term incentives. The Board views the at-risk component as an essential driver of a high-performance culture and one that contributes to achievement of sustainable shareholder returns.

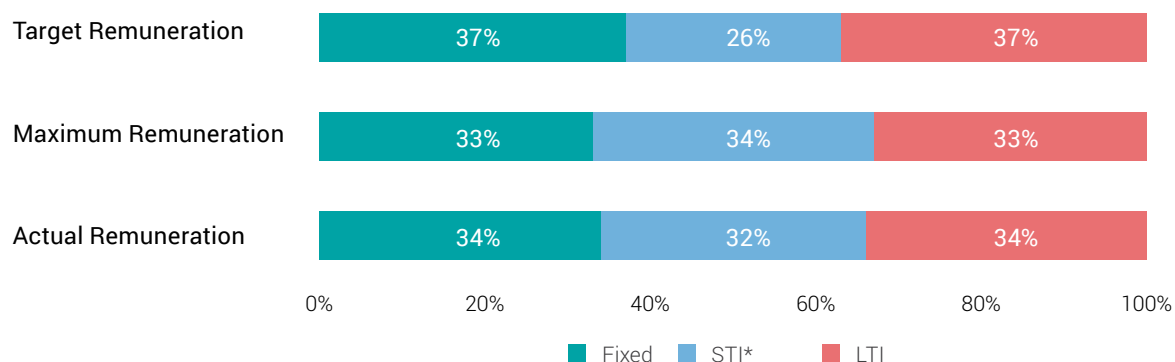
The following illustration shows the remuneration mix for the Group Executives in FY22. It has been modelled on the average of the Group Executive's target opportunity (but excluding any contractual severance entitlements or the one-off grant of SARs under the OP Plan).

The Board aims to achieve a balance between fixed and performance-related components of remuneration. The actual remuneration mix for the Group Executives will vary depending on the level of performance achieved by the AUB Group, as well as realised value of PSRs that vest and convert into shares.

CEO Remuneration Mix



Group Executive (ex-CEO) Remuneration Mix



* 15% of STI is deferred is deferred for 1 year, a further 15% is deferred for 2 years.

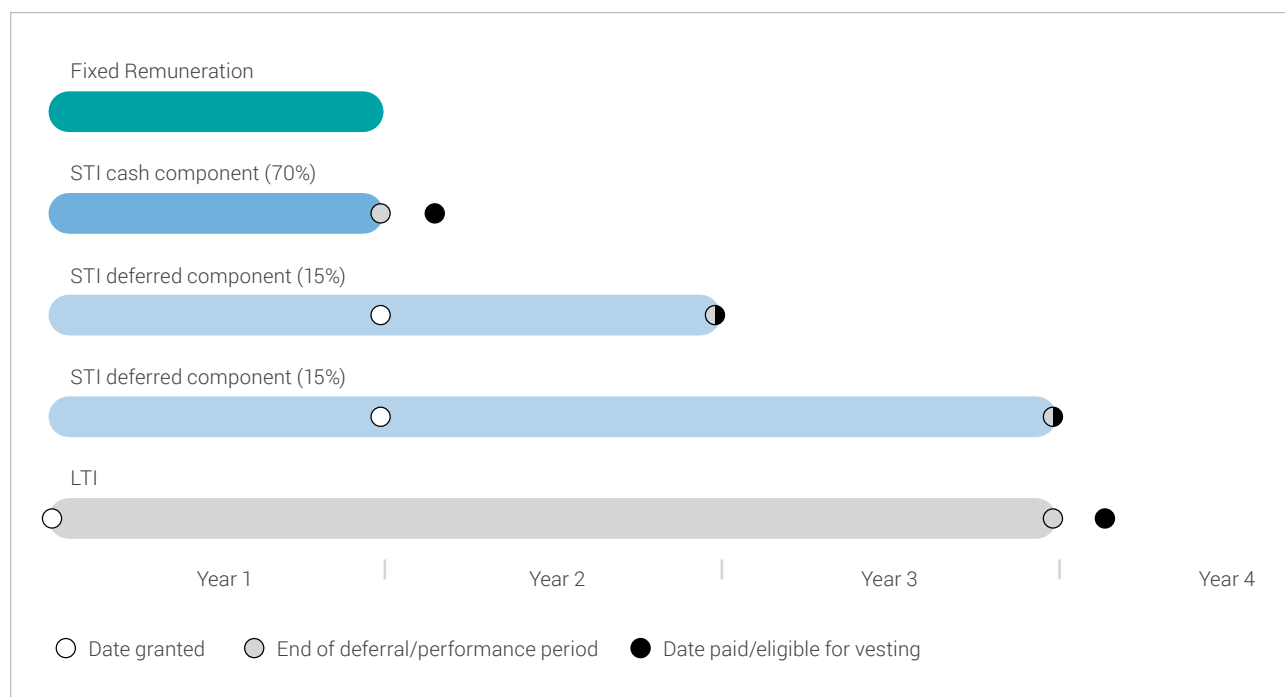
DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

Group Executive remuneration time horizon

The following diagram provides an illustrative indication of how remuneration is delivered to Group Executives.



Adjustments to ongoing CEO remuneration

There were no adjustments to ongoing CEO remuneration during the reporting period. A summary of CEO & Managing Director remuneration arrangements is as follows:

| Per annum (\$) | Current |
|----------------------------------|------------------|
| Fixed remuneration | 1,000,000 |
| STI (at target)* | 750,000 |
| FY23 LTI opportunity** | 1,000,000 |
| Total target remuneration | 2,750,000 |

In addition to the annual grant of LTI, the CEO & Managing Director was granted SARs under the OP Plan in FY22. This plan is intended to be one-off in nature with no additional grants to be made.

* Maximum Short-Term Incentive opportunity is capped at 150% of target STI award.

** Face value of LTI award. The FY23 LTI grant is subject to being approved by shareholders at the Annual General Meeting in November 2022.

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED

SHORT TERM INCENTIVE (STI) – HOW DOES IT WORK?

| | |
|--|--|
| Description | <p>Group Executives have the opportunity to earn an annual incentive award which is delivered in cash. The STI Plan recognises and rewards short-term performance.</p> <p>The STI Plan is considered to be at-risk remuneration and is not a guaranteed part of Group Executive remuneration.</p> |
| STI opportunity | <p>A target opportunity is set for each Group Executive, which is earned if individual performance is on target and the participant performs against a balanced scorecard set of KPIs, which includes both financial and non-financial measures that have weighted allocations and are aligned to AUB Group's strategic priorities (the Balanced Scorecard). The Board determines the total STI pool to be distributed.</p> <p>Group Executives (including the CEO) have (on average) a target STI opportunity of 70% of fixed remuneration. The maximum STI payout is capped at a maximum of 150% of a participant's target STI opportunity.</p> |
| Performance conditions | <p>Group Executive performance is assessed against a Balanced Scorecard (for further details of the CEO's Balanced Scorecard, refer to Table 4).</p> <p>Individual targets as set out in the Balanced Scorecard include consideration as to role-related accountabilities and responsibilities in the context of business strategy and objectives.</p> <p>A behavioral gateway is incorporated into the performance review process and operates to reduce an incentive payment should there be conduct that is inconsistent with AUB Group's values, irrespective of performance. The Group CEO's behavior is assessed by the Board. Group Executives' behaviors are assessed by the CEO, who recommends eligibility for Group Executive STI to the Board.</p> <p>Underlying NPAT is the key financial performance measure in the Balanced Scorecard, is used by management and the Board to assess operational performance and is a strong indication of the underlying health of the business.</p> |
| Why were these performance conditions chosen? | <p>The Board considers that a Balanced Scorecard which contains weighted allocations to both financial and non-financial performance conditions is appropriate as they are aligned with AUB Group's objectives of delivering sustainable growth and returns to shareholders.</p> <p>Group Executives have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions. Group Executives are also assessed on behavior metrics (the 'how') which contribute to that individual's overall performance rating. This operates to reduce an incentive payment should there be conduct that is inconsistent with AUB Group's values, irrespective of performance.</p> <p>For all individuals, the Board may apply discretion in determining the STI outcomes to ensure they appropriately reflect performance.</p> |
| How STI outcome is then determined | <p>On an annual basis, a rating is determined for each Group Executive based on an evaluation of their performance against the balanced scorecard. This individual performance rating metric is then applied to the individual's STI target award.</p> <p style="text-align: center;"><i>Individual STI Payment = STI Target Incentive Award x Scorecard Performance Rating</i></p> <p>STI outcomes are therefore scaled up or down to reflect performance against the agreed KPIs in their Balanced Scorecard. The KPIs are set and reviewed annually.</p> <p>Prior to an award, the scorecard outcome is assessed holistically against individual and Group performance to determine if any discretion to vary from scorecard results should apply. The level of incentive outcome reflects the performance of AUB Group and the individual, thereby ensuring it is aligned with shareholders' interests.</p> |

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

SHORT TERM INCENTIVE (STI) – HOW DOES IT WORK?

| | |
|--|--|
| Deferral terms | <p>The following STI deferral arrangements have been introduced for Group Executives: 70% of STI outcome will be paid in cash and the remaining 30% is deferred in the form of an equity award of PSRs, with these PSRs vesting as follows:</p> <ul style="list-style-type: none"> – half of the deferred component (15% of the STI outcome) after 12 months; and – half of the deferred component (15% of the STI outcome) after 24 months. <p>No additional performance conditions apply to the vesting of PSRs, with the exception of the continued employment by the relevant Group Executive as described below.</p> <p>The number of PSRs is calculated using the VWAP over the 60 trading days immediately prior to and including the last day of the performance period.</p> |
| Eligibility for dividends | <p>An amount (based upon dividends paid by AUB during the deferral period) accrues on the PSRs and is paid in cash at the end of the deferral period if the PSRs vest.</p> |
| Forfeiture and clawback | <p>The Board has broad 'clawback' powers to lapse unvested PSRs in a number of circumstances, including in the event of fraud, dishonesty, gross misconduct, breach of duties or obligations, a material misstatement, error or omission in the financial report, to prevent a participant being entitled to an inappropriate benefit or if there is a change of control event.</p> <p>The clawback policy also permits clawback of any shares allocated on exercise of the PSRs, as well as cash payments received on vesting and exercise of PSRs.</p> |
| Who assesses performance? | <p>The Board assesses performance of the CEO and Managing Director against the Balanced Scorecard (as described in Table 4) with the benefit of recommendations from the Remuneration and People Committee.</p> <p>The CEO and Managing Director assesses the other Group Executives' performance based on the Group Balanced Scorecard outcomes and achievement against individual goals. The CEO and Managing Director then recommends an STI award for consideration by the Remuneration and People Committee, which then recommends an STI award for approval by the Board.</p> <p>The Board believes the abovementioned methods in assessing performance are an appropriate way to assess the performance of AUB Group and the Group Executives' individual contribution, and to determine their remuneration outcomes.</p> <p>In addition, the aggregate of annual STI payments available for all employees is subject to review by the Remuneration and People Committee and approval of the Board.</p> |
| Cessation of employment | <p>A Group Executive will only remain eligible to receive an STI outcome if that person ceases employment prior to the STI entitlement date and is a 'good leaver' (e.g., ceases employment by reason of retirement or bona fide redundancy), unless the Board determines otherwise.</p> <p>If a Group Executive has ceased employment and is a 'good leaver', then unvested PSRs (deferred STI) will remain on foot and vest in the ordinary course, unless the Board determines otherwise.</p> <p>If a Group Executive has ceased employment and is not a 'good leaver', then unvested PSRs will automatically lapse on or around the date of cessation of employment, unless the Board determines otherwise.</p> |
| Restrictions on transfer or hedging | <p>PSRs granted under the plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of unvested PSRs.</p> |

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

| Description | <p>Under the FY22 LTI Plan, annual grants of PSRs are made to eligible participants to align remuneration outcomes with the creation of sustainable shareholder value over the long term.</p> <p>Group Executives are eligible to participate, as these employees on an individual basis have the ability to impact AUB Group's longer term financial performance.</p> <p>Non-Executive Directors are not eligible to participate in the LTI Plan.</p> | | | | | | | | | | |
|----------------------------------|--|------------------------|--|--------------|----|----|-----|----------------------------------|--|-------------|------|
| LTI opportunity | <p>The number of PSRs granted to a Group Executive is calculated by dividing the dollar value of the Group Executive's LTI Opportunity by the VWAP over the 60 trading days prior to the start of the relevant performance period.</p> <p>In determining the 'LTI Opportunity', the Board will take into account the nature of the position, the context of the current market, the function and purpose of the long-term component and other relevant information.</p> | | | | | | | | | | |
| Vesting conditions | <p>PSRs will only vest to the extent that the vesting conditions and ongoing employment conditions (set out below later in this table) are satisfied over the relevant three year performance period.</p> <p>PSRs are tested against two vesting conditions over a three year performance period:</p> <ul style="list-style-type: none"> – 60% of PSRs are tested against an EPS hurdle; and – 40% of PSRs are tested against a Relative TSR hurdle. <p>Vesting outcomes for FY18 and FY19 LTIP PSRs and subsequent PSRs exercised during FY22 are detailed in Note 18 of the Financial Report.</p> | | | | | | | | | | |
| EPS – 60% weighting | <p>The EPS vesting condition is measured by comparing the Average Annual Growth Rate (AAGR) of the Underlying EPS from the financial year immediately preceding the start of the performance period to the Underlying EPS for the final year of the performance period. AAGR is therefore measured using the most recent financial year-end prior to the grant as the base year, and the final financial year in the three-year performance period as the end year.</p> <p>The percentage of EPS PSRs granted in FY22 that may vest is determined based on the following vesting schedule (see hurdles and outcomes of FY19 and FY20 grants in Section 3 of this report:</p> <table> <tr> <th>AAGR of Underlying EPS</th><th>PSRs subject to EPS vesting condition that vests (%)</th></tr> <tr> <td>Less than 5%</td><td>0%</td></tr> <tr> <td>5%</td><td>50%</td></tr> <tr> <td>Greater than 5% to less than 10%</td><td>Straight line vesting between 50% and 100%</td></tr> <tr> <td>10% or more</td><td>100%</td></tr> </table> | AAGR of Underlying EPS | PSRs subject to EPS vesting condition that vests (%) | Less than 5% | 0% | 5% | 50% | Greater than 5% to less than 10% | Straight line vesting between 50% and 100% | 10% or more | 100% |
| AAGR of Underlying EPS | PSRs subject to EPS vesting condition that vests (%) | | | | | | | | | | |
| Less than 5% | 0% | | | | | | | | | | |
| 5% | 50% | | | | | | | | | | |
| Greater than 5% to less than 10% | Straight line vesting between 50% and 100% | | | | | | | | | | |
| 10% or more | 100% | | | | | | | | | | |

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

Relative TSR – 40% weighting

The Board approves a Peer Comparator Group and has the discretion to periodically review and adjust the composition of the Peer Comparator Group, including to take into account acquisitions, mergers, or other relevant corporate actions.

For purposes of calculating the growth in AUB Group's share price over the performance period, the following opening and closing share prices will be used:

- for the opening share price, the VWAP during the 60 trading days ending on the first day of the performance period, and
- for the closing share price, the VWAP during the 60 trading days ending on the last day of the performance period.

Relative TSR performance is assessed over a three-year period which commences at the start of the financial year during which the PSRs are granted.

For any PSRs to vest pursuant to the Relative TSR vesting condition, AUB Group's compound TSR must be equal to or greater than the median ranking of constituents of the Peer Comparator Group.

The percentage of TSR PSRs that may vest is determined based on the following vesting schedule:

| AUB Group's TSR ranking relative to Peer Comparator Group | PSRs subject to Relative TSR vesting condition that vests (%) |
|--|---|
| Below the 50 th percentile | 0% |
| 50 th percentile | 50% |
| Between the 50 th and 75 th percentile | Straight line vesting between 50% and 100% |
| At or above the 75 th percentile | 100% |

Why were these performance conditions chosen?

The Board is confident that it has the right arrangements in place to drive performance and retention in line with shareholders' interests.

EPS

- Is a relevant indicator of increases in shareholder value
- Is a target that provides a suitable line of sight to encourage executive performance

Relative TSR

- Ensures alignment between comparative shareholder return and reward for the executive
- Provides a relative test that reflects AUB Group's performance against the market and an objective test reflective of management's performance in growing earnings per share
- Is widely understood and accepted by key stakeholders

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

| | |
|--|---|
| Who assesses performance and when? | <p>EPS results are calculated by AUB Group and an external remuneration advisor tests the TSR results as soon as practicable after the end of the relevant three year performance period. The calculations are considered by the Board to determine vesting outcomes.</p> <p>The vesting conditions are therefore tested at the end of the performance period and the Board determines the relevant number (if any) of PSRs that will vest and convert into shares.</p> <p>Calculation of the vesting conditions and achievement against the vesting conditions is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).</p> <p>From FY20, the Board shifted to a policy of no retesting of vesting conditions at the end of the three year performance period. Any PSRs that do not vest following testing, lapse.</p> |
| Vesting | <p>PSRs vest following testing by the Board at the end of the relevant three year performance period. Prior to vesting, the outcome is assessed holistically against individual and Group performance to determine if any discretion to vary from formulaic results should apply. If PSRs vest, the Board has discretion to issue new shares, acquire shares on-market or to cash settle to satisfy the PSRs that will vest.</p> <p>Participants receive one share for each PSR that vests or, if the Board determines, an equivalent cash payment.</p> <p>Shares allocated on vesting of the PSRs are subject to the terms of AUB Group's Share Trading Policy and carry full dividend and voting rights upon allocation.</p> |
| Are PSRs eligible for dividends? | <p>Holders of PSRs are not entitled to dividends or voting rights until the PSRs have vested and converted into shares.</p> |
| Cessation of employment – CEO and Managing Director | <p>If the CEO and Managing Director ceases employment before his PSRs vest, then the following treatment applies:</p> <ul style="list-style-type: none"> – if employment is terminated in accordance with Mr Emmett's employment agreement, without notice, for serious misconduct or by reason of illness, injury or incapacity of Mr Emmett, all unvested PSRs will automatically lapse; and – if employment is terminated with notice given by the Company or Mr Emmett, all unvested PSRs remain on foot and will be tested in the ordinary course. |
| Cessation of employment – Group Executives other than the CEO | <p>If a participant ceases employment before his/her PSRs vest, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> – if employment is terminated for cause, as a result of the participant being unable to perform duties due to ill health, injury or incapacity or if the participant resigns, then all unvested PSRs automatically lapse; – if employment ceases in any other circumstances, then a pro rata portion of the participant's PSRs (based on the portion of the performance period that has elapsed up to the date of cessation) remain on foot and are tested in the ordinary course in accordance with the vesting conditions. <p>If a participant ceases employment and holds vested PSRs which have not been exercised, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> – if employment is terminated for cause, then all vested PSRs automatically lapse; or – if employment ceases in any other circumstances, then all vested PSRs must be exercised within three months of cessation of employment. After this time, all vested PSRs are automatically exercised at a time determined by the Board. |

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

| | |
|--|--|
| Forfeiture and clawback | <p>The Board has broad 'clawback' powers to lapse unvested PSRs in a number of circumstances, including in the event of fraud, dishonesty, gross misconduct, breach of duties or obligations, a material misstatement, error or omission in the financial report, to prevent a participant being entitled to an inappropriate benefit or if there is a change of control event.</p> <p>The clawback policy also permits clawback of any shares allocated on exercise of the PSRs, as well as cash payments received on vesting and exercise of PSRs.</p> |
| What happens in the event of a change of control? | <p>There is no automatic vesting of PSRs on a change of control. The Board will (in its discretion) determine the appropriate treatment regarding PSRs in the event of a change of control.</p> <p>Where the Board does not exercise this discretion, there will be a pro-rata vesting of PSRs based on the proportion of the performance period that has passed at the time of the change of control event.</p> |
| Restrictions on transfer or hedging | <p>PSRs granted under the LTI Plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of PSRs.</p> |

OUTPERFORMANCE PLAN – HOW DOES IT WORK?

As disclosed in the 2021 Notice of Annual General Meeting and following strong support from shareholders (99.5% of votes were cast in favour at the 2021 AGM), an Outperformance Plan was introduced for certain Group Executives designed to enable meaningful participation in longer term outperformance of returns to shareholders, through a one-off grant of share appreciation rights exceeding regular LTI plan expectations, needing successful execution of long-term growth initiatives in a highly competitive landscape.

The key objectives of the Outperformance Incentive Plan are as follows: (i) complement the current LTI Plan by providing a potential reward for transforming the business and longer-term outperformance of market expectations, (ii) provide a longer-term focus in order to see through strategy and action that may not have a sufficiently material impact on value in a three-year performance cycle, and (iii) ensure that executives retain share ownership after vesting.

The key terms of SARs under the Outperformance Incentive Plan are outlined below.

| | |
|-------------------------------------|--|
| Description | <p>Key design features of the Outperformance Incentive Plan are as follows:</p> <ul style="list-style-type: none"> – Awards are in addition to current annual remuneration arrangements of fixed remuneration, STI award and LTI award. – Involve a one-off grant of SARs to select executives, including the CEO. – SARs entitle the executive to receive Shares equal in value to the difference between the 60-day VWAP at the time of grant and the 60-day VWAP at the end of the five-year performance period. – Five-year performance period, but with a further post exercise holding lock of two years. The five-year performance period is intentionally longer than the LTI Plan period and the two-year holding lock is designed to act as an additional mechanism with executives having additional AUB Group equity ownership. – SARs will be tested against a Compound Annual Growth Rate (CAGR) of the EPS of the Company during the five-year performance period. – Vesting will require stretch performance exceeding regular LTI plan maximum, together with 5 years of ongoing employment from 1 July 2021. – The terms of the Outperformance Incentive Plan are governed by the terms of the Company's standard Equity Incentive Plan and relevant offer documentation. |
| SARs Pool | 1,016,776 SARs (in total for all awards). |
| Dilution impact of SARs Pool | On a full vesting and conversion, and subject to certain variables and assumptions, the estimated dilution impact would be less than 1% of Shares (currently on issue) if Shares are issued in order to satisfy all entitlements at the end of the 5-year performance period. |

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

| Performance Period | Initial awards of SARs will be tested against the vesting conditions over a five-year period, from 1 July 2021 to 30 June 2026. | | | | | | | | | | |
|------------------------------------|---|------------------------|-----------------------|-------------|------|------------------------------------|---|-----|-----|---------------|----|
| Vesting conditions | <p>SARs will only vest to the extent that the vesting conditions and ongoing employment conditions (set out below later in this table) are satisfied over the relevant five year performance period, commencing on 1 July 2021.</p> <p>SARs are tested against a CAGR of the EPS of the Company during the Performance Period.</p> <p>If SARs vest, they will be automatically converted into Shares (at no cost to the executive) on or around 31 August 2026.</p> | | | | | | | | | | |
| EPS Vesting Condition | <p>The EPS hurdle is based on the CAGR of the Underlying EPS of the Company.</p> <p>The percentage of SARs subject to the EPS hurdle that will be eligible to vest, if any, will be determined by reference to the CAGR (expressed as a percentage) of Underlying EPS from 1 July 2021 (being 87.93 cps) to the Underlying EPS to 30 June 2026, in accordance with the following table.</p> <table> <tr> <th>CAGR of Underlying EPS</th><th>Vesting level of SARs</th></tr> <tr> <td>14% or more</td><td>100%</td></tr> <tr> <td>Greater than 12% but less than 14%</td><td>Pro-rata straight line vesting between 25% and 100%</td></tr> <tr> <td>12%</td><td>25%</td></tr> <tr> <td>Less than 12%</td><td>0%</td></tr> </table> | CAGR of Underlying EPS | Vesting level of SARs | 14% or more | 100% | Greater than 12% but less than 14% | Pro-rata straight line vesting between 25% and 100% | 12% | 25% | Less than 12% | 0% |
| CAGR of Underlying EPS | Vesting level of SARs | | | | | | | | | | |
| 14% or more | 100% | | | | | | | | | | |
| Greater than 12% but less than 14% | Pro-rata straight line vesting between 25% and 100% | | | | | | | | | | |
| 12% | 25% | | | | | | | | | | |
| Less than 12% | 0% | | | | | | | | | | |
| Holding Lock | There will be a holding lock for a period of two years from the date the SARs vest and convert into Shares, during which period the executive will be restricted from dealing with any of the Shares allocated on vesting. | | | | | | | | | | |
| Who assesses performance? | <p>The vesting conditions will be tested at the end of the performance period and the Board determines the relevant number (if any) of SARs that will vest.</p> <p>Calculation of the vesting conditions and achievement against the vesting conditions will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).</p> <p>There is no retesting for SARs that do not vest. Any SARs that do not vest following testing will lapse unless the Board determines otherwise.</p> | | | | | | | | | | |

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

Vesting and automatic conversion

Prior to vesting, the outcome is assessed holistically against individual and Group performance to determine if any discretion to vary from formulaic results should apply. SARs will vest and automatically convert into Shares if the vesting conditions have been satisfied, expected to be on or around 31 August 2026.

There is no conversion price or exercise price payable for the conversion of vested SARs.

If the vesting conditions are satisfied, the SARs will convert into that number of Shares based on the following formula:

$$\text{Number of vested SARs} \times \frac{\text{Conversion Price-Initial VWAP}}{\text{Conversion Price}}$$

Where:

- Number of vested SARs means the number of SARs that vested after the EPS calculation has been undertaken at the end of the 5 year performance period.
- Initial VWAP means \$20.33, being the VWAP of the Shares traded on the ASX over the 60 trading days prior to 1 July 2021 (the first day of the Performance Period).
- Conversion Price means the VWAP of the Shares traded on the ASX over the 60 trading days prior to 30 June 2026.

The Board, at its discretion, may determine to make an equivalent value cash payment in lieu of an allocation of Shares. The vesting date, conversion price and the portion of SARs to vest and convert may be changed at the Board's discretion.

Shares allocated on the vesting and conversion of SARs are subject to the terms of AUB Group's Share Trading Policy and carry full dividend and voting rights upon allocation.

No eligibility for dividends

SARs do not carry any dividend or voting rights. Shares allocated on vesting and conversion of SARs carry the same dividend and voting rights as other Shares.

Cessation of employment

If the executive ceases employment before SARs vest and convert, then the following treatment applies, unless the Board determines otherwise:

- if the executive resigns, or if employment is terminated in accordance with the executive's employment agreement, without notice, for serious misconduct or by reason of illness, injury or incapacity, then all unvested SARs will automatically lapse; or
- if the executive ceases employment in any other circumstances, a pro rata portion of SARs (based on the portion of the performance period that has elapsed up to the date of cessation of employment) will remain on foot and will be tested in the ordinary course in accordance with the vesting conditions, as though the executive had not ceased employment.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY22 LONG TERM INCENTIVE – HOW DOES IT WORK?

| | |
|---|--|
| Forfeiture and clawback | <p>The Board has broad 'clawback' powers to lapse SARs in a number of circumstances, including in the event of fraud, dishonesty, gross misconduct, breach of duties or obligations, a material misstatement, error or omission in the financial report, or to prevent an executive being entitled to an inappropriate benefit.</p> <p>The clawback policy that applies to SARs permits clawback of any Shares allocated on exercise, as well as cash payments received on vesting and exercise of SARs.</p> |
| Change of control event | <p>There is no automatic vesting of SARs on a change of control. The Board will (in its discretion) determine the appropriate treatment regarding SARs in the event of a change of control, including determining that all or a specified number of SARs vest or lapse.</p> |
| Reorganisation | <p>If any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company is effected, SARs will be adjusted in the manner required by the Listing Rules.</p> |
| Restrictions on dealing/hedging | <p>SARs are not transferable and executives are prohibited from entering into hedging arrangements in respect of SARs.</p> |
| Participation in new issues and bonus issues | <p>SARs carry no entitlement to participate in new issues of shares by the Company prior to the vesting and conversion of the SARs. In the event of a bonus issue, SARs will be adjusted in the manner required by the Listing Rules.</p> |
| Ranking of shares issued | <p>Any ordinary shares in the Company issued upon exercise of the SARs will rank equally with the existing ordinary shares in the Company on issue, except for entitlements which had a record date before the date of issue of those shares.</p> |

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE

Alignment between remuneration and group performance

Numerous elements of AUB Group's remuneration strategy and framework are directly linked to group performance.

The table below sets out information about movements in shareholder wealth for the financial years ended 30 June 2018 to 30 June 2022 highlighting alignment between AUB Group's remuneration strategy and framework and group performance over the past 5 years.

Further details about AUB Group's performance over this period can be found in the Operating and Financial Review section contained in this Directors' Report.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

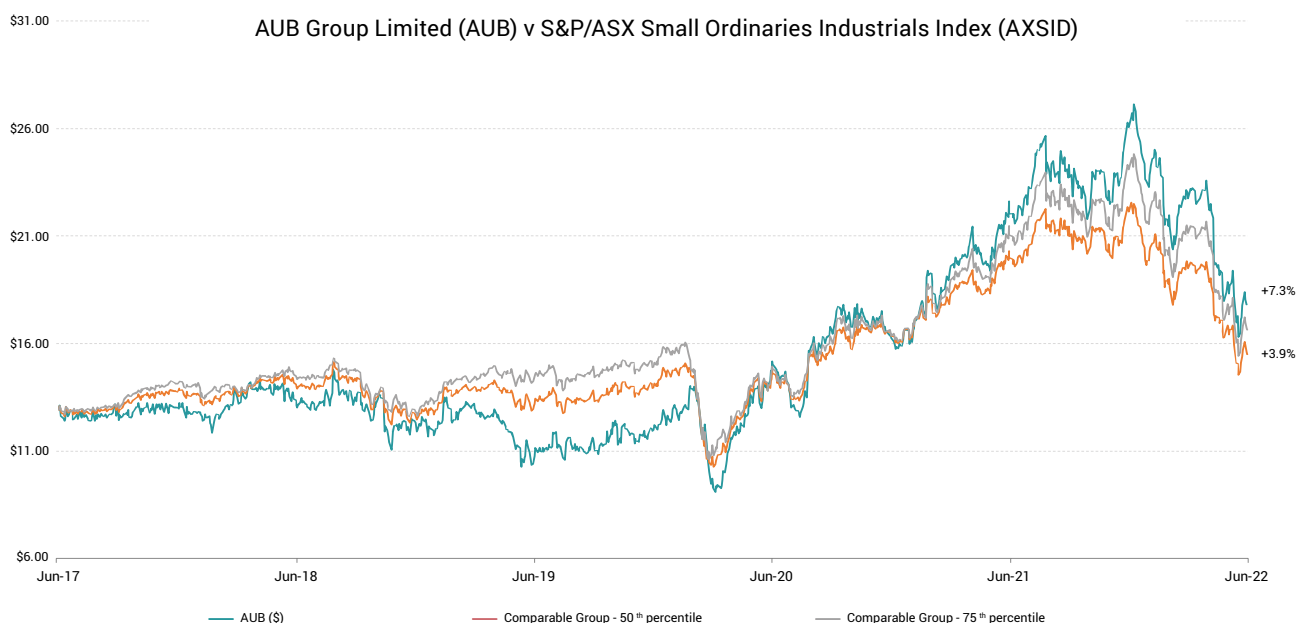
Table 2: Summary of movement in shareholder wealth

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------------------|---------|-------|-------|---------|-------|
| Underlying NPAT (\$m)* | 74.02 | 65.30 | 53.15 | 46.71 | 43.52 |
| Underlying EPS (cents)* | 96.70 | 86.12 | 70.61 | 65.74 | 65.82 |
| TSR (%)* | (18.58) | 60.99 | 5.20 | (10.50) | 14.90 |
| Share price (\$) | 17.68 | 22.39 | 14.70 | 10.44 | 13.58 |
| Change in share price (\$) | (4.71) | 7.69 | 4.26 | (3.14) | 0.59 |
| Dividends paid and proposed (cents) | 55.0 | 55.0 | 50.0 | 46.0 | 45.5 |

The underlying earnings per share (EPS) in previous periods have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non-renounceable entitlement offer. The TERP adjustment factor that has been applied to the EPS values previously reported is 0.9794.

| | | | | |
|---------------------|-------|-------|-------|-------|
| Previously reported | 87.93 | 72.10 | 67.12 | 67.20 |
| TERP adjusted | 86.12 | 70.61 | 65.74 | 65.82 |

Executive remuneration is directly aligned with group performance through STI measures of profitability, LTI measures of EPS growth, and LTI measures of TSR performance relative to constituents of the S&P/ASX Small Industrials Index.



Remuneration outcomes

The remainder of this section of the Remuneration Report discloses the outcome of awards made under:

- the FY22 STI award (performance period 1 July 2021 – 30 June 2022)
- the FY20 LTI grant (performance period 1 July 2019 – 30 June 2022) – no 4th year retest
- the FY19 LTI grant (performance period 1 July 2018 – 30 June 2022) – 4th year retest

* For LTI purposes, prior periods have not been restated as a result of TERP adjustments related to EPS outcomes.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

FY22 STI Outcomes

FY22 continued a run of strong performance for the Group and therefore the Committee considered STI for FY22 and has provided for a pool in the sum of \$4.74m for all AUB Group Limited employees (including deferred components of STI granted in prior periods).

Table 3: Group STI pool outcome

| (\$ m) | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------|------|------|------|------|------|
| Cash bonuses | 4.74 | 4.01 | 3.57 | 0.88 | 218 |

Table 4: FY22 CEO Balanced Scorecard

| FY22 Balanced Scorecard | | |
|---|--|---------------------|
| Performance Category and Weighting | Measures | Achieved (% of max) |
| Financial (73.3%) | <ul style="list-style-type: none"> – % Growth in Group UNPAT – Network growth, including value of M&A transactions (excl. Tysers) – % Growth in ExpressCover GWP – % Profit Growth in Agencies – \$GWP to grow Scale – \$GWP placed by AUB members – \$GWP Placed on Sentinel | 95.45% |
| Network Partners and Customers (16.7%) | <ul style="list-style-type: none"> – Board Assessment of Network, Customer and Team progress – Number of network optimisations – Continued uplift in effectiveness of risk management processes and reporting | 100% |
| Other (10%) | <ul style="list-style-type: none"> – New or renewed Premium Funding Arrangements – Scaling of IT platforms, including Lola development and Pilot Launch (key milestone) | 35.56% |
| STI Scorecard Outcome | | 90.22% |

This resulted in an STI award of \$1,015,000 of which 70% will be paid in cash in with the balance allocated to PSRs and will vest over 12 and 24 months. See Section 2 of this report for further details.

LTI Outcomes

2019 LTI grant outcomes (4th year retest)

1,199 EPS PSRs will vest under the 2019 LTI covering the 4 year period 1 July 2018 to 30 June 2022:

- In the previous year (FY21) 100% of the Relative TSR component vested as AUB Group's TSR exceeded its Peer Comparator Group returns by more than 125.98% over the performance period. No further testing was therefore required.
- In the previous period, 14,876 or 75.33% of EPS PSRs vested with the balance of 4,873 to be retested. Based on a 4 year EPS CAGR of 8.88%, 81.40% of the EPS will vest, resulting in a further 1,199 EPS PSRs vesting.
- The balance of 3,674 unvested 2019 EPS PSRs will lapse.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

Table 5 below discloses the 2019 LTI grant EPS performance hurdle and 4th year retest outcome.

Vesting hurdles for 2019 EPS PSRs

| 1 July 2018 to 30 June 2022 | Minimum entry target for vesting | Straight line for vesting | Straight line for vesting | Actual 3-year CAGR achieved (%) | Actual 4-year CAGR achieved (%) |
|--|----------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| | 4% CAGR | 4%-7% CAGR | 7% -10% CAGR | 8.52% | 8.88% |
| EPS vesting percentage (of the 60%) | 25% | 25%-50% | 50% -100% | 75.33% | 81.40% |
| Total EPS PSRs vesting in FY23 under the 2019 LTI Plan (4th year retest) | | | | | 1,199 |

2020 LTI grant outcomes

100% of the total 2020 LTI grant will vest:

- 100% of the Relative TSR component will vest given that AUB Group's TSR was 83.55%, which resulted in AUB's percentile rank at 93.90% over the performance period.
- 100% of the EPS component will vest given that AUB Group's actual EPS AAGR across the performance period was 13.35%.
- 101,219 PSRs will vest.

Table 6 below discloses the outcomes of the 2020 LTI grant. All unvested PSRs after testing will lapse

| Relative TSR (40%) | | | | | |
|--|----------------------------------|---------------------------|--------------------------------------|---------------------------------|------------------------|
| 1 July 2019 to 30 June 2022 | | | | | Actual outcome |
| TSR of AUB Group Limited | | | | | 83.55% |
| Percentile Rank | | | | | 93.90% |
| Number of TSR PSRs vesting percentage under the 2020 LTI plan | | | | | 100% |
| 100% vesting of TSR PSRs where AUB Group’s TSR ranking relative to Peer Comparator Group exceeds 75% percentile. | | | | | |
| | | | | | |
| EPS (60%) | | | | | |
| 1 July 2019 to 30 June 2022 | Minimum entry target for vesting | Straight line for vesting | Maximum threshold target for vesting | Actual 3-year AAGR achieved (%) | Actual vesting outcome |
| | 5% AAGR | 5%-7% AAGR | 7% AAGR | 13.35% | N/A |
| EPS vesting percentage (of the 60%) | 50% | 50%-100% | 100% | N/A | 100.00% |
| Total percentage of EPS PSRs vesting under the 2020 LTI Plan | | | | | 100% |

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

Results of the 3 year testing of the 200,000 PSRs sign on grant.

A sign-on bonus of 200,000 PSRs was granted to the CEO and Managing Director that vest over five years. One third of the PSRs will be tested over a three year performance period from 1 July 2019 to 30 June 2022. To the extent that any sign-on PSRs satisfy the performance hurdles at this point, they will remain on foot and will vest following the end of the five year performance period ending on 30 June 2024, subject to the CEO's continued employment; and the remaining two thirds of the PSRs, and any PSRs that did not satisfy the vesting conditions at 30 June 2022, will be tested over the full five year performance period. Any PSRs that do not vest at the end of the five year performance period will lapse.

The TSR and EPS hurdles for the sign-on PSR grant were the same as the hurdles for the FY20 grants. One third (66,667) sign-on PSRs were tested after the completion of the FY22 year.

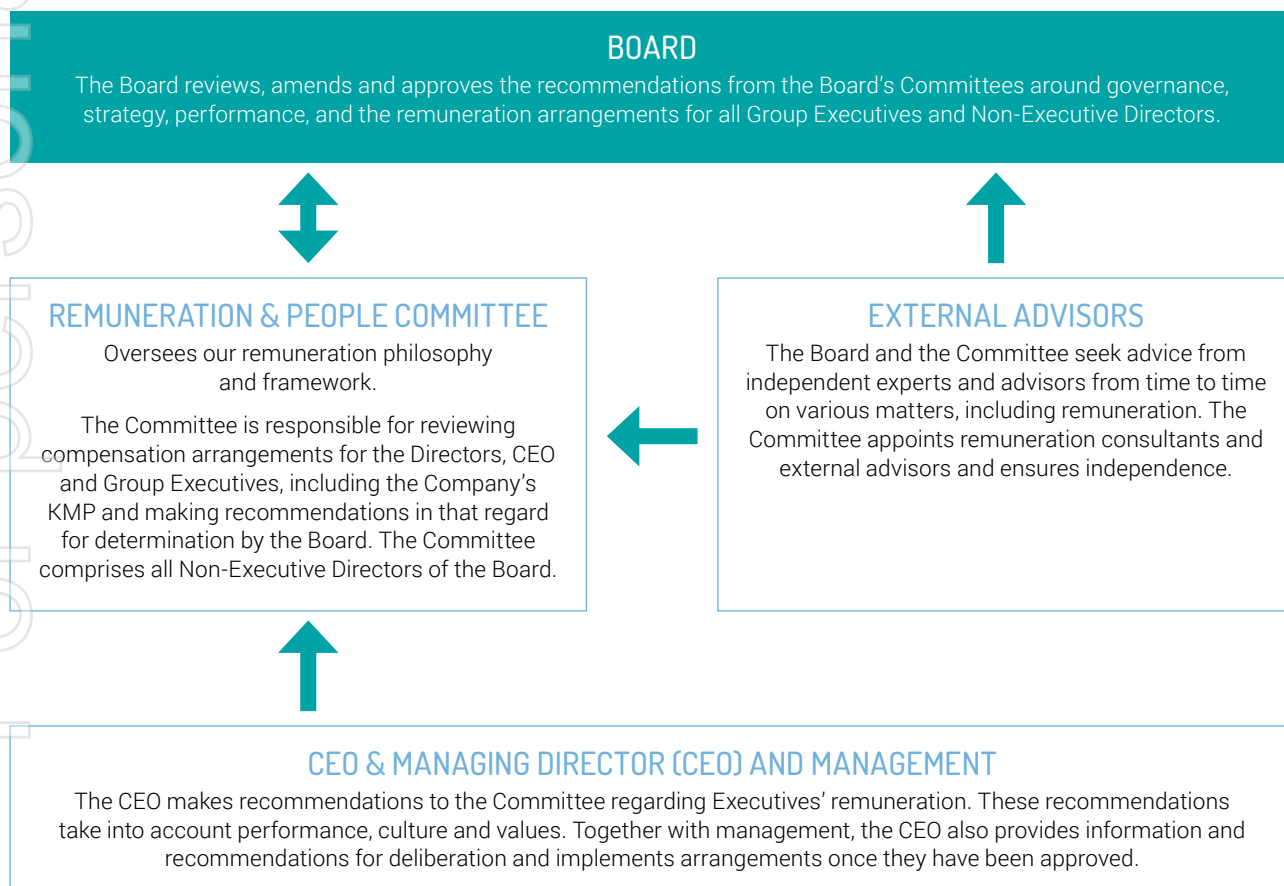
Based on the TSR and EPS outcomes in table 6 above, all 66,667 PSRs (both TSR PSRs and EPS PSRs) satisfied the performance hurdles and will therefore remain on foot and vest at the end of the 5 year period ended 30 June 2024, subject to the CEO's continued employment.

The remaining balance of 133,333 PSRs (TSR and EPS) will be tested after the completion of the 5 year period ended 30 June 2024. Any unvested PSRs at that time will lapse.

SECTION 4 REMUNERATION GOVERNANCE

Overview

The following diagram illustrates AUB Group's remuneration governance framework.



DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 4 REMUNERATION GOVERNANCE (CONTINUED)

Use of remuneration advisors

In making recommendations to the Board, the Remuneration & People Committee seeks advice from external advisors from time to time to assist in its deliberations.

Remuneration advisors are engaged by the Chair of the Remuneration & People Committee with an agreed set of protocols that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there can be no undue influence by Executive KMP to whom any recommendations may relate.

No remuneration recommendations, as defined by the Corporations Act, were made by the remuneration advisors during the Reporting Period.

Executive Service Agreements

The remuneration and other terms of employment for the Executive KMP are formalised in employment agreements, which have no specified term. Each of these agreements provide for performance-related bonuses under the STI Plan, and participation, where eligible, in the LTI Plan. Other major provisions of the service agreements of the Executive KMP are as follows:

Table 7: Executive Service Agreement terms

| Name | Notice to be given by executive | Notice to be given by AUB Group* | Termination payment | Post-employment restraint |
|----------------------------------|---------------------------------|----------------------------------|------------------------------|---------------------------|
| CEO and Managing Director | | | | |
| Michael Emmett | 12 months | 12 months | 12 months fixed remuneration | 12 months |
| Other Executive KMP | | | | |
| Mark Shanahan | 6 months | 6 months | 6 months fixed remuneration | 12 months |

* Payments may be made in lieu of notice period.

Disclosures under Listing Rule 4.10.22

No shares were acquired on-market during the Reporting Period to satisfy AUB Group's obligations under various equity and related plans.

Share Trading Policy

AUB Group's share trading policy prohibits Group Executives from entering into margin lending or similar arrangements in relation to AUB Group's securities, including transferring securities into an existing margin loan account and/or selling securities to satisfy a call pursuant to a margin loan.

Breaches of AUB Group's share trading policy are regarded very seriously and may lead to disciplinary action being taken (including termination of employment).

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 5 NON-EXECUTIVE DIRECTOR REMUNERATION

Details of the Non-Executive Directors of AUB Group during the Reporting Period are provided in the Directors' Report.

Components and details of Non-Executive Director remuneration

Non-Executive Directors receive a fixed fee (inclusive of superannuation) for services to the Board and each Board Committee on which the Director serves.

There was an increase to Non-Executive Director remuneration from 1 July 2021. The current fees are shown in Table 8. A further review will be undertaken in 2023.

The Board has been disciplined in reviewing Non-Executive Director remuneration. The previous increase to Non-Executive Director remuneration was in 2018.

Non-Executive Director remuneration is reviewed from time to time by the Committee to ensure that fee levels:

- reflect workloads, expectations and responsibility in connection with the regulated landscape in which AUB Group operates; and
- are competitive, providing the Board with the ability to attract and retain high calibre directors, which is important in the context of the Board's ongoing orderly renewal and succession planning process.

If a Non-Executive Director serves on a subsidiary board a further fee is payable.

Non-Executive Directors do not receive retirement benefits other than amounts paid by way of the superannuation guarantee, nor do they participate in any incentive programs, but they may be reimbursed for expenses reasonably incurred in the course of carrying out their duties.

AUB Group does not make sign-on payments to new Non-Executive Directors and does not provide for retirement allowances for Non-Executive Directors.

Aggregate fee pool approved by shareholders

Non-Executive Directors' fees are set by the Board within the maximum aggregate amount of \$1,100,000 per annum approved by shareholders at the Annual General Meeting in November 2021.

A proposal to increase this maximum amount by \$400,000 to \$1,500,000 to, among other things, support Board succession, will be presented for shareholder approval at the upcoming Annual General Meeting in November 2022.

Table 8: Non-Executive Director fees payable during the Reporting Period

1 July 2021 to 30 June 2022

| Board fees per annum | \$ Amount (incl of statutory superannuation) |
|---|--|
| Chair | 240,000 |
| Non-Executive Director | 120,000 |
| Committee Chair (Board Audit & Risk) | Additional 25,000 |
| Committee Chair (Remuneration & People) | Additional 15,000 |
| Committee Chair (Nomination) | N/A |
| Subsidiary Boards | Additional 10,000 |
| Committee member | N/A |

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA

Table 9: LTI Outcomes

The LTI grants for FY22 and movements in all unvested PSRs previously granted to Senior Employees are summarised in the LTIP tables below:

| GROUP EXECUTIVES (including KMPs) | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|-----------------|----------------|-----------------------|------------|--|--|
| LTIP Financial Year (tranche) | Opening | Granted | Lapsed | Exercised | Remaining | Earliest vesting date | Lapse date | Fair value per option at grant date (\$) | Fair value to be expensed in the future (\$) |
| 2018 (13 th) | 33,586 | – | (6,077) | (27,509) | – | 23-Nov-20 | 23-Nov-24 | 8.99 | – |
| 2019 (14 th) | 32,914 | – | – | (28,041) | 4,873 | 31-Oct-21 | 31-Oct-25 | 10.72 | – |
| 2020 (15 th -5 year PSRs) | 200,000 | – | – | – | 200,000 | 31-Aug-24 | 31-Aug-28 | 8.91 | 670,208 |
| 2020 (15 th -3 year PSRs) | 101,219 | – | – | – | 101,219 | 31-Aug-22 | 31-Aug-26 | 9.37 | – |
| 2021 (16 th) | 125,688 | 38,748 | – | – | 164,436 | 31-Aug-23 | 31-Aug-27 | 11.27 | 794,779 |
| 2022 (17 th) | – | 144,879 | – | – | 144,879 | 31-Aug-24 | 31-Aug-28 | 18.02 | 1,305,504 |
| Total | 493,407 | 183,627 | (6,077) | (55,550) | 615,407 | – | – | – | 2,770,491 |
| Total Share Appreciation Rights | – | 1,016,776 | – | – | 1,016,776 | 31-Aug-26 | 31-Aug-26 | 3.79 | 2,312,148 |

Shares issued as a result of the exercise of PSRs

During FY22, 27,509 PSRs were exercised to acquire shares in AUB Group Limited under the 2018 LTIP and 28,041 PSRs were exercised under the 2019 LTIP. The hurdles and vesting conditions for 2018 and 2019 LTIP were detailed in the FY21 financial statements.

All PSRs are granted over shares in the ultimate controlling entity AUB Group Limited.

Unissued shares

As at the date of this report, there were 615,407 unissued ordinary shares under PSRs as part of the LTIP that have not vested. Refer to Note 18 of the Financial Report for further details of the PSRs outstanding.

Holders of PSRs do not have any right, by virtue of the option to participate in any share issue of the Company or any related body corporate.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 10: Shares held in AUB Group Limited at 30 June 2022

| | Balance at 30-Jun-21 | Shares acquired during the year | Director retired during the year | Balance at 30-Jun-22 |
|----------------------------|-------------------------|------------------------------------|-------------------------------------|-------------------------|
| Directors | | | | |
| D. C. Clarke (Chair) | 23,087 | 6,500 | – | 29,587 |
| M. P. C. Emmett (CEO) | – | 5,405 | – | 5,405 |
| R. J. Carless ¹ | 25,395 | – | 25,395 | – |
| P. G. Harmer ² | – | 2,497 | – | 2,497 |
| P. A. Lahiff | 10,334 | 1,988 | – | 12,322 |
| R. J. Low | 20,536 | 2,660 | – | 23,196 |
| C. L. Rogers | 6,000 | 1,154 | – | 7,154 |
| Executives | | | | |
| M. J. Shanahan | 4,068 | 10,233 | – | 14,301 |
| Total | 89,420 | 30,437 | 25,395 | 94,462 |

1. Ray Carless retired as a Director on 31 August 2021.
2. Peter Harmer was appointed as a Director on 22 July 2021.

Table 11: PSRs/SARs holdings of KMP at 30 June 2022

| | Balance at 30-Jun-21 | Granted as remuneration | PSRs exercised | PSRs lapsed/ forfeited | Balance at 30-Jun-22 | Total PSRs /SARs at year end | |
|-----------------------|-------------------------|----------------------------|-------------------|------------------------------|-------------------------|------------------------------|-----------------------------------|
| | | | | | | Vested/ exercisable | Not vested/ not exercisable |
| Directors | | | | | | | |
| M. P. C. Emmett (CEO) | | | | | | | |
| PSRs | 354,824 | 53,277 | – | – | 408,101 | – | 408,101 |
| SARs | – | 508,388 | – | – | 508,388 | – | 508,388 |
| Executives | | | | | | | |
| M. J. Shanahan (CFO) | | | | | | | |
| PSRs | 40,237 | 29,302 | 10,233 | – | 59,306 | – | 59,306 |
| SARs | – | 254,194 | – | – | 254,194 | – | 254,194 |

The outstanding PSRs have an exercise price of \$NIL.

During the current year a total of 183,627 PSRs were granted (82,579 to KMP) and 1,016,776 SARs were granted (762,582 to KMP).

Loans or other transactions with KMP

No KMP or their related parties held any loans from the AUB Group during or at the end of the year ended 30 June 2022 or prior year. Apart from the details disclosed in this Report, there were no transactions between KMP (or their related parties) and AUB Group or any of its subsidiaries during the Reporting Period.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Compensation of Directors and other Key Management Personnel

Table 12: Statutory Reporting Basis – period ending 30 June 2022

The table below outlines Directors and other KMP remuneration as calculated in accordance with accounting standards and the Corporations Act requirements. The amounts shown are equal to the amount expensed in the Company's Financial Report for the particular year.

| | | | | | Post employment | Share- based payment | | |
|--------------------------------|-------------|------------------|----------------------------------|-----------------------------|--------------------|----------------------------|-----------------------|---------------------------------|
| | Year | Salary & fees | Cash short term incentive* | Non monetary benefits | Superannuation | Equity PSRs/ SARs** | Total remuneration | Total performance related |
| 30 June 2022 | | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non Executive Directors | | | | | | | | |
| D. C. Clarke (Chair) | 2022 | 218,182 | — | — | 21,818 | — | 240,000 | 0% |
| | 2021 | 191,781 | — | — | 18,219 | — | 210,000 | 0% |
| R. J. Carless | 2022 | 18,182 | — | — | 1,818 | — | 20,000 | 0% |
| | 2021 | 90,001 | — | — | 24,999 | — | 115,000 | 0% |
| P. G. Harmer | 2022 | 102,937 | — | — | 10,294 | — | 113,231 | 0% |
| | 2021 | — | — | — | — | — | — | 0% |
| P. A. Lahiff | 2022 | 122,727 | — | — | 12,273 | — | 135,000 | 0% |
| | 2021 | 105,023 | — | — | 9,977 | — | 115,000 | 0% |
| R. J. Low | 2022 | 145,000 | — | — | — | — | 145,000 | 0% |
| | 2021 | 126,000 | — | — | — | — | 126,000 | 0% |
| C. L. Rogers | 2022 | 109,091 | — | — | 10,909 | — | 120,000 | 0% |
| | 2021 | 95,890 | — | — | 9,110 | — | 105,000 | 0% |
| Executive Directors | | | | | | | | |
| M. P. C. Emmett (CEO) | 2022 | 973,410 | 1,015,000 | 2,922 | 27,500 | 1,352,767 | 3,371,599 | 70.23% |
| | 2021 | 828,392 | 884,375 | 2,644 | 25,000 | 823,709 | 2,564,120 | 66.61% |
| Executives | | | | | | | | |
| M. J. Shanahan (CFO) | 2022 | 454,425 | 521,033 | 71,060 | 27,500 | 365,598 | 1,439,616 | 61.59% |
| | 2021 | 395,740 | 457,517 | 26,168 | 25,000 | 124,854 | 1,029,279 | 56.58% |
| Total Remuneration | 2022 | 2,143,954 | 1,536,033 | 73,982 | 112,112 | 1,718,365 | 5,584,446 | |
| Total Remuneration | 2021 | 1,832,827 | 1,341,892 | 28,812 | 112,305 | 948,563 | 4,264,399 | |

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes salary remuneration, annual and long service leave payments, the amortisation expense of deferred share awards previously granted and an accrual for STIs.

* STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year. The 2022 amounts have been approved by the Remuneration Committee.

** Share based payments are calculated on the accrued cost to the Company recognising that PSRs issued to KMP will vest over 3 years (5 years for CEO sign-on PSRs and 5 years for SARs) after taking into account a 75% -100% probability that the Group will achieve the performance hurdles required for those PSRs/SARs to vest.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 13: Cash and vesting basis - period ending 30 June 2022

The table below outlines remuneration received individually during the year including the prior year STI paid in cash in the reporting year and the benefit received from vesting of shares granted under the Employee Share Option Scheme.

| | | | | | Post employment | Share- based payment | | |
|--------------------------------|------|------------------|----------------------------------|-----------------------------|--------------------|----------------------------|-----------------------|---------------------------------|
| | Year | Salary & fees | Cash short term incentive* | Non monetary benefits | Superannuation | Equity options** | Total remuneration | Total performance related |
| 30 June 2022 | | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non Executive Directors | | | | | | | | |
| D. C. Clarke | 2022 | 218,182 | — | — | 21,818 | — | 240,000 | 0% |
| | 2021 | 191,781 | — | — | 18,219 | — | 210,000 | 0% |
| C. L. Rogers | 2022 | 109,091 | — | — | 10,909 | — | 120,000 | 0% |
| | 2021 | 95,890 | — | — | 9,110 | — | 105,000 | 0% |
| P. A. Lahiff | 2022 | 122,727 | — | — | 12,273 | — | 135,000 | 0% |
| | 2021 | 105,023 | — | — | 9,977 | — | 115,000 | 0% |
| R. J. Carless | 2022 | 18,182 | — | — | 1,818 | — | 20,000 | 0% |
| | 2021 | 90,001 | — | — | 24,996 | — | 114,997 | 0% |
| P. G. Harmer | 2022 | 102,937 | — | — | 10,294 | — | 113,231 | 0% |
| | 2021 | — | — | — | — | — | — | 0% |
| R. J. Low | 2022 | 145,000 | — | — | — | — | 145,000 | 0% |
| | 2021 | 126,000 | — | — | — | — | 126,000 | 0% |
| Executive Directors | | | | | | | | |
| M. P. C. Emmett | 2022 | 973,410 | 884,375 | 2,922 | 27,500 | — | 1,888,207 | 46.84% |
| | 2021 | 828,392 | 875,000 | 2,644 | 25,000 | — | 1,731,036 | 50.55% |
| Executives | | | | | | | | |
| M. J. Shanahan | 2022 | 454,425 | 457,517 | 71,060 | 27,500 | 235,052 | 1,245,554 | 55.60% |
| | 2021 | 395,740 | 452,669 | 26,168 | 25,000 | — | 899,577 | 50.32% |
| Total Remuneration | 2022 | 2,143,954 | 1,341,892 | 73,982 | 112,112 | 235,052 | 3,906,992 | |
| Total Remuneration | 2021 | 1,832,827 | 1,327,669 | 28,812 | 112,305 | — | 3,301,613 | |

* STI amounts paid during each financial year for performance during the prior financial year based on agreed KPIs.

** The actual remuneration relating to share based payments is based on the market value on the date the PSRs were exercised multiplied by the actual number of PSRs vested during the year.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 14: Number of PSRs and SARs granted as part of remuneration

| 30 June 2022 (Grant year FY22) | Granted no. | Grant date | Fair value per PSR/SAR at grant date (see Note 16) | Exercise price per PSR/SAR (see Note 16) \$ | Expiry date | First exercise date | Last exercise date |
|-----------------------------------|----------------|------------|---|--|-------------|---------------------------|--------------------------|
| Directors | | | | | | | |
| M. P. C. Emmett | | | | | | | |
| PSRs | 53,277 | 11-Nov-21 | 11.27 | 0.00 | 31-Aug-27 | 31-Aug-24 | 31-Aug-27 |
| SARs | 508,388 | 11-Nov-21 | 3.79 | 0.00 | 31-Aug-26 | 31-Aug-26 | 31-Aug-26 |
| Executives | | | | | | | |
| M. J. Shanahan | | | | | | | |
| PSRs | 29,302 | 11-Nov-21 | 11.27 | 0.00 | 31-Aug-27 | 31-Aug-24 | 31-Aug-27 |
| SARs | 254,194 | 11-Nov-21 | 3.79 | 0.00 | 31-Aug-26 | 31-Aug-26 | 31-Aug-26 |
| Total | 845,161 | | | | | | |

The fair value above is the weighted average price of the EPS and TSR PSRs at the date the PSRs were granted. All PSRs were issued with an exercise price of \$NIL and the expiry date of the PSRs is four years after the vesting date.

SARs

Mr Emmett's grants of 53,277 PSRs and 508,388 SARs under the Long Term Incentive Plan were approved at the Annual General Meeting of the Company on 10 November 2021, and this approval was for all purposes, including ASX Listing Rule 10.14.

Table 15: Value of PSRs/SARs granted as part of remuneration (including PSRs/SARs vested or lapsed during the year)

| | | | | Shares issued on exercise of PSRs | | | |
|-----------------|---|--|---|---|---|---------------------------------------|---------------------------------------|
| | *Value of PSRs/SARs granted during the year | **Value of PSRs/SARs exercised during the year** | Percentage of remuneration consisting of value share based payments incurred during the year*** | Number of shares issued on exercise of PSRs | Paid per share on shares issued on exercise of PSRs | Number of PSRs vested during the year | Number of PSRs lapsed during the year |
| 30 June 2022 | \$ | \$ | % | No. | \$ | No. | No. |
| Directors | | | | | | | |
| M. P. C. Emmett | | | | | | | |
| PSRs | 960,158 | — | — | — | — | — | — |
| SARs | 1,926,791 | — | — | — | — | — | — |
| Total | 2,886,949 | — | 58.58% | — | — | — | — |
| Executives | | | | | | | |
| M.J. Shanahan* | | | | | | | |
| PSRs | 528,080 | 235,052 | — | 10,233 | 0.00 | 10,233 | — |
| SARs | 963,395 | — | — | — | — | — | — |
| Total | 1,491,475 | 235,052 | 58.14% | 10,233 | 0.00 | 10,233 | — |
| Total | 4,378,424 | 235,052 | | 10,233 | 0.00 | 10,233 | — |

* Total gross value of PSRs granted during the year which will vest over three years if all performance hurdles required for PSRs and SARs to vest, are met.

** Total value of PSRs exercised during the year is calculated based on the fair value of the PSRs at exercise date multiplied by the number of PSRs exercised.

*** Share based payments as a percentage of remuneration is calculated on the accrued cost to the Company recognising that PSRs issued to KMP will vest over 3 years after taking into account a 60 - 100% probability that the Group will achieve the performance hurdles required for those PSRs to vest.

SECTION 7 GLOSSARY

| | |
|------------------------------|---|
| AAGR | Average annual growth rate (expressed as a %) |
| Balanced Scorecard | a balanced scorecard set of KPIs, which includes both financial and non-financial measures that have weighted allocations and are aligned to AUB Group's strategic priorities |
| CAGR | Compound annual growth rate (expressed as a %) |
| Corporations Act | <i>Corporations Act 2001</i> (Cth) |
| EPS | Underlying earnings per share |
| Executive KMP | M Emmett (CEO and Managing Director) and M Shanahan (Chief Financial Officer) |
| Group Executives | The CEO, CFO and heads of Australian Broking and Agencies |
| KMP | Persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of AUB Group during the Reporting Period |
| LTI Plan | AUB Group's Long-Term Incentive Plan |
| OP Plan | AUB Group's Outperformance Plan |
| Peer Comparator Group | Constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID), defined at the commencement of the performance period |
| PSR | Performance Share Right, with each right entitling the holder to receive one fully-paid ordinary share in AUB on vesting (or, if the Board determines, an equivalent cash payment). Vesting of PSRs may be subject to vesting conditions and performance hurdles |
| Relative TSR | AUB Group's compounded TSR measured against the ranking of constituents of the Peer Comparator Group |
| Reporting Period | 12 months period ended 30 June 2022 |
| SAR | Share Appreciation Right, with each right entitling the holder to receive fully-paid ordinary shares in AUB on vesting (or, if the Board determines, an equivalent cash payment). calculated in accordance with the formula outlined in Section 2 of this report |
| STI Plan | AUB Group's Short-Term Incentive Plan |
| TSR | Total shareholder return measures the percentage growth in the share price together with the value of dividends paid during the relevant three year performance period, assuming all dividends are reinvested into new securities |
| Underlying EPS | Underlying earnings per share, being, in respect of any financial year, the Underlying NPAT divided by the weighted average number of shares on issue during the financial year. |
| Underlying NPAT | Underlying net profit after tax, being, in respect of any financial year, the consolidated net profit after tax of AUB Group for that year excluding NCI, fair value adjustments to the carrying values of associates, profit on sale of entities and assets or deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles. Other adjustments to the Underlying NPAT calculation may be made in limited circumstances where the Board considers it to be appropriate. |
| VWAP | Volume weighted average price of shares in AUB Group traded on the ASX |

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2022

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC instrument "Rounding in Financial/Directors' Reports" 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received an independence declaration from the auditors of AUB Group Limited. Refer to page 71 of the Annual Report.

Non-audit services provided to the AUB Group by the entity's auditor, Ernst & Young, in the financial year ended 30 June 2022 were predominantly in relation to tax matters. Other services included independent reviews. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act (2001) Cth*. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. The amounts received or due to be received are detailed in Note 21 of the Financial Report.

Signed in accordance with a resolution of the Directors.



D.C. Clarke
Chair

Sydney: 24 August 2022



M. P. C. Emmett
Chief Executive Officer and Managing Director

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ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

1. APPROACH TO ESG



Doing the right thing by our people, our partners, our customers, our environment, and the communities in which we operate is part of our ethos. AUB Group considers ESG from the perspectives of the environment; fair treatment of customers, employees and suppliers; ethical decision making and contribution to the community.

We are a services organisation operating in more than 520 locations in Australia and New Zealand. AUB Group's network of insurance intermediaries conduct business with clients and other stakeholders both face-to-face and remotely. We maintain office space in the locations in which we operate and our team travels to these office locations and client venues. We do not consume raw materials or manufacture any physical products so our environmental footprint and exposure to supply chain risks is limited to our direct operations.

This report covers AUB Group's ESG management approach and associated activities for the year ending 30 June 2022. Unless otherwise indicated, ESG data is presented for the period from 1 May 2021 to 30 April 2022 (the 'reporting period'). This report includes the activities of our subsidiaries and their controlled entities in Australia.

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards 2016. As we continue to develop our insight and activities in ESG, we plan to build on our sustainability reporting in line with the GRI Standards. We plan to transition to a globally accepted ESG reporting standard by FY24.

Our MSCI rating is now AA, up from our initial BBB in June 19. This is pleasing progress although we acknowledge we have more work to do, and in particular we will focus on improving our performance in relation to the social pillar.

ESG FRAMEWORK

Our ESG framework highlights what we believe are the most important ESG impacts to AUB Group and our stakeholders. The three areas of **employees**, **customers** and **social and environment** are the themes under which our material impacts are organised. Our strong relationship with our 70 partner businesses across Australia and New Zealand is an essential component of our framework, and our ethics and integrity underpin everything that we do; they guide us in our approach to all of our stakeholders and business activities.

ETHICS AND INTEGRITY

PARTNER ENGAGEMENT AND ADVOCACY

EMPLOYEES

- Employee engagement and development
- Diversity and inclusion
- Workplace health and safety

CUSTOMERS

- Customer engagement and retention
- Technological transformation
- Product innovation

SOCIAL AND ENVIRONMENT

- Community investment
- Environmental management
- Responsible supply chain



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

MATERIALITY







In 2021 we conducted a materiality assessment to develop our fundamental ESG principles and identify our most important focus areas. The materiality assessment involved:

- engaging expert advisors;
- a desktop review and of industry trends and leading practice in ESG;
- interviews with internal and external stakeholders to determine material topics and their relative importance; and
- an assessment of our impact areas against the UN Sustainable Development Goals (SDGs).

During 2022 we reviewed the outcomes of the materiality assessment and confirmed that the topics identified last year remained our most important focus areas. We plan to undertake a materiality assessment every 3 years.

STAKEHOLDERS

We engage with all our stakeholder groups on a regular basis to ensure we are responsive to their needs and concerns. ESG matters are becoming a growing area of concern for many of our stakeholders. Our key stakeholders and methods of engagement are:

| STAKEHOLDER | DESCRIPTION | INTEREST |
|---|--|--|
| CUSTOMERS  | Our network partners are in regular direct contact with their customers. They collect and analyse customer feedback through a range of interactions such as one on one meetings, online surveys, social media and focus groups. This helps to ensure that we are aware of, and able to respond to, the evolving needs of customers. A hardening commercial insurance market over the past 5 years has impacted the price and availability of insurance cover for our customers . | Acting fairly and in their best interest. Providing access to insurance. Reducing cost pressures. |
| SHAREHOLDERS  | We have regular discussions, briefings and meetings with investors, analysts and proxy advisors to keep them informed of our performance and any emerging risks and opportunities. | Responsible investing. Good governance practices. Oversight of decentralised group. |
| EMPLOYEES  | We conduct regular employee engagement surveys, industry benchmark research, company-wide town halls and regular team meetings to keep our employees up-to-date on the latest company and industry developments. Using feedback and research we set targets to appropriately respond to employee issues. | Development opportunities. Market tested salaries. Technology to eliminate repetition. Flexible arrangements. Diversity targets and plans. |
| GOVERNMENT AND REGULATORS  | We engage with Federal and state-level governments, regulators and industry bodies through meetings and formal policy consultation submissions to advocate for issues important to our stakeholders. We ensure we comply with regulation and proactively adopt key principles of upcoming changes and best practice. | Good governance practices and risk mitigation. Strong asset management and protection. |
| SUPPLIERS  | We hold formal and informal meetings with our top suppliers including IT, product suppliers, insurance underwriters and finance providers. ¹ | Prompt payments to small businesses. Supply chain integrity. |
| COMMUNITY  | We engage with the communities in which we operate through volunteering, fundraising initiatives and events, workshops and funded programs. | Being a good corporate citizen. Giving back through volunteering and charity. |





1. AUB Group 2021 Sustainability Report (p. 5)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

UN SDGs

AUB Group identified five priority SDGs where we believe we can have the greatest impact. We have incorporated the goals into our broader ESG framework.

| SDG | WHAT AUB GROUP IS DOING AND WHERE IS OUR FOCUS |
|---|--|
|  | <p>We ensure our employees have a safe working environment and offer them health and wellbeing programs and initiatives. With greater numbers of employees working remotely in the aftermath of COVID-19, we are mindful of the need to monitor and address the impact on their mental wellbeing as well as look to broader health and wellbeing challenges in our customers and communities.</p> |
|  | <p>As with others in our industry, reaching gender balance throughout AUB Group remains a challenge. We intend to assess our recruitment, selection and retention processes and explore opportunities to improve gender equality at all levels across the organisation.</p> |
|  | <p>We stay at the forefront of market developments so that we can offer our customers the best technology and product solutions for their needs. Developments and better use of customer data have lead to greater choice, and a more efficient & customised experience. We negotiate terms with underwriters to enable our customers to obtain the most affordable and appropriate protection for themselves, their workers and their families. We provide our employees opportunities to develop their careers with us through internal and external training and study assistance. We plan to strengthen our training platform and program, with the objective organisation-wide engagement and alignment with key policies and commitments. We are committed to addressing potential modern slavery issues in our supply chain and intend to focus on developing our approach to quantifying and managing impacts.</p> |
|  | <p>We contribute to our communities through volunteering and fundraising. Our decentralised business model means that our partner businesses are free to contribute to causes and local communities at their own discretion. We plan to support this activity by developing partnerships with our community stakeholders and our partner business to address inequalities.</p> |
|  | <p>We make efforts to manage our environmental footprint. We are working to improve how we measure and report on our environmental impacts and our long-term approach to mitigate climate change, including by developing our ESG reporting.</p> |

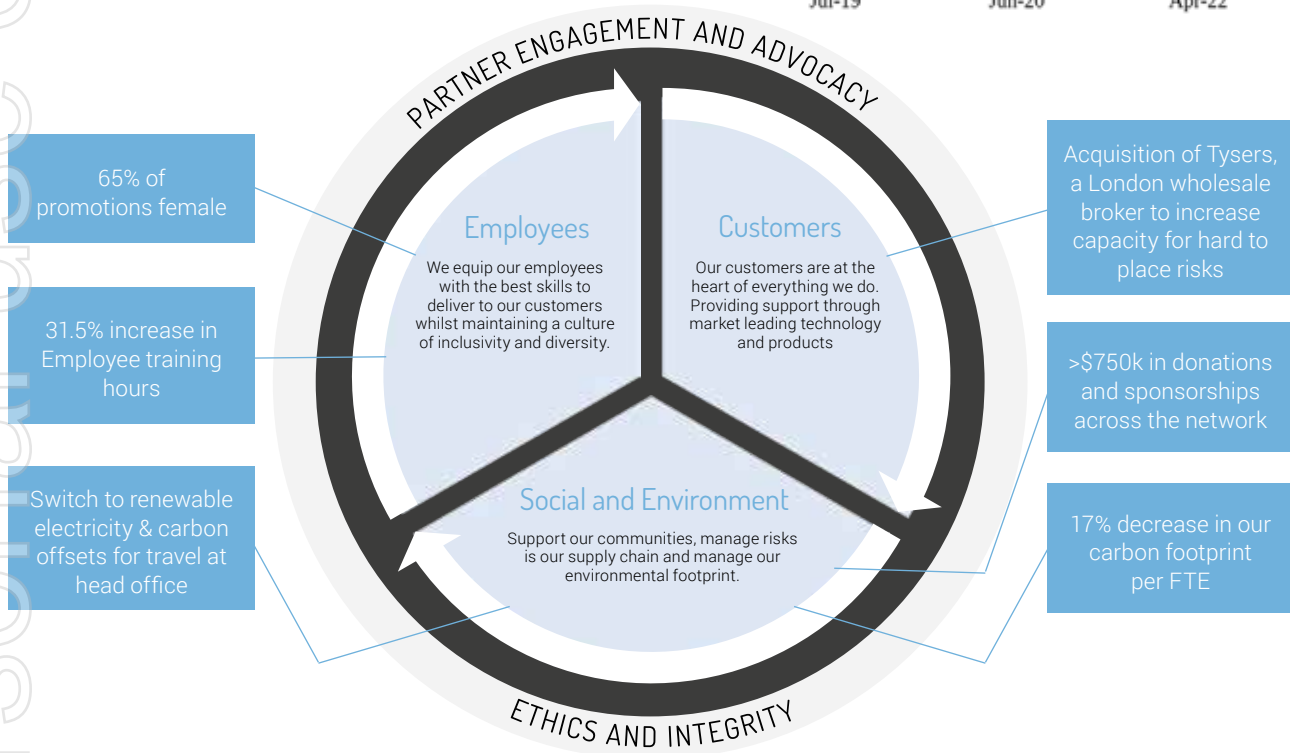
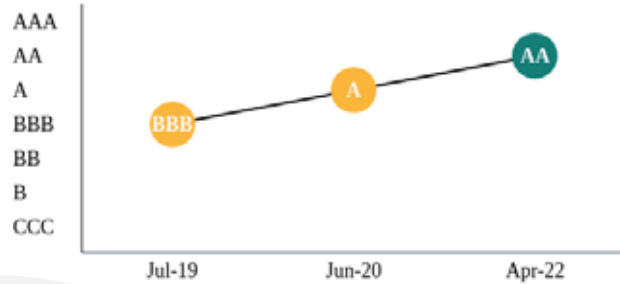
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

FY22 HIGHLIGHTS:

Our rating from MSCI has consistently improved since their initial assessment in 2019. For our stakeholders on average the most material areas of focus relate to the Governance Pillar. In this regard we have proactively worked to uplift the Group's governance through hiring skilled employees in the right positions, and a drive to achieve best practice outcomes. The improvement in our score is a reflection of this journey.

ESG Rating history



3 GOOD HEALTH AND WELL-BEING



- An independent review conducted by Great Place to Work benchmarked the staff of AUB's Sydney office against peers globally and certified AUB as a Great Place to Work. Of approximately 300 employees surveyed:
 - 98% believe it is a safe place to work
 - 96% believed they are treated fairly regardless of their race or sexual orientation
 - 92% believed they are treated fairly irrespective of their age
 - 90% believed they can take off time when they believe it's necessary
 - 89% average score for justice
- AUB rolled out a work from home risk assessment for all Head office employees, conducted by an outside specialist health services provider.

5 GENDER EQUALITY



- At AUB we strive for gender balance – 40:40:20 (40% men, 40% women and 20% open) – at all levels of our organisation. We recognise this is a long-term commitment and that the insurance industry as a whole will require substantial work in this space.
- We have exceeded 30% female representation at Board level.
- We are strengthening our hiring processes in order to continually challenge unconscious bias including implementing a formal hiring process at head office and number of controlled entities. More recognise that further work is required in this area, and strategic goals will be set later in the year.

We have completed a number of benchmarking activities and will identify initiatives to support longer term gender balance ambitions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022



- We recognise that certain risks are becoming harder to insure due to climate change and changing risk appetite of insurers.. As a strategic response to safeguard access to cover for AUB customers, we have entered into an agreement to acquire Tysers Insurance Brokers Limited (Tysers). Tysers is the 6th largest independent London wholesale broker providing direct access to the world's largest insurance market, Lloyd's. The acquisition will better place our network to help customers with specialty and harder to insure risks. Our newly formed business unit known as Austplacements will assist our brokers and agencies in Australia and New Zealand to access Tysers.



- We deployed a centralised learning and development (L&D) platform, LITMOS to our Sydney office to modernise and better serve our employees in their development. Training includes topics related to human resources, workplace health & safety, ethics, as well as cyber awareness training. This is in addition to industry specific training platforms which continue to play a part in our overall L&D program.
- We intend to roll out a volunteering and employee donation model during FY23 to bolster the social and community impact of the network.



- We have switched to 100% renewable energy sources for our electricity needs at Head office and a number of other business across the group. We have observed a 17% reduction in CO₂ emissions per employee year on year.
- We have signed up to offset all carbon greenhouse gas emissions associated with Head office employee corporate travel.
- We continue to encourage our people to minimise travel in order to reduce our overall environmental footprint; a core element of which is our commitment to our a 4-day at home operating model.

FY23 COMMITMENTS:

We have identified priority activities for FY23 across our head office and the broader Group. These activities have been informed by market research, internal surveys, and through the work of advisors and may evolve. We apply a materiality lens whilst considering the priorities of our stakeholders. The resulting short list was endorsed by the Board and has rollout periods between 6 months and 5 years.

We understand the evolving landscape and the greater responsibility businesses owe to all stakeholders. In order to continually improve our business and enhance our social license to operate, we will add new goals as existing ones are achieved. Our core commitments include:

- Minimum of 20 hours training in addition to ethics training for all AUB Group head office staff facilitated by the new L&D platform;
- Rollout of a donation and volunteering model;
- Extend renewable energy and carbon offset model to others in the Group;
- ESG metrics formally codified within M&A checklist;
- Assess strategic measures to be implemented to achieve long term gender balance objective of 40/40/20; and
- Benchmark and assess strategic measures to assess and eliminate any gender wage gap.

We anticipate that other goals and activities may be added as part of our annual goal setting cycle post our strategy day in Q2 of FY23.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

2. ETHICS AND INTEGRITY

OUR CORE VALUES

Our values ensure that we act ethically and with integrity in all our interactions. We seek to embed these values throughout our company by giving all new starters training on our values and by providing people managers training on how they can lead by example and foster a safe, supportive environment for their teams.

ASPIRATIONAL

We are progressive, explore opportunities for growth and continually raise the bar

- We aren't afraid to fail, we learn from our mistakes and look for opportunities to improve and grow.
- We take ownership, break outside our bubble, and challenge the status quo.
- We expect, encourage and value different opinions to get the best outcome.
- We seek opportunities to develop and have a good understanding of our competitors, the industry and economy.

PARTNERSHIP AND RELATIONSHIP DRIVEN

We are respectful, collaborative and seek to amplify potential

- We take time to understand each other's objectives and drivers before making a decision.
- We confront difficult situations head on, if we see or hear something that is unacceptable, we act.
- We value and are respectful of each other's time and contribution, we actively listen to and acknowledge each other.
- We find synergies with partners, following through on commitments, communicate early and seek to understand individual circumstances.

GENUINE

We are easy to deal with, honest and fair

- We listen to requests, if we have to say no, we say no respectfully and provide an explanation as to why.
- When we say we will do something, we will do it. We are careful not to over promise.
- We willingly step into conversations that might be uncomfortable having prepared ourselves by setting clear intentions and being prepared to listen with compassion.
- We are in ongoing conversations with each other to create clarity and transparency.

RESOURCEFUL

We are creative and agile in our delivery of the best outcome

- We take the initiative to be self-motivated, we apply a growth mindset and support people and processes to change and grow.
- We know our strengths; we collaborate and network to share knowledge.
- We know when not to over complicate things, we are respectful of each other's time.
- We are forward thinking and provide opportunities to test ideas, we change to improve.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

OUR APPROACH TO GOVERNANCE

AUB Group is committed to high standards of corporate governance. We believe that strong corporate governance is the foundation of our success and business growth and is critical for us to deliver value to our shareholders.

Board structure and responsibilities

AUB GROUP LIMITED BOARD

BOARD AUDIT & RISK COMMITTEE REMUNERATION & PEOPLE COMMITTEE NOMINATION COMMITTEE

AUB Group's Board comprises three Board Committees that guide our governance activities in respective areas according to their Committee Charters and Group policies.

The Board of Directors is responsible for the corporate governance of AUB Group and ensuring high standards of governance are maintained across all the aspects of Group's business and operations. The Board guides and monitors the business and affairs of AUB Group on behalf of stakeholders. Its activities are governed by our Constitution. The Board Charter sets out the Board's specific roles, responsibilities and composition, and the responsibilities of the Chief Executive Officer.

Our corporate structure ensures that the Board maintains an appropriate level of oversight over our operations. The Board delegates the responsibilities of day-to-day operational activities to senior management to ensure that key matters are given the appropriate level of consideration while retaining overall responsibility.

Our Corporate Governance Statement is founded on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). We review and revise our Corporate Governance Statement to reflect the changing standards and expectations of our industry annually. It is available on our website: www.aubgroup.com.au/corporate-governance.

BOARD INDEPENDENCE AND COMPOSITION

With the exception of AUB Group's Chief Executive Officer and Managing Director, the Board is made up entirely of Independent Non-executive Directors. These directors provide objective oversight that helps us deliver value to our stakeholders. The Board annually reviews the independence of each Director and discloses any changes in status to the ASX.

The Board comprises directors with a diverse range of skills, experience and backgrounds. The Board evaluates its performance and composition annually to ensure that Board members have the appropriate mix of expertise to effectively carry out its duties. We engage an external independent consultant every three years to assist with this process.

ESG GOVERNANCE

The Board, in consultation with the Board Audit and Risk Committee (BARC), oversees and approves AUB Group's ESG activities, including our strategy and policies and procedures. The Board delegates responsibility for ESG to management, with our Chief Executive Officer having ultimate responsibility of our ESG activities.

The BARC endorses all ESG targets, progress is formally reported in BARC meetings held every 2 months, and reviews all ESG materials, and outcomes of ESG rating agencies assessments.

Our ESG Policy sets out how we work towards being a socially and environmentally responsible corporate citizen. It outlines policies and procedures we adopt across all our businesses to support socially and commercially ethical practices, reduce our environmental footprint and manage our environmental risks. We have a number of more specific policies that cover other ESG areas, such as diversity and inclusion, workplace health and safety, and modern slavery.

OUR CODE OF CONDUCT

AUB Group's Code of Conduct (Code) sets out the ethical standards expected of all directors, officers, and employees of AUB Group and its controlled entities. AUB Group encourages any businesses in which AUB Group has a direct or indirect equity investment to adopt the code.

The Code is designed to ensure AUB Group delivers on its commitment to corporate responsibility and sustainable business practice. It establishes a foundation to our business decisions and provides clear, consistent guidelines on ethical behaviour.

The Code requires our people to:

- ✓ act with honesty and integrity in dealing with all stakeholders, including shareholders and the community
- ✓ manage conflicts of interest
- ✓ comply with the law
- ✓ adhere to company policies and procedures
- ✓ respect confidentiality and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

All employees are required to complete ethics training annually. Breaches of our code of conduct will impact an employee's annual performance rating and in turn the at-risk portion of their remuneration. Except for fixed term contractors and other labour hire staff, all employees have a portion of their remuneration at risk based on performance measures.

In addition to standard HR policies, and our code of conduct, our businesses have policies governing (1) complaints, (2) Financial Hardship, and (3) Domestic Violence and (4) flexible working.

EMPLOYEE AND CUSTOMER GRIEVANCE TOOL

There are risks which may arise from our decentralised operation such as pockets of poor culture or leadership. In addition to grievance and escalation policies that exist within each of our businesses we provide an anonymous access point for any employee of any company in the Group or any customer to contact the head office. Submissions are jointly reviewed by the Group legal counsel & Head of People and Culture on any grievance they may have.

This tool is designed to pro-actively manage a range of issues including mismanagement across the decentralised Group. Although these issues may not constitute whistleblower events, we believe it is best practice to enable them to surface and be dealt with.

Whistleblower events are dealt with through our Whistleblower portal - Whisplii. We do not report the number of whistleblower or grievance instances to protect the anonymity of any submitted.

OUR APPROACH TO INFORMATION SECURITY

Data privacy

AUB Group is committed to protecting the privacy of personal and sensitive information collected as part of its business operations in line with the Australian Privacy Act (1988). Our Privacy Policy sets out our privacy principles and provides guidance to member firms on the collecting, using, holding, disclosing, and otherwise managing personal information.

At the time that the personal information is collected (or as close as practicable to it), AUB Group takes reasonable steps to ensure that the individual is aware of:

- why personal information is being collected;
- what personal and/or sensitive information is collected and held;
- how personal information is collected;
- use and disclosure of personal information;
- information about how the individual is able to access and correct the information held; and
- how to contact AUB Group, including making a complaint.

AUB Group is committed to complying with its obligations under the Australian Privacy Act 1988 (Cth) (the 'Privacy Act') (including the Australian Privacy Principles set out in the Privacy Act) and continues to invest in and mature its cyber security and data privacy programs, with strong progress achieved to strengthen processes, awareness and tools to protect against cyber-attacks and data breaches.

Cyber security

AUB Group has designed and implemented a suite of core capabilities to manage cyber security and cyber risk. From the establishment of a set of strategic objectives, to an industry aligned cyber security framework, to a roadmap focused on embedding solid foundations, we have developed a capability whereby our cyber posture is continually assessed and enhanced. Taking a risk-based approach to prioritising the cyber roadmap initiatives, we are focused on meeting our strategic information security objectives and managing risk consistent with enterprise risk appetite and tolerance levels.

A range of activities have been mobilised and controls enacted such as cyber awareness training, phishing simulation exercises, vulnerability and patch management, risk and threat assessments, third party audits, penetration testing, and incident and disaster recovery exercises. In addition, a security operations centre has been stood up with technologies such as managed detection and response (MDR), security information and event management (SIEM) and security orchestration, automation and response (SOAR) in operation.

The minority of partner firms within the group who manage their own IT services and security, are subject to AUB's IT Service Standards and periodic assurance audits and attestations.

3. PARTNER ENGAGEMENT AND ADVOCACY

We have 70 partner businesses across 500 locations in Australia and New Zealand, representing over 850,000 clients. Our partners are at the core of our business model. They are key to our business success and an essential part of achieving our ESG objectives. We have an equity-based business model where the partner businesses remain directly responsible for their day-to-day operations while being able to leverage the scale, infrastructure and operational know how of the broader AUB Group ([Our Business Areas - AUB Group](#)). We support our partner businesses by providing them with the platform, tools and services needed to run their businesses smoothly as well as agency to determine and work towards their priority ESG impact areas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

INSURANCE BROKERS

AUB Group established Austbrokers Member Services (AMS) in Australia and NZbrokers in New Zealand to deliver market-leading products, services and business support to AUB Group's partner brokers. AMS and NZbrokers represent all their partner brokers across their respective countries. Each partner leverages the strength and capability of these national groups, while retaining their successful formula of local knowledge and long-standing relationships.

We provide a range of services and assistance to our partner brokers. We leverage our market position to design, source and negotiate market leading products including industry leading common policy wordings for our partners' clients. This extends to the negotiation of insurance capacity and commercial terms as well as assistance with placement of hard to place risks into alternative markets. We also leverage our buying power to secure competitive insurance coverage for our partners helping them safeguard a stronger future for their own businesses and people. Our strong relationships with premium funders enable our partners to offer premium funding services to their customers at competitive rates, assisting their customers with cash flow management.

We are working with our partners to better understand how we can enable them to contribute to causes that are meaningful to them, and how we can collectively create value for all our stakeholders.

ADVOCACY

We engage in industry research, public relations initiatives and policy advocacy on behalf of our partners. Our activities include engaging with governments, regulators and industry bodies through official consultations and meetings in order to provide information and perspectives on our industry and our members.

COMMITMENT TO RESPONSIBLE INVESTING

A core part of our business approach is growth through acquisition of new businesses and expansion of existing business into new markets. When selecting acquisition/expansion targets, we have a rigorous due diligence process and conduct a cultural fit assessment to ensure they are aligned with our values and goals. Our M&A playbook and acquisition checklists include a number of governance and sustainability related questions. Given the industry, the businesses we acquire generally have a similar environmental footprint to our existing businesses. We have, thorough market research and from our advisers, obtained a range of specific ESG questions to consider when analysing a target for acquisition. We will incorporate this within our M&A checklist in FY23.

Our commitment to responsible investing includes (1) acquisitions of ethical businesses with ethical leadership (2) a long term view of ownership and sustainable operating models (3) consideration of all stakeholders. We do not purchase businesses with an intention of making quick profits through resale or with the intention of engaging in large scale employee restructuring or engaging in actions resulting in worse outcomes for customers.

4.



EMPLOYEES

Our employees are a critically important asset and a key pillar of our ESG framework. We aim to equip our employees with the skills they need to deliver for our customers and to provide them with opportunities so that they can reach their full potential. We know that a diverse and inclusive workforce is the foundation for innovative thinking and new ideas. We look to recruit talent from diverse backgrounds and encourage employees to contribute their unique ideas, capabilities, experiences, and characteristics to their work.

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

Development

We are committed to ensuring that our employees get a sense of fulfilment from their work. We do this by providing them with ongoing development opportunities through AUB Group learning and development programs as well as further study assistance.

Our Broking Division has an Education Committee comprising senior broking management from across the country. The Committee ensures that insurance broker employees receive the necessary training and education through the National Insurance Brokers Association, Australia (NIBA), the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), LMI College and other specialist providers.

Our Agency Division and Head Office employees complete their ongoing training requirements online through the LITMOS learning management system. Our agencies' training managers are responsible for running LITMOS, ensuring that the available learning material meets the relevant training requirements and ensures that agency staff complete their training in a timely manner.

We are planning to extend LITMOS to the broader AUB Group partner network to support our partner employees' training needs and to foster a culture of risk awareness.

Our training programs consider needs for Group and Agency employees as well as the broker network, along with the changing regulatory landscape. Over the course of the year, we have invested in developing and rolling out the following training modules:

- Directors' responsibilities and duties;
- Cyber security awareness;
- Electronic communication and social media;
- Work, health and safety;
- Sexual harassment in the workplace;
- Workplace bullying;
- Anti-discrimination and equal opportunity;
- Whistle-blower awareness;
- Privacy awareness;
- Modern slavery;
- Combatting modern slavery;
- Fraud awareness; and
- Business Continuity Management;
- Anti-Money Laundering awareness;
- Misleading Conduct and Competition Law; and
- Regulatory training – Breach reporting and Complaints.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

Technical and soft skills training is provided periodically to staff using a mix of internal and external resources. In addition, we provide opportunities for staff to further their education through recognised higher learning education institutions as well as soft skills through providers such as the Institute of Strategic Leadership.

In FY22, employees undertook an average of 19.1 (FY21: 17.8) hours of training each, including our broker and agency employees.

| | 2022 Hours | 2021 Hours | Movement % |
|---|---------------|---------------|---------------|
| Employee training hours (includes compliance related) | 23,127 | 17,587 | 31.5 |

Employee training hours were impacted by COVID-19 in the prior year in a number of ways:

- Broking and agency teams devoted a huge effort to assisting many customers navigate the challenges and uncertainty of the COVID environment, in some cases diverting available time for training. Examples of increased client support provided during this time include:
 - Amendments to levels and classes of insurance cover
 - Obtaining premium funding to alleviate cash flow pressures
- In addition, traditional face to face learning was limited in centres affected by lockdowns.

Engagement

We value our employees' views and we ensure that they have a range of opportunities to share their perspectives with us. This is now more important than ever, with many of our people working remotely 4 out of 5 days per week ('4/1 work from home').

We utilise Officevibe, a dynamic online employee engagement platform. The platform prompts employees to complete fortnightly surveys anonymously and provides resulting insights to management. The tool enables us to collect continuous feedback on employee sentiment and dive deeper into emerging trends and developments amongst our workforce.

Officevibe has been rolled out to our head office teams as well as to all Sydney, Melbourne and Brisbane teams in our agencies, and a number of brokers in the Group.

We use our Employee Net Promoter Score (eNPS) to assess employee engagement based on their willingness to recommend the organisation to others. AUB Group's head office employee satisfaction across each metric for the period from implementation is shown below. It reflects a strong level of overall satisfaction, especially with respect to how our employees feel about their relationships with peers and their managers. We have found that there are areas where we can improve to better support our employees' wellbeing, especially given the impact of COVID on our employees' working lives. We are committed to continue finding ways to support our people in the transition to our 4/1 work from home model.



8.2 0.2pt
Relationship with manager



7.8
Relationship with peers



7.5
Ambassadorship



7.8 0.4pt
Personal growth



7.7 0.4pt
Happiness



7.6 0.6pt
Feedback



7.5 0.4pt
Alignment



7.5 0.2pt
Satisfaction



7.1
Recognition



7.5 0.7pt
Wellness

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

We have also been benchmarked using the Great Place to work platform:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

Positively, there was no statistical difference (3% higher from female respondents) in scoring between male and females employees of the Group.

Areas of focus for us include transparency in salary benchmarking, a clear short term incentive program, increased social events, better staff benefits program and better communication with staff on significant changes, as these were areas we scored the lowest. With the exception of a fair share in profits (we do not offer employee share schemes) and providing unique/special benefits, all metrics received a score of at least 57% positive.

Turnover

We see increasing demand for talent across several skill sets.

We monitor employee turnover to understand trends in demand for skills and to assist us adjusting our retention strategies to ensure our high performers are fulfilled and engaged with their roles. We conduct exit interviews to help management ensure that organisational issues are identified and dealt with.

Employee turnover across the Group was 20% in 2022 compared to 10% in 2021. The volatility was experienced particularly around new starters and casual employees as the industry and Australia as a whole struggles with a shortage in the employment market.

Employee absenteeism (personal/sick leave and leave without pay) across the Group was 1.5% (average 3.8 days per person) in 2022. Absenteeism can be a lead indicator for poor wellbeing. We recognise equally a very low absentee rate indicates employees being over worked. We aim to keep absentee rates below 5%. Please note this does not include paid annual leave. We encourage all our employees to utilise their full entitlement to paid leave each year.

DIVERSITY AND INCLUSION

Gender equality

Gender parity is integral to a dynamic balanced workforce. We are working to improve gender balance across the AUB Group. In FY21, we conducted a review of our Diversity and Inclusion Policy. From this review, we made a number of improvements to our recruitment, selection and succession processes, incorporating psychometric testing as part of the recruitment process and ensuring succession planning is evaluated on an ongoing basis and continuously updated and monitored.

AUB Group is committed to the development, promotion and retention of women in leadership. Some of these initiatives include:

- seeking to achieve gender diversity in the composition of our board and with a target of 30% female directors
- mentoring and career resiliency programs that are focused on giving female staff equal opportunity to rise to senior positions

- programs focused on attracting women to the insurance industry and development plans for key talent
- regular remuneration reviews to ensure remuneration is relevant to the market and commensurate to the role regardless of gender.

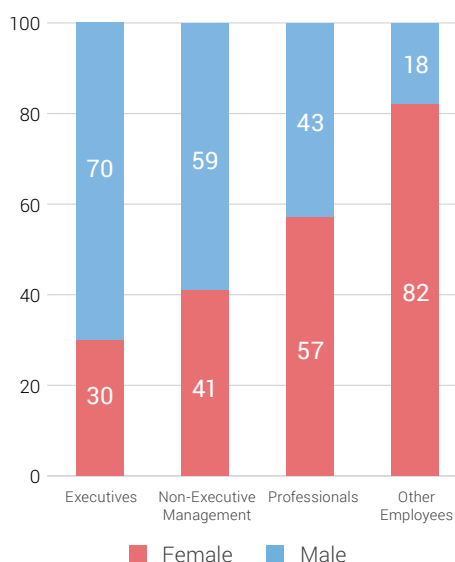
We report annually to the Workplace Gender Equality Agency, in line with the Workplace Gender Equality Act. These reports provide valuable insights into our workforce composition and flag areas where we can improve our employee value proposition and retention and recruitment practices. The latest filing is available on our [website](#).

Throughout the year we monitor performance for gender balance across the following broad position categories:

- **Executive:** C-Suite (CEO, CFO, CIO, CRO) or equivalent at Group level or any of our subsidiaries.
- **Non-Executive Management:** An employee who has strategic control and direction over a substantial part of the business, but whose responsibilities do not extend across an entire corporate group, such as the head of a brand within a group.
- **Professionals:** Qualified, or partially qualified staff such as brokers, underwriters, claims handlers, allied health professionals, non-book-keeping finance staff etc.
- **All other employees:** These are typically support staff such as executive assistants, bookkeepers, and other administrative staff within the organisation.

These reporting categories align with our WGEA reporting to and ensure comparability with the market and our peers.

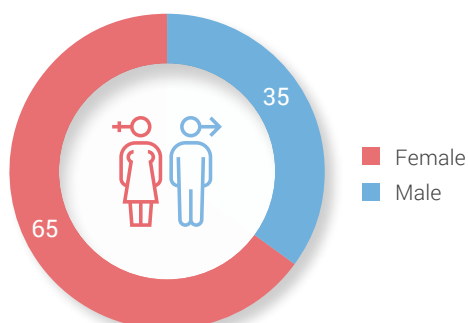
EMPLOYEE GENDER COMPOSITION (%)



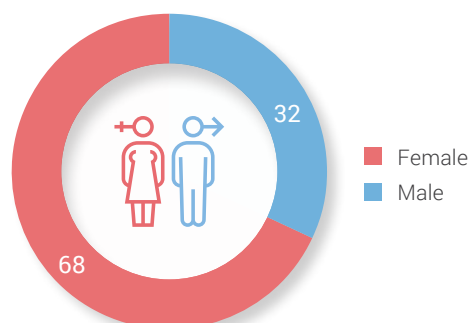
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

PROMOTIONS 2022



PROMOTIONS 2021



As at 30 June 2022 AUB Group and its controlled entities had a total of 1,208 (FY21: 988) employees with women representing 61% (FY21: 58%) across the Group.

We're pleased to report that throughout the year approximately 65% (FY21: 68%) of our internal promotions were female, demonstrating that the efforts we are making to support the careers of our female employees are delivering results.

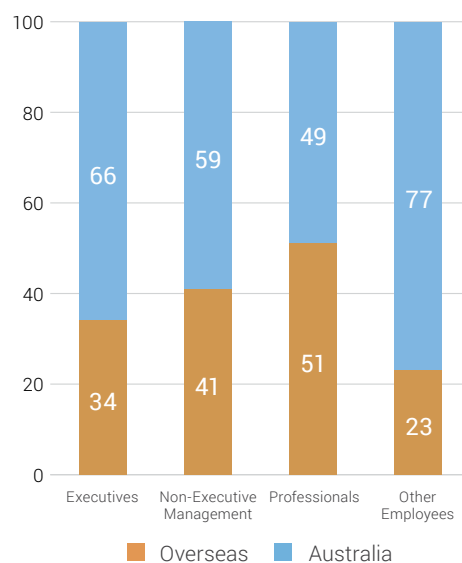
Gender equality is only one dimension of diversity and inclusion. As part of our [Diversity and Inclusion Policy](#), we have introduced a number of aims. These include:

- promote a culture that embraces diversity when recruiting employees, senior management and the board
- ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered, and addressing any conscious or unconscious biases that might discriminate against certain candidates
- value diversity of perspective – leveraging the diverse thinking, skills, experience and working styles of our employees and other stakeholders
- flexible work practices and provide opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages.

We also recognise our workforce and that of Australia as a whole is built on migration. 30% of Australians were born overseas, and our workforce reflects this at all levels.

We will build processes in the next period to assess and report on cultural diversity within our workforce. We also plan to focus on broader diversity in the future to improve representation across other groups, including the indigenous and LGBTQIA+ communities, as well as people living with a disability and people of different ages, to align our workforce makeup with the communities that we serve.

BIRTHPLACE OF WORKFORCE (%)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

WORKPLACE HEALTH AND SAFETY

We aim to provide a physically and psychologically safe workplace for our people. All health and safety incidents are reported to AUB Group Board's Remuneration and People Committee and Board Audit & Risk Committee. There was one workplace safety incident relating to bullying and harassment reported during FY22 (FY21: one).

In FY21, we completed a review of AUB Group's Health and Safety Policy, which found that the policy reflected current law and best practice.

With the disruption caused by COVID-19, mental health has increasingly come into focus. We have a dedicated free and confidential Employment Assistance Program (EAP) to support our employees and their families 24/7. Since the start of COVID-19, we have not witnessed any increase in reported incidents related to mental health, however, we acknowledge that with most of our workforce carrying out desk work remotely, workplace health and safety incidents may not be as visible to us. We encourage our employees to provide feedback to us about their physical and psychological health through our regular online employee surveys, their direct managers and HR.

FAIR REMUNERATION

Many of our employees are highly skilled and their remuneration reflects their value to AUB and the market. We recognise our responsibility to ensure all our staff are able to achieve a livable wage (60% of the median wage of \$62,400). We have benchmarked the lowest paid employees to an FTE equivalent to ensure their pay meets the higher of this benchmark and the related industry award.

Based on the benchmark there were 2 employees marginally below the threshold (\$37,400), both of whom were school leaver/interns. Such opportunities represent an alternative pathway to higher education with an expectation to complete industry qualifications after gaining sufficient relevant practical experience. A number of non-cash benefits such as work from home allowances, complimentary or discounted insurance coverage available to staff, are not considered in the analysis above. The average salary across the Group was \$126k, and median salary was \$96k.

We have also engaged an external party to review all casual rates to ensure compliance with all industry standards. In addition to benchmarking current pay and conditions we engaged the same external party to review all termination entitlement payments to ensure employees are paid what they are owed at all times.

5. CUSTOMERS

Our customers are at the heart of everything we do. Our approach is based on our commitment to high-quality service and seeks to support our customers in safeguarding their future. Every day we provide valuable support through market-leading technology and products backed by strong customer service.

CUSTOMER ENGAGEMENT AND RETENTION

Our partners and their employees actively engage with our customers and earn their long-term trust by providing high standards of customer service.

We strive to provide all our customers with products that are appropriate to their financial objectives and circumstances. We do this as part of our customer service standards and to ensure we are compliant with the relevant financial services laws.

The government has extended unfair contract terms legislation to cover certain insurance contracts. This legislation provides better protection to consumers and small businesses by requiring certain insurance contracts covered under the ASIC Act, to be clearly worded. In response to this legislation, AUB Group worked with its insurance partners to amend distributed policy wordings to comply with policy wording guidelines.

As part of our commitment to high quality customer service, our partner businesses must also ensure robust dispute resolution processes are in place to handle complaints in a timely and fair manner. AUB Group provides all partner firms with access to up-to-date resources on these requirements and provides support, as and when required, to meet regulatory notification and ongoing reporting obligations. Any customer complaints are also reported to the Group Board Audit and Risk Committee at each Committee meeting to ensure central oversight.

TECHNOLOGICAL TRANSFORMATION

To deliver a stable, reliable and secure service to our partner members. We provide centrally managed network and infrastructure services. This centralised technology service leverages our scale and helps partners better serve their clients confidently. All data is backed up and secured in our dedicated Sydney datacenter with a second back up datacenter site in Melbourne.

AUB Group has made several strategic acquisitions which uniquely position us to transform our broker platform experience. We now have the building blocks to create a cohesive modern suite of digital broker solutions. In addition, our Underwriting Agencies have transitioned to a new digital platform which will better enable them to serve brokers and clients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

PRODUCT ACCESS AND INNOVATION

We keep abreast of product innovation to ensure our partners are constantly meeting our customers' needs.

We provide our partners with insurance services that enhance their ability to support their customers including claims services, specialist estimating, forensic and investigation support. Further to enable our partners to concentrate more on their customers we provide a range of opt-in administrative support services in accounting, payroll, tax and analytics.

We also assist our partners to optimise their businesses by facilitating financial advice, legal advice, management support, succession advice and support, funding, mergers and acquisitions support, and strategy formulation and execution. The acquisition of Tysers represents significant opportunity to increase capacity and support hard to place insurance risks.



6. COMMUNITY

AUB Group is committed to supporting the communities in which operate, and to managing our wider social responsibilities. We recognise the importance of focusing on economic and social wellbeing, today and into the future, by supporting our local communities and by operating as a responsible corporate citizen. We also know the importance of managing our environmental impact and continue to adopt better ways of working in order to reduce our footprint.

COMMUNITY INVESTMENT

AUB Group and its related entities in Australia and New Zealand have over 3,000 team members in 500 locations, serving over 850,000 clients. At our core we are a people business: providing a service to the community by helping our customers manage their risks.

AUB Group and our partners support community organisations, such as charities and sporting clubs, through fundraising, sponsorship, and volunteering. Because our partners are located all throughout Australia and New Zealand, we adopt a decentralised approach to community support, allowing our partners to determine how they can have the greatest impact in their local communities.

During the reporting period, AUB Group as a whole donated and sponsored in excess of \$750k (FY21: \$1m) to community initiatives. Our employees also volunteered their time, contributing hundreds of hours to charity events. These activities and efforts have been impacted by COVID-19 and resulting government lockdowns.

COMMUNITY INITIATIVES

Our agency and Austbrokers divisions contributed monetary donations to, and participated in, a range of fundraising and community initiatives during the year, including as:

- Sponsor of the annual Insurances Ashes, which is a cricket event run by charity the Primary Club of Australia (PCA). The event raises funds for the PCA, which gives people with disabilities the opportunity to experience the joy and exhilaration that comes from playing cricket. We also actively support other PCA events that take place throughout the year.
- Sponsor of Insurance Rocks (event cancelled during this year), which is a proposed battle of the bands event, where the insurance industry comes together for a great night of music and fun. All proceeds from this event go to the Australia Cancer Research Foundation.
- Major sponsor of the Lloyd's Australia Golf Day. In 2021, the event supported SpinalCure Australia in their work to find a cure for spinal cord injury.
- Charity partner with AllKids, which is a not-for-profit organisation providing education to disadvantaged children in the coastal commune of Ream in Sihanouk Province, Cambodia. Our sponsorship enables the AllKids staff to work with local public schools, teachers and principals, local government, commune officials and families to give all children in their community access to quality education. Throughout the year we sponsored the education of 10 children in Cambodia through the AllKids Kids to School program.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

- Sponsor of the Outback Car Trek, which donates the funds it raised each year to the Royal Flying Doctor Service of Australia.
- Sponsorship of St Vincent De Paul Charitable Society since 2019.

We also provided donations to, and sponsorship of, community and sporting clubs around Australia, including AllKids, the St George Australia Football Club, Primary Club of Australia and Drummoyn Water Polo Club.

In July 2021, NZbrokers recently established the NZbrokers Foundation, which will provide four senior leader scholarships along with a number of broker scholarships to build financial services skills within the community.

Our partners determine the best approach to engage with and support their local communities, some examples include:



The Insurance Advisernet Foundation supports local Australian and New Zealand organisations that work to help change the lives of individuals, families and communities for the better. Over the past 10 years, IA and its Foundation has contributed over \$3m to more than 50 different charities. During FY22, over \$400k was donated to a variety of community fundraising initiatives, including charities such as Men's Shed Association, Tour De Cure, Act for Kids, South Australian Health and Medical Research Institute, Starlight Foundation and Pancare.



Adroit Insurance and Risk, based in regional Victoria and Albury holds strong community values at the heart of their organisation. The team has raised over \$2m for local community organisations and foundations since it was established in 1978. In the reporting period, Adroit made donations to a variety of local community groups, organised and hosted many fundraising events and volunteered over 200 hours of staff time. Adroit has proudly supported foundations and their projects including, Geelong Youth Engagement – a resilience and mentoring program for at risk youth, Ballarat Health Services – It Takes Two speech therapy program and The Border Trust Foundation – various projects within the Albury Wodonga region including, financially assisting families to get their children back to school.

FY23 COMMITMENTS:

AUB Initiatives - "Do good, be better."

We recognise that our teams are passionate about the needs and challenges of the communities in which we operate. As such, AUB Group is pleased to launch our new initiative "Do good, be better."

'Do good, be better' is designed to support the aspirations of our teams and employees to make a difference, initially offering paid volunteer leave and donation matching, in partnership with The Good Company.

1. AUB Community Day

AUB will grant a day of paid volunteer leave to all AUB Head Office employees to participate in community activities such as volunteering, mentoring, and working with charities and other not-for-profit organisations. The AUB Community Day will include partnerships with community groups who benefit from our involvement and support to deliver their mission – whether by assisting the homeless, supporting children in need, working at schools or volunteering at animal shelters. The AUB Community Day will also serve a secondary purpose of being a great team-building exercise. Seeing our colleagues in a different and less formal context, while making a positive community contribution, is a wonderful way to build trust and strengthen professional bonds.

2. AUB Giving

The AUB Giving programme will allow our team members the freedom to support causes they are passionate about via pre-tax donations, deducted directly from their pay, with AUB Group matching each donation up to a maximum of \$1,000 per head office employee per annum. The program will also become part of AUB Group's performance recognition process with the option to receive 'charity gift cards' instead of other financial awards. At launch, all head office employees will receive a one-off \$50 in their AUB Giving account to facilitate donations to the charities of their choice.

RESPONSIBLE SUPPLY CHAIN

AUB Group acknowledges that modern slavery can occur in every industry, sector, and country, including those where we operate. AUB Group has a zero tolerance policy for modern slavery in our supply chain and is committed to continual improvement in combating all forms of modern slavery such as forced labour, debt bondage, deceptive recruiting, human trafficking and child labour.

AUB Group's ESG policy promotes ethical and sustainable practices, in particular respecting human rights through developing high quality and ethical partnerships with suppliers and service providers. AUB Group encourages all employees and business partners to escalate any concerns internally or through our anonymous reporting service. We comply with all relevant laws and expect the same from all our stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

During the reporting period, AUB Group introduced a Modern Slavery Policy to address modern slavery risks within our operations, supply chains and investment activities.

To comply with all modern slavery obligations, we are in the process of identifying and managing risks within our business and supply chain. We have conducted a preliminary review of AUB Group and its controlled entities' supply chain partners and assessed it against government and international organisations' data and resources. In response, we have initiated a Modern Slavery Compliance Program to complement our Modern Slavery Policy and the existing Risk Management Framework over the course of the coming reporting period. This program comprises of enhanced supplier assessments and questionnaires, standardised contractual clauses for use in supplier arrangements across the AUB Group network, specific whistle-blower and grievance provisions, internal reviews of modern slavery process embedment across the Partner network, exploring process enhancement tools (e.g. risk assessment tools and online repositories) and internal awareness and compliance training. Our Modern Slavery Policy and Statement are available on our [website](#).

Commitment to fair tax contributions

AUB recognises that without taxes, communal investment including development of future talent through formal education opportunities would suffer. We benefit from this communal investment and as such believe we have an obligation to pay a fair share of taxes.

AUB's Board has a strict policy to operate within the law and not to take aggressive tax positions, or operate within tax havens. Our aim is to avoid any tax controversies and to pay a fair share of our profits as taxes in each country we operate in.

In FY22 the Group paid \$26.90m (FY21: \$20.1m) in income tax, and \$6.7m (FY21: \$6.5m) in payroll tax. In addition, our associates (companies we don't control) pay taxes at similar rates. The effective tax rate of the Group is 30.49% (FY21: 30.30%).

7. ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

Environmental sustainability is integral to a strong, secure future. AUB Group is committed to being a responsible and sustainable organisation.

Climate change presents a number of risks and opportunities for all sectors, including the insurance industry. These include direct damage to assets or property from climate-related events, pricing and demand changes flowing from the transition to a low-carbon economy, and business disruption from a changing regulatory environment. Increasing frequency and severity of climate-related events pose increased risk to some customers and as these events become more regular, the cost of insurance may become prohibitive and certain risks may become uninsurable.

AUB Group believes that we must take climate risks seriously to ensure the viability of our business as well as identify opportunities to change and grow in a changing world. We acknowledge the science and are supportive of global efforts to decarbonize the economy. We intend to align our business practices with the goals set in the Paris Agreement, including to limit global warming to well below 1.5 degrees. We are also committed to further developing our climate risk reporting, with a view to aligning our reporting practices to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We have made an initial assessment of our risks and opportunities against the TCFD, and aim to comply with a globally accepted ESG reporting standard by FY24.

We factor climate-related risks into our client risk assessments and are continuing to ensure we understand how to advise clients on these risks and the impact these risks have on their insurance options and cover.

With increasing community and stakeholder concern about the consequences of climate change and impacts businesses have on the surrounding environment, it is important to improve how we measure and report on our climate change impacts and our long-term approach to mitigate them.

AUB Group's Environmental, Social, and Governance Policy details how we seek to be a responsible and sustainable business and outlines our requirements for a robust management approach.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

AUB Group's environmental objectives and how we are achieving them are summarised below.

| OUR OBJECTIVES | HOW WE ACHIEVE IT |
|---|---|
|  Reduce water and energy consumption | <ul style="list-style-type: none"> ✓ Reducing and consolidating office space. ✓ 4/1 work from home program for Sydney-based agency and head office staff, where employees work from home 4 days a week. ✓ Measuring Scope 1 and 2 emissions across the AUB Group. ✓ Monitoring and reducing water consumption year-on-year. ✓ Monitoring and encouraging carbon offsets purchase and renewable energy consumption. Head office and a number of other businesses' energy supply switched to fully renewable sources. Further transitions to occur in FY23. ✓ Choosing green buildings for our office, including our North Sydney head office, which boasts a 5.5 Star NABERS energy rating and a 4.0 Star NABERS water rating. ✓ Use of energy efficient lighting in our office buildings. <ul style="list-style-type: none"> – 5 buildings in the target emissions group have an average energy rating of 4.5. – 4 buildings in the target emissions group have an average water rating of 4.5. |
|  Minimise waste, and encourage the reuse and recycling of waste items | <ul style="list-style-type: none"> ✓ Actively encouraging recycling of paper, glass and aluminium. We also provide printer toner cartridge recycling stations in each office. ✓ Encouraging our employees to use reusable water bottles, cups, and mugs while in the office to reduce waste. ✓ 2 buildings in the target emissions group have an average waste rating of 2.8. |
|  Promote sustainable transport to employees, clients and suppliers | <ul style="list-style-type: none"> ✓ Providing office space in central locations near public transport hubs. Most employees travel to and from work via public transport (train, bus, ferry) or active transport (walking and cycling). ✓ Encouraging video and audio communication to reduce air and road travel. ✓ Carbon offset purchase for corporate travel. |
|  Support sustainable procurement and other sustainable work practices | <ul style="list-style-type: none"> ✓ Procuring environmentally friendly office supplies. ✓ Adopting digital solutions to reduce our use of paper and our need for business travel. ✓ Reducing our paper usage by setting printers to print double-sided output. ✓ Equipping our employees with knowledge and training to minimise their own environmental footprint. ✓ Actively engaging with our network partners on good ESG practices. |

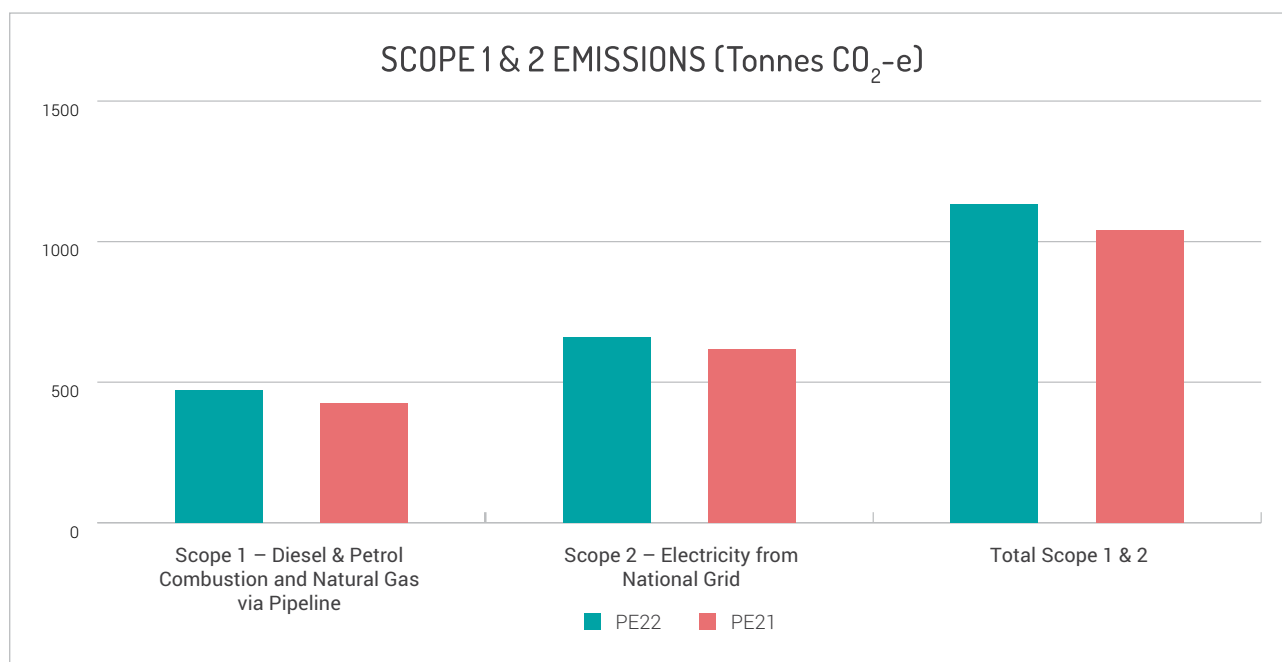
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2022

Carbon emissions reduction

AUB Group's emissions reporting covers ours and our partners' tenanted offices and car fleets. Our primary measures of these activities are scope 1 and 2 emissions.¹

- Scope 1 emissions relate to emissions from our car fleets.
- Scope 2 emissions relate to energy we purchase from the electricity grid.



The Graphs include impacts of newly acquired entities if they had been in the Group for the full period (PE21 has not been restated). The increase has been due to the growth of the business, primarily through acquisitions. Pleasingly carbon emissions per employee has fallen, and initiatives completed in FY22 are expected to have positive impacts in FY23.

CO₂-e emissions per employee, with the annual results outlined below:

| | 2022 | 2021 | Movement % |
|---|------|------|------------|
| Scope 1 & 2 Emissions, tCO ₂ -e/employee | 0.94 | 1.13 | (17.1%) |

AUB operates a 4/1 work from home program for our North Sydney head office, where employees of AUB Group, our agencies and two brokerages work from home four days a week. This has allowed our staff greater flexibility and control over their working hours and reduced our office space needs. We have sub-let or surrendered a number of offices. We continue to monitor our emissions across the AUB Group and explore initiatives to reduce them.

As we exited COVID lock downs energy and transport demand have increased, this was offset by continued emphasis to reduce our environmental footprint, leading to an increase on an absolute value but a decrease per employee of 17% (down 23% compared to PE20). In addition, AUB switched to renewable energy in April and carbon offsetting in June 2022, with improvements in our Scope 1 & 2 Emissions expected in FY23.

WATER CONSUMPTION

We strive to monitor and reduce our water consumption across our businesses. Consolidating our office space, as well as promoting flexible working arrangements have been the key factors in reduction of water consumption in the reporting period, compared to the prior year.

¹ Scope 1 and 2 emissions are prepared according to National Greenhouse and Energy Reporting Act 2007 ('NGER Act'). Following the NGER Act's guidelines, we report on emissions where the AUB Group has operational control over the facility, thus excludes Scope 3 Emissions. Emissions reported includes both Australia and New Zealand.

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FINANCIAL REPORT

AUDITORS INDEPENDENCE DECLARATION



Building a better
working world

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Auditor's Independence Declaration to the Directors of AUB Group Limited

As lead auditor for the audit of the financial report of AUB Group Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AUB Group Limited and the entities it controlled during the financial year.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Michael Wright'.

Michael Wright
Partner
24 August 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2022

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|----------------|----------------|
| Revenue from contracts with customers | 4 (a) | 332,502 | 313,338 |
| Other Income | 4 (b) | 1,035 | 1,030 |
| Share of profit of associates | 4 (c) | 39,053 | 37,328 |
| Cost to provide services and administrative expenses | 4 (d) | (282,701) | (260,651) |
| Finance costs | 4 (e) | (6,750) | (7,618) |
| | | 83,139 | 83,427 |
| Adjustments to carrying value | 4 (f) | 31,817 | (4,105) |
| Profit from sale or dilution of interests in associates, controlled entities and broking portfolios | 4 (g) | 7,250 | 22,881 |
| Profit before income tax | | 122,206 | 102,203 |
| Income tax expense | 5 (a) | (22,322) | (18,477) |
| Profit for the year | | 99,884 | 83,726 |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Net movement in foreign currency translation and other reserves | | (5,206) | (132) |
| Income tax benefit relating to currency translation and other reserves | | (32) | (75) |
| Other comprehensive income after income tax for the period | | (5,238) | (207) |
| Total comprehensive income after tax for the year | | 94,646 | 83,519 |
| <i>Profit for the year attributable to:</i> | | | |
| Equity holders of the parent | | 80,836 | 70,621 |
| Non-controlling interests | | 19,048 | 13,105 |
| | | 99,884 | 83,726 |
| <i>Total comprehensive income after tax for the year attributable to:</i> | | | |
| Equity holders of the parent | | 76,322 | 70,339 |
| Non-controlling interests | | 18,324 | 13,180 |
| | | 94,646 | 83,519 |
| Basic earnings per share (cents per share) | 6 | 105.60 | 93.13 |
| Diluted earnings per share (cents per share) | 6 | 105.24 | 92.86 |

The above Consolidated Statement of Comprehensive Income (SOCI) should be read in conjunction with the notes to the Financial Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | 10 | 259,329 | 76,588 |
| Cash and cash equivalents - Trust | 10 | 333,131 | 205,232 |
| Trade and other receivables | 11 | 117,679 | 64,081 |
| Lease Net Investment | | 1,020 | 1,045 |
| Other financial assets | | 1,868 | 554 |
| Total Current Assets | | 713,027 | 347,500 |
| <i>Non-current Assets</i> | | | |
| Trade and other receivables | 11 | 739 | 3,532 |
| Other financial assets | | 9,214 | 40 |
| Investment in associates | 8 | 250,100 | 280,643 |
| Property, plant and equipment | | 6,347 | 7,534 |
| Intangible assets and goodwill | 12 | 622,510 | 469,677 |
| Right of Use Asset and Lease Net Investment | | 23,851 | 22,618 |
| Deferred tax asset | 5 (b) | 14,694 | 14,574 |
| Total Non-current Assets | | 927,455 | 798,618 |
| Total Assets | | 1,640,482 | 1,146,118 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Trade and other payables | 14 | 425,625 | 242,904 |
| Deferred revenue from contracts with customers | | 10,384 | 7,166 |
| Income tax payable | | 7,967 | 9,706 |
| Provision for employee entitlements | | 29,104 | 20,680 |
| Lease liabilities | | 8,187 | 7,786 |
| Interest-bearing loans and borrowings | 15 | 8,941 | 11,474 |
| Total Current Liabilities | | 490,208 | 299,716 |
| <i>Non-current Liabilities</i> | | | |
| Trade and other payables | 14 | 67,627 | 10,530 |
| Provisions | | 9,754 | 3,767 |
| Deferred tax liabilities | 5 (b) | 17,603 | 14,929 |
| Lease liabilities | | 18,752 | 18,080 |
| Interest-bearing loans and borrowings | 15 | 38,861 | 200,809 |
| Total Non-current Liabilities | | 152,597 | 248,115 |
| Total Liabilities | | 642,805 | 547,831 |
| Net Assets | | 997,677 | 598,287 |
| EQUITY | | | |
| Issued capital | 17 | 608,520 | 266,659 |
| Retained earnings | | 247,278 | 210,424 |
| Foreign currency translation reserve | | (5,057) | (1,519) |
| Other reserves | | (867) | 108 |
| Put option reserve | | (8,161) | (7,057) |
| Share based payments reserve | 14 | 12,781 | 10,139 |
| Equity attributable to equity holders of the parent | | 854,494 | 478,754 |
| Non-controlling interests | | 143,183 | 119,533 |
| Total Equity | | 997,677 | 598,287 |

The above Consolidated Statement of Financial Position (SOFPP) should be read in conjunction with the notes to the Financial Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2022

| | Attributable to equity holders of the parent | | | | | | Total \$'000 | Non- controlling interests \$'000 | Total equity \$'000 |
|--|--|--------------------------------|---|---------------------------------|-----------------------------|---|-----------------|--|---------------------------|
| | Issued capital \$'000 | Retained earnings \$'000 | Foreign currency translation reserve \$'000 | Put option reserve \$'000 | Other Reserves \$'000 | Share based payments reserve \$'000 | | | |
| At 1 July 2021 | 266,659 | 210,424 | (1,519) | (7,057) | 108 | 10,139 | 478,754 | 119,533 | 598,287 |
| Net Profit After Tax for the year | – | 80,836 | – | – | – | – | 80,836 | 19,048 | 99,884 |
| Other comprehensive income | – | – | (3,538) | – | (975) | – | (4,513) | (725) | (5,238) |
| Total comprehensive income for the period | – | 80,836 | (3,538) | – | (975) | – | 76,323 | 18,323 | 94,646 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Ownership changes without gaining/losing control (see Note 9) | – | (3,408) | – | – | – | – | (3,408) | 6,619 | 3,211 |
| Non-controlling interests relating to new acquisitions (see Note 7(a)) | – | – | – | – | – | – | – | 14,131 | 14,131 |
| Non-controlling interests relating to disposals (see Note 7(b)) | – | – | – | – | – | – | – | (436) | (436) |
| Transfer to put option reserve & impact of put option release | – | 1,104 | – | (1,104) | – | – | – | – | – |
| Net cost of share-based payment | – | – | – | – | – | 2,642 | 2,642 | – | 2,642 |
| Issue of shares | 341,861 | – | – | – | – | – | 341,861 | – | 341,861 |
| Equity dividends | – | (41,678) | – | – | – | – | (41,678) | (14,987) | (56,665) |
| At 30 June 2022 | 608,520 | 247,278 | (5,057) | (8,161) | (867) | 12,781 | 854,494 | 143,183 | 997,677 |

The above Consolidated Statement of Changes in Equity (SOCIE) should be read in conjunction with the notes to the Financial Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2021

| | Attributable to equity holders of the parent | | | | | | Total \$'000 | Non- controlling interests \$'000 | Total equity \$'000 |
|---|--|--------------------------------|---|---------------------------------|-----------------------------|---|-----------------|--|---------------------------|
| | Issued capital \$'000 | Retained earnings \$'000 | Foreign currency translation reserve \$'000 | Put option reserve \$'000 | Other Reserves \$'000 | Share based payments reserve \$'000 | | | |
| At 1 July 2020 | 258,947 | 177,769 | (1,129) | (14,778) | – | 8,469 | 429,278 | 61,140 | 490,418 |
| Net Profit After Tax for the year | – | 70,621 | – | – | – | – | 70,621 | 13,105 | 83,726 |
| Other comprehensive income | – | – | (390) | – | 108 | – | (282) | 75 | (207) |
| Total comprehensive income for the year | – | 70,621 | (390) | – | 108 | – | 70,339 | 13,180 | 83,519 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Ownership changes without gaining/losing control (see Note 9) | – | (5,434) | – | – | – | – | (5,434) | (13,526) | (18,960) |
| Non-controlling interests relating to disposals (see Note 7(b)) | – | – | – | – | – | – | – | 72,385 | 72,385 |
| Transfer to put option reserve & impact of put option release | – | 5,587 | – | 7,721 | – | – | 13,308 | – | 13,308 |
| Net cost of share-based payment | – | – | – | – | – | 1,670 | 1,670 | – | 1,670 |
| Shares issued under dividend reinvestment plan | 7,712 | – | – | – | – | – | 7,712 | – | 7,712 |
| Equity dividends | – | (38,119) | – | – | – | – | (38,119) | (13,646) | (51,765) |
| At 30 June 2021 | 266,659 | 210,424 | (1,519) | (7,057) | 108 | 10,139 | 478,754 | 119,533 | 598,287 |

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2022

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|--------|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 345,154 | 316,676 |
| Dividends/trust distributions received from associates | | 43,149 | 34,252 |
| Management fees received from associates/ related entities, and interest received | | 15,988 | 14,530 |
| Payments to suppliers and employees | | (268,931) | (254,025) |
| Income tax paid | | (26,904) | (20,190) |
| Interest paid | | (5,489) | (6,225) |
| Interest paid - lease liabilities | 4 | (1,006) | (1,178) |
| Net cash from operating activities before customer trust account movements | | 101,961 | 83,840 |
| Net (decrease)/increase in cash held in customer trust accounts | | (6,426) | 28,746 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 95,535 | 112,586 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash inflows/(outflows) from acquisition of consolidated entities, net of cash acquired | 7 (a) | 109,303 | (13,436) |
| Cash inflow from sale/deconsolidation of controlled entities | 7 (b) | 5,330 | 48,824 |
| Disposal costs on sale of controlled entities | 7 (b) | – | (2,232) |
| Payment for new associates and increases in holdings in associates | 8 | (5,408) | (11,231) |
| Proceeds from disposal of interests in associates | 8 | 8,124 | 2,106 |
| Payment for contingent and deferred consideration on prior year acquisitions | 14 | (5,179) | (2,186) |
| Payment for new broking portfolios purchased | | (523) | (2,192) |
| Proceeds from sale of broking portfolios | | 533 | 828 |
| Net payments from purchases/sales of plant and equipment, capitalised projects, and other assets | | (2,193) | (699) |
| Net repayment of loans to associates/related entities | | 2,500 | 3,451 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | 112,487 | 23,233 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Capital raising | 17 | 341,861 | – |
| Dividends paid to shareholders of the Group | | (41,678) | (46,712) |
| Dividends paid to shareholders of non-controlling interests | | (14,987) | (13,646) |
| Proceeds from borrowings | 10 (b) | 32,103 | 51,551 |
| Repayment of borrowings | 10 (b) | (208,352) | (61,796) |
| Proceeds from issue of capital to non controlling interest | | 5,967 | – |
| Payments of principal for lease liabilities | 10 (b) | (7,392) | (9,346) |
| Proceeds from deferred consideration on prior year disposal | | – | 1,920 |
| Payment for increase in interests in controlled entities | 9 | (3,136) | (21,417) |
| Proceeds from partial disposal of interests in controlled entities | 9 | 380 | 2,458 |
| NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | | 104,766 | (96,988) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 312,788 | 38,831 |
| Cash and cash equivalents at beginning of the period | | 281,820 | 243,151 |
| Impact as a result of foreign exchange | | (2,148) | (162) |
| Cash and cash equivalents at the end of the period | 10 | 592,460 | 281,820 |

The above Consolidated Statement of Cash Flows (SOCF) should be read in conjunction with the notes to the Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

1 CORPORATE INFORMATION

The consolidated financial statements are those of AUB Group Limited (the parent 'Company') and all entities that AUB Group Limited controlled (together the 'Group') during the year and at the reporting date.

The financial report of AUB Group Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 24 August 2022. The Directors have the power to amend and reissue the financial report.

AUB Group Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities during the year of entities within the consolidated Group were the provision of services across Australia and New Zealand for insurance broking, agency, and distribution of ancillary products within the support services businesses.

The registered office and principal place of business of the Company is Level 14, 141 Walker Street, North Sydney NSW 2060, Australia.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial report

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared under the historical cost convention, as modified by applying fair value accounting to certain financial assets and financial liabilities (including derivative instruments) measured at Fair Value through Profit or Loss (FVTPL) or in other comprehensive income (OCI).

The financial report is presented in Australian dollars (\$) and all values are rounded to the nearest \$1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Company under ASIC instrument "Rounding in Financial/Directors' Reports" 2016/191.

The Company is an entity to which this legislative instrument applies.

The functional currency of the Group and all segments other than New Zealand is Australian Dollars. The New Zealand segment's functional currency is New Zealand dollars. The New Zealand segment's result is converted to Australian dollars for presentation in the Group's financial statements.

The financial statements have been prepared on a going concern basis.

Certain comparative information has been revised in this financial report to conform with the current period's presentation.

b. Statement of compliance

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

c. Basis of consolidation

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, the Group also considers all relevant facts and circumstances in assessing whether it has control over an entity, including rights arising from contractual arrangements with the entity and/or other vote holders of the entity.

Where there is a loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

The financial information in respect of controlled entities is prepared for the same reporting period as the parent Company using consistent accounting policies. Adjustments are made to ensure conformity with the Group's accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the consolidated accounts.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries which are not 100% owned by the Group. These are presented separately in the Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position.

Transactions with owners in their capacity as owners

A change in ownership interest without loss of control is accounted for as an equity transaction. The difference between the consideration transferred and the book value of the share of the non-controlling interest acquired or disposed is recognised directly in equity attributable to the parent entity.

Where the parent entity loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interests in the controlled entity together with any accumulated translation differences previously recognised in equity. The Group recognises the fair value of the consideration received and the fair value of the investment retained together with any gain or loss in the Consolidated Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions are found in the relevant notes to the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill/intangibles and investments in associates

The Group determines whether goodwill is impaired at least on an annual basis and for any identifiable intangibles and investments in associates that have an indicator of impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The resulting recoverable amounts derived from the appropriate measures described in Note 13 are compared to the carrying value for each CGU and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised. COVID-19 was considered in our assessment of (1) EBIT market multiples, (2) required return on equity in relation to Discounted Cash Flow (DCF) models and (3) future cash flow projections in DCF models. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 13.

Measurement of contingent consideration

The Group recognises contingent consideration at fair value through profit or loss. Contingent considerations terms vary between transactions but generally involves either (1) an EBIT or Revenue (fixed) performance hurdle (generally 2-3 years) post the acquisition date (i.e. high water mark) or (2) future dated (generally 2-3 years) EBIT or Revenue times a fixed multiples less historic payments made.

See Note 7(a) and Note 8 for further details on current year transactions and Note 14 for movements in all contingent and deferred considerations.

Re-estimation of financial liability

A financial liability has been recognised representing an estimate of the value the Group could be required to pay on the future exercise by holders of put options over non-controlling interests and the value of units held by others for consolidated trusts. The Group re-estimates the financial liability at the reporting date, taking into account the estimated future outcomes for income or profit. Generally this involves projecting the EBIT of the entity to the first exercise date multiplied by the expected EBIT multiple and projected net debt (based on known information and the company's gearing targets). Historical trends and any relevant external factors are taken into account in determining the likely outcome. See Note 14 for further details.

Deferred Tax Assets

Deferred tax assets (DTA) are recognised for deductible temporary differences when management considers that it is probable that future tax profits will be available to utilise those temporary differences. Judgement is required in relation to DTAs recognised in relation to carry forward losses. The future profitability of each entity or tax consolidation group (if a part of a tax consolidation group) needs to be assessed including where a capital loss is made, the probability of a future capital gain to offset the carry forward capital loss. See Note 5 for further details.

Climate Change

Climate change is a material risk to the global economy including the insurance sector. As a result of an increased frequency and severity of climate related events, the availability and cost of insurance coverage for some of our customers may be materially impacted.

Our decentralised operating approach and diversified investment strategy helps manage concentration risk to locations, industries, and products. As a result, we are not materially exposed to industries expected to be significantly impacted by climate change.

Fair value of assets acquired

The Group measures the identifiable assets and liabilities acquired in a business combination at their fair value at the date of acquisition. Any previously held interests of the acquiree are remeasured to fair value, with the movement reflected in the Consolidated Statement of Comprehensive Income as either a profit or loss. Fair value is estimated with reference to the market transactions for similar assets or discounted cash flow analysis. If new information becomes available within one year of acquisition about the facts and circumstances that existed at the date of acquisition, then any revisions to the fair value previously recognised, are retrospectively adjusted.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

3 OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by members of the senior executive management team who are the entity's chief operating decision makers (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the aggregation criteria is still reported separately where information about the segment would be useful for the users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

The Group's corporate structure is organised into four business units which have been identified as separate reportable segments as follows:

- 1. Australian Broking:** assess the insurable risks and risk appetite of customers and sources relevant insurance products from insurers and underwriters which meets the needs of the customer. Post policy binding services primarily include claims handling services on behalf of the customer (claims preparation). Customers are generally comprised of Small and Medium Enterprise (SME) businesses, however services are also provided to large institutions and individuals.
- 2. Agencies:** on behalf of the insurer, assessment of risk profile and pricing of policies requested by brokers. Post policy binding services primarily include claims handling services on behalf of the insurer (claims processing). Customers are generally comprised of brokers operating within the SME insurance industry sector. These entities do not incur or hold policy liabilities.
- 3. New Zealand Broking:** provides broking and agency services within the New Zealand market. Operations are centrally monitored and managed by AUB Group NZ head office. As a distinct overseas operation and investment, performance of the segment is separately monitored.
- 4. Support Services:** provides a diversified range of services to support the Broking, Agency, and New Zealand segments, and external clients. Services includes post claim rehabilitation, investigation, loss adjusting, legal, white labelling, Group captive insurance and AUB Group head office support. These sub segments are not individually reportable.

The support services segment include the Health & Rehab* and platforms divisions.

Discrete financial information about each of these segments is reported to management on a regular basis and the operating results are monitored separately for the purposes of resource allocation and performance assessment.

Each segment, except Support Services, contains entities which operate within a uniform regulatory environment, and contains similar characteristics in relation to customer profile and operational risks.

Underlying Net Profit Before Tax

Performance of segments are reviewed by Chief Operating Decision Maker ('CODM') on an Underlying Net Profit Before Tax (UNPBT) basis. UNPBT excludes the effects of non-recurring events or other items not representative of the underlying operations items of income and expenditure which do not represent the underlying performance of the Group and segments of the Group, such as restructuring costs, acquisition costs, fair value gain/losses, profits on sale, amortisation of broking registers and impairments. Such items are considered to be a result of non-recurring events or non-representative of the underlying operations of the Group and segments of the Group. UNPBT also excludes non-controlling interests to reflect the performance attributable to the shareholders of the Group.

* Health and Rehab division ceased during the prior period on disposal of Altius Group Holdings Pty Ltd on 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

3 OPERATING SEGMENTS (CONTINUED)

UNPAT reconciles to the Profit after income tax attributable to equity holders of the parent (Reported NPAT) within the Statement of Comprehensive Income (SOCl) as follows:

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|----------------|----------------|
| Net Profit after tax attributable to equity holders of the parent | SOCI | 80,836 | 70,621 |
| Add back/(less) (net of NCI and income tax): | | | |
| – Share of Amortisation of broking registers | | 11,143 | 10,948 |
| – Adjustments to value of entities (to fair value) on the day they became controlled entities | | (41,046) | (3,851) |
| – Remeasurement of put option liability (net of Interest unwind) | | 1,104 | 5,587 |
| – Share of impairment charge | | 7,537 | 2,679 |
| – Share of movements in contingent consideration, net of impairment charge | | (337) | (372) |
| – Profit on deconsolidation of controlled entity | | (3,303) | (18,138) |
| – Capital losses not previously recognised | | – | (1,791) |
| – Share of Profit from sale or dilution of interests in associates, controlled entities and broking portfolios | | (2,591) | (2,050) |
| – Share of Impairment of the Right of Use Asset and Onerous Lease Expense | | 219 | 611 |
| – Share of Legal, due diligence and debt costs* | | 20,456 | 1,057 |
| Underlying Net Profit After Tax | | 74,018 | 65,301 |
| Represented by: | | | |
| Underlying profit pre tax | | 106,086 | 94,399 |
| Tax Expense | | (32,068) | (29,098) |
| Underlying Net Profit After Tax | | 74,018 | 65,301 |

| | 30 June 2022 | | | | |
|---|---------------------------------|--------------------|----------------------------------|-------------------------------|-----------------|
| Segment Financial Performance | Australian Broking \$'000 | Agencies \$'000 | New Zealand Broking \$'000 | Support Services \$'000 | Total \$'000 |
| Inter-segment revenue** | 2,846 | – | – | 1,841 | 4,687 |
| Revenue from external customers | 192,659 | 92,120 | 48,524 | 234 | 333,537 |
| Total revenue and other income | 195,505 | 92,120 | 48,524 | 2,075 | 338,224 |
| Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense | 42,689 | 2,724 | 1,669 | 10,497 | 57,579 |
| Total income | 238,193 | 94,844 | 50,193 | 12,572 | 395,803 |
| Less: Expenses | | | | | |
| Total underlying cost to provide services and administrative expenses | (132,366) | (60,717) | (36,911) | (20,061) | (250,055) |
| Inter-segment expenses* | (2,862) | – | (1,825) | – | (4,687) |
| Interest paid and other borrowing costs | (640) | (31) | (530) | (4,309) | (5,510) |
| Non-controlling interest | (16,177) | (11,314) | (1,974) | – | (29,465) |
| Underlying Net Profit Before Tax | 86,149 | 22,782 | 8,953 | (11,798) | 106,086 |

Excludes non operation expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax.

* Includes acquisition costs in relation to Tysers. Refer to Note 20 for further details.

** Management fees and interest on loans are recognised as revenue within the Support services segment, and as an expense within other segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

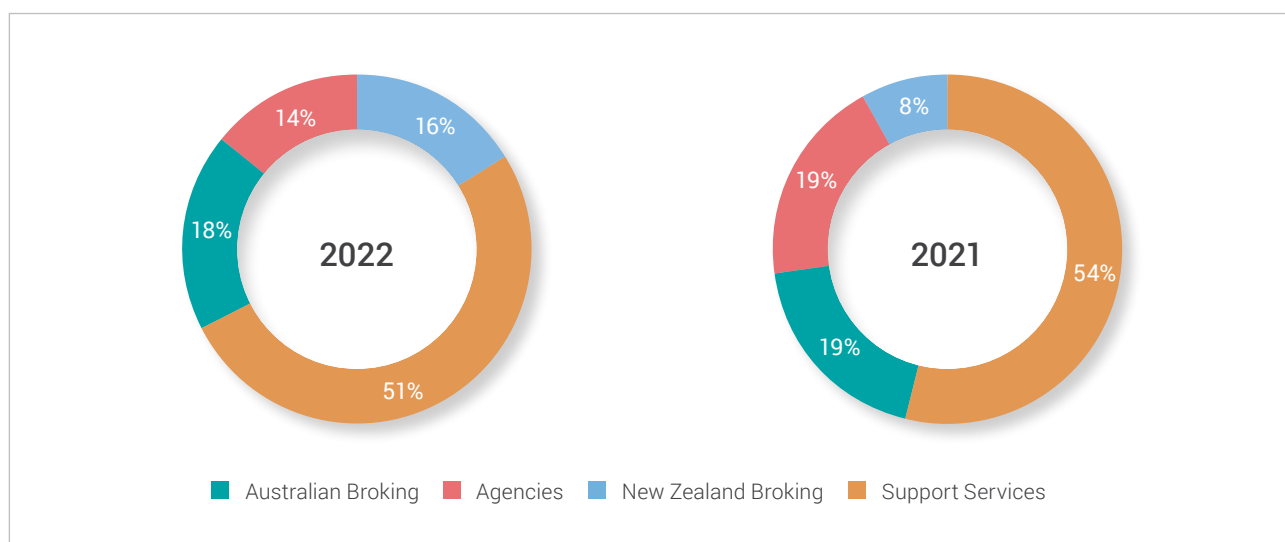
3 OPERATING SEGMENTS (CONTINUED)

| Segment Financial Performance | 30 June 2021 | | | | Total \$'000 |
|---|---------------------------|-----------------|----------------------------|-------------------------|----------------|
| | Australian Broking \$'000 | Agencies \$'000 | New Zealand Broking \$'000 | Support Services \$'000 | |
| Inter-segment revenue* | 2,301 | – | – | 3,442 | 5,743 |
| Revenue from external customers | 173,640 | 64,043 | 44,812 | 31,873 | 314,368 |
| Total revenue and other income | 175,941 | 64,043 | 44,812 | 35,315 | 320,111 |
| Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense | 43,053 | 2,024 | 2,158 | 8,866 | 56,101 |
| Total income | 218,994 | 66,067 | 46,970 | 44,181 | 376,212 |
| Less: Expenses | | | | | |
| Total underlying cost to provide services and administrative expenses | (130,126) | (46,222) | (32,137) | (40,669) | (249,154) |
| Inter-segment expenses* | (2,715) | (1,339) | (1,689) | – | (5,743) |
| Interest paid and other borrowing costs | (810) | – | (491) | (4,924) | (6,225) |
| Non-controlling interest | (13,377) | (3,667) | (2,082) | (1,565) | (20,691) |
| Underlying Net Profit Before Tax | 71,966 | 14,839 | 10,571 | (2,977) | 94,399 |

Excludes non operation expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax.

Segment Non-Current Assets

The total of non-current assets other than financial instruments and deferred tax assets are provided in the following graphs. The measurement of segment non-current assets follows the accounting policies of the Group.



Intangible assets such as Goodwill, and investment in associates have been presented within the segment the respective underlying operations is contained.

Disaggregated information by segment of the carrying value of associates are disclosed in Note 8.

* Management fees and interest on loans are recognised as revenue within the Support services segment, and as an expense within other segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

4 REVENUE AND EXPENSES

Revenue recognition

Revenue from contracts with customers

The Group will recognise as revenue the amount of the transaction price that is allocated to the performance obligation, excluding any amounts that are highly probable of significant reversal, when the performance obligation has been satisfied.

Australian Broking, Agencies, and New Zealand Broking segments

Commission, brokerage and fees

In most instances the Group receives short-term advances from its customers, being the receipt of the premium and fees on bound policies prior to due date to the insurer. Using the practical expedient in AASB 15, the Group does not adjust the consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised service to the customer and when the customer pays for that service will be one year or less.

Non-Variable component

Policy Issuance

Commission, brokerage and fee income is generated by brokers primarily through assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs of the customer. For agencies services are provided to brokers (the customer), through assessment of risk profile and pricing of policies requested by brokers.

The Group recognised commissions, brokerage and fee revenue at invoice date on the basis that: (a) the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as an agent; (b) the Group's performance obligations are distinct from those of the insurer; and (c) the Group's performance obligations are predominantly completed prior to the inception of the insurance policy, the invoice date is the relevant date to recognise the fixed components of revenue.

Claims handling

Claims handling for agencies refers to claims processing on behalf of insurers. In certain arrangements (separate contract or distinct clause within binding agreements with insurers) the cost per claim processed is separately identifiable. For such claims the revenue is recognised over time based on the number of claims processed and the percentage of completion of claims assessment in progress at the balance sheet date.

Variable components

The Group recognises the variable amount of revenue only to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variability is resolved.

Claims handling and premium settlement activities

In most arrangements for agencies, claims handling services forms part of the binding arrangement with insurers. Claims handling for brokers refers to claims preparation services on behalf of the insured. Premium settlement refers to post policy issuance activities such as payment processing and bordereaux/settlement reporting.

Revenue associated with claims handling services and premium settlement activities is recognised over time as the services are provided to the customer and variable consideration is constrained to reflect potential cancellations.

Premium Funding Commissions

Premium funding companies provide services to a similar customer base as the brokers within the Group. The services provided by these companies involve short term lending of the upfront Gross Written Premium ('GWP') in return for the principal loan repaid over the term of the insurance cover plus interest and fees.

The Group receives commission from Premium Funding companies on successful referral of customers contingent on the customer's ongoing repayments. Additionally the Group receives commissions payments on volume based incentives provided typically as a percentage of GWP based on hurdle targets, with a minimum floor to generate the volume based incentive payments. Such arrangements exist at both the Group and individual broker level, subsequently the outcome of broker/agencies may be contingent on both future sale volume and performance of related entities contributing to the scheme.

The Premium Funding Commission is recognised monthly by the Group on receipt of cash or notification by the Premium Funding Company on the commission due to the Group. No component of the commission is deferred as no ongoing obligation exists for the Group.

Profit Commissions

Profit Commissions refer to the share of profits provided to the broker or agencies by the insurer in relation to the book of policies (the 'book') bound by the broker or agency in any given underwriting year. Insurers calculate the profit based on the GWP less any cost incurred to maintain the book, and satisfy its obligations under the policies within the book such as claim acquisition, and maintenance costs. The variable consideration is contingent on the performance of the book and in particular the quantum of claims.

The Group recognises profit commission at the earlier of:

- receipt of payment;
- receipt of the insurers' advice of the amount earned; or
- where the recipient is an agency who administers the related claims handling services, the point at which the profit commission no longer contains a highly probable risk of significant reversal of revenue.

Future years profit commissions could be impacted if the policy lapse rates increase compared to prior years as a result of COVID-19. There have been no material known impacts to profit commissions in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

4 REVENUE AND EXPENSES (CONTINUED)

Support Services segment

Fees

Fee revenue earned is recognised upon issue of an invoice for services rendered, plus an accrual for a percentage of completion of any work in progress (including a profit margin), which has yet to be invoiced, but for which the Group has an enforceable right of payment. No ongoing performance obligation exists after the issuance of the invoice.

Other Revenue

Other income is recognised when the service has been performed and the right to receive the payment is established.

Management fees from related entities

Management fees and other revenue are recognised over time as the performance obligation is satisfied.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Dividends and Distributions from trusts

Dividends and distributions from trusts are recognised when the shareholder's right to receive the payment is established.

Share of profits of associates

The Group recognises its share of profits of associates using the equity accounted method, being the recognition of a post-tax share of profits at the Group's economic interest of each associate. The share of profits excludes any fair value changes or impairments incurred within the associate as a result of a downstream transaction such as bolt on acquisitions or changes in control. Additionally differences between the Group and entity accounting policies are adjusted at the Group level, primarily in relation to intangibles recognised by the acquirer (i.e. the Group) which were not recognised at the associate level. The amortisation of such intangibles over its useful life (generally 10 years) is separately disclosed.

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| a. Revenue from contracts with customers | | |
| Commission, brokerage and fee Income | 312,765 | 296,068 |
| Management fees from related entities | 13,774 | 12,273 |
| Other revenue | 5,963 | 4,997 |
| Total revenue from contracts with customers | 332,502 | 313,338 |
| Recognised at a point in time | 312,496 | 255,821 |
| Recognised over time | 20,006 | 57,517 |
| b. Other income | | |
| Interest income from related parties | 169 | 203 |
| Interest from other persons/corporations | 866 | 827 |
| Total other income | 1,035 | 1,030 |
| c. Share of Profit of Associates | | |
| Share of Associates' Profit After Tax but Before Amortisation | 45,853 | 44,219 |
| Share of amortisation of intangibles – Associates | (6,800) | (6,891) |
| Total share of profit of associates | 39,053 | 37,328 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

4 REVENUE AND EXPENSES (CONTINUED)

Expenses

Expenses including salaries and wages, business technology and software costs, insurance, advertising and marketing, and interest are recognised as incurred or as services are provided to the Group.

Salary related statutory obligations such as long service leave is accrued on a probability weighted basis to the vesting date. Assumptions are applied in relation to annual and long service leave with respect to expected wage growths and risk free discount rates over the next 10 years.

Amortisation of broker registers are conducted on a straight line basis over the useful life of the asset, generally 10 years.

Amortisation of Right of Use Asset is made on a straight line basis over the shorter of the lease term and the estimated useful life of the underlying asset. The Right of Use Asset incorporates fixed rental increases, with changes based on indexes and rental market reviews incorporated when such changes are known. The Group applies practical expedients in relation to short term (less than 12 months) and low value (less than \$7,000 AUD) leases. Such leases are recognised on a straight line basis of the expected gross expense over the term of the lease.

Depreciation/Amortisation of all other assets are recognised on a straight line basis over the useful life of the asset, refer to Note 24 for more details.

Commission expenses are sub agent and referral fees paid to another party in return for introductory services on insurances brokered by the Group. The expense is recognised in full when the related insurance policy is invoiced. For broking entities typically, they are the principal in the arrangement and as such the commission income and expense are not offset. For agencies and in some arrangements for broking entities the commission is recognised on a net basis as the entity was determined to be an agent in the arrangement.

Legal fees/acquisition costs are recognised as they are incurred except in relation to acquisition of a non-financial asset, borrowing facility, or associates. The costs that are directly attributable to bringing the asset to its intended use are capitalised and depreciated over the useful life of the asset. The costs directly attributable to obtaining funding are capitalised and amortised over the term of the facility to a maximum of 5 years. The cost directly attributable to acquisition of an associate is capitalised as part of the carrying value of the associate.

Further disclosures in relation to non-operating gains and losses such as fair value adjustments to carrying value or gains/losses from sale are made in Notes 7-9.

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| d. Expenses | | |
| Salaries and wages | 162,400 | 166,601 |
| Business technology and software costs | 20,190 | 14,783 |
| Commission expense | 17,990 | 14,151 |
| Amortisation/impairment of right of use asset and rent expense | 10,369 | 12,176 |
| Amortisation of broking registers | 9,341 | 9,530 |
| Amortisation of other financial assets | 839 | – |
| Amortisation of capitalised project costs | 675 | 281 |
| Depreciation | 2,333 | 3,142 |
| Insurance | 12,778 | 9,367 |
| Advertising, marketing and travel costs | 7,924 | 7,763 |
| Consulting, accounting, and audit fees | 6,470 | 6,660 |
| Legal fees/acquisition costs | 20,862 | 1,743 |
| Share based payments | 2,365 | 1,126 |
| Other expenses | 8,165 | 13,328 |
| Total cost to provide services and administrative expenses | 282,701 | 260,651 |
| e. Finance costs | | |
| Interest paid and other borrowing costs | 5,510 | 6,225 |
| Interest unwind on lease liability | 1,006 | 1,178 |
| Interest unwind on put option liability | 234 | 215 |
| Total finance costs | 6,750 | 7,618 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

4 REVENUE AND EXPENSES (CONTINUED)

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| f. Adjustments to carrying value | | |
| Adjustments to carrying value of entities (to fair value) on the date they became controlled entities | 40,715 | 3,851 |
| Adjustment to contingent consideration on acquisitions | 411 | 416 |
| Remeasurement of put option liability | (870) | (5,372) |
| Impairment charge relating to the carrying value of goodwill (see Note 13) | (8,439) | (3,000) |
| Total adjustments to carrying value | 31,817 | (4,105) |
| g. Profit from sale or dilution of interests in associates, controlled entities and broking portfolios | | |
| Profit on sale of controlled entities leading to deconsolidation (Note 7(b)) | 3,928 | 23,620 |
| Disposal costs on sale of controlled entities (see Note 7 (b)) | – | (2,232) |
| Profit from sale or dilution of interests in associates, controlled entities and broking portfolios | 3,322 | 1,493 |
| Total profit from sale or dilution of interests in associates, controlled entities and broking portfolios | 7,250 | 22,881 |

5 INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year end date as presented in the Consolidated Statement of Financial Position.

Deferred income tax is provided on all temporary differences at the date of the Consolidated Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. No deferred tax liability has been recognised in respect of any potential profit on the disposal of an associate or controlled entity by the Group as there is no intention of disposing of these assets in the foreseeable future. Any tax liability will be recognised before the date of asset's disposal, when it is considered probable that the temporary difference will reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each year end date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

5 INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the year-end date as presented in the Consolidated Statement of Financial Position.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

For the purposes of income taxation, AUB Group Limited (AUB) entered into a Consolidated Tax Group with its 100% owned subsidiaries. Tax consolidation results in the controlled entity members being treated as part of the Head Company for tax purposes rather than as a separate taxpayers. The Income Tax Assessment Act (1997) provides that the Consolidated Tax Group is to be treated as a single entity for Australian tax purposes with the Head Company responsible for the tax payable. AUB formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

The Consolidated Tax Group was formalised by entering into tax sharing and tax funding agreements in order to allocate income tax payable to group members. Each member of the group calculates tax expense on an entity basis. The agreement also provides that AUB carries forward tax funding assets or tax funding liabilities for which an intercompany loan is recognised between the parties.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each quarter.

Effective Tax Rate

AUB Group is conscious of its social responsibility to pay corporate taxes. The Group's effective Australian corporate tax rate for 30 June 2022 was 30.49% (2021: 30.30%). The information reported by the Australian Taxation Office (ATO) (as prescribed by statute) in respect of corporate tax entities will not necessarily provide the complete picture, particularly for organisations such as the AUB Group that receive the majority of its income through franked dividends.

The AUB Group consists of AUB Group Limited, the parent entity and ASX listed entity, and over 300 entities in which the parent has a direct or indirect economic interest

The AUB Tax Consolidation Group (AUB TCG), comprises only AUB Group Limited (the parent entity) and its 100% wholly owned entities. The primary income of the AUB TCG is the receipt of franked dividend income received from the partly owned entities. Given tax has already been paid in respect of the franked dividends, the AUB TCG is entitled to a credit equal to that tax. That is, the franking credits attaching to the dividends reflect tax that has already been paid by the individual entity paying the dividends. While the franking credits represent tax paid, they are reflected in the income tax return of the AUB TCG as an offset against AUB's gross tax, thereby reducing the amount disclosed as 'tax payable'. The amount disclosed by the ATO in their report is after the franking credits have been taken into account, which does not reflect the tax paid by the Group.

a. Income tax expense

i. Major components of income tax expense are as follows:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| <i>Current income tax</i> | | |
| Current income tax charge | 21,810 | 18,460 |
| Adjustment for prior years | (15) | 587 |
| <i>Deferred tax credit</i> | | |
| Origination and reversal of temporary differences | 527 | (570) |
| Total income tax expense in Consolidated Statement of Comprehensive Income | 22,322 | 18,477 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

5 INCOME TAX (CONTINUED)

- ii. A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Profit before income tax | 122,206 | 102,203 |
| At the company's statutory income tax rate of 30% (2021: 30%) | 36,662 | 30,661 |
| Impact of: | | |
| Equity accounted income/distributions from entities operating as trusts | (8,998) | (9,246) |
| Gains on sale | (1,375) | (3,360) |
| Adjustments to carrying value (see Note 4(f)) | (9,545) | 1,232 |
| Benefit of tax losses not previously recognised | – | (1,791) |
| Income taxed at different tax rates on overseas operations | (115) | (95) |
| (Over)/under provision prior year | (16) | 587 |
| Acquisition costs and other non-deductible expenses | 5,709 | 489 |
| Income tax expense reported in the Consolidated Statement of Comprehensive Income | 22,322 | 18,477 |

b. Deferred income tax

Deferred Tax Assets and Liabilities are netted where arising within the same tax payer and to the same tax authority and expected to unwind in the same period.

- i. Movement in deferred income tax during the year relates to the following:

| | Assets | | Liabilities | |
|--|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Unamortised broking registers (and other intangibles) | – | – | (16,793) | (15,007) |
| Non assessable income | – | – | (7,595) | (4,527) |
| Accrued expenses and provisions | 15,357 | 14,857 | – | – |
| PPE & ROU tax timing differences | 3,947 | 2,761 | – | – |
| Carry forward capital losses | 123 | 133 | – | – |
| Carry forward operating losses | 1,505 | 1,794 | – | – |
| Other | 932 | 105 | (385) | (471) |
| Netting of deferred taxes (arising within same tax consolidated group or entity) | (7,170) | (5,076) | 7,170 | 5,076 |
| Deferred tax assets/(liabilities) | 14,694 | 14,574 | (17,603) | (14,929) |

ii. Unrecognised deferred tax assets

Deferred tax assets for tax losses incurred are recognised to the extent that the Group expects the carry forward losses to be utilised in the future. Deferred tax assets arising from unused tax losses not recognised at 30 June 2022 was \$1.24m (2021: \$1.24m). Deferred tax assets arising from unused capital losses not recognised at 30 June 2022 was \$nil (2021: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

6 EARNINGS PER SHARE (EPS)/DIVIDENDS PAID AND PROPOSED

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

a. Earnings Per Share (EPS)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------------------|-----------------------------|
| Net profit attributable to ordinary equity holders of the parent | 80,836 | 70,621 |
| | 2022 Thousands Shares | 2021 Thousands Shares |
| Weighted average number of ordinary shares for basic earnings per share | 76,546 | 74,266 |
| Effect of dilution: | | |
| Share Options | 269 | 222 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 76,815 | 74,488 |
| Basic earnings per share (cents per share) | 105.60 | 93.13 |
| Diluted earnings per share (cents per share) | 105.24 | 92.86 |

The Group is committed to issue to the vendors of Tysers Insurance Brokers Limited (Tysers) 9,018,974 ordinary share as part of the consideration for the acquisition of Tysers by the Group. The transaction will complete subject to some customary conditions and regulatory approvals. Refer to Note 20 for further information.

| | 2021 cents per share |
|---|-------------------------|
| Restatement of earnings per share | |
| Basic earnings per share- previously reported | 95.09 |
| Diluted earnings per share- previously reported | 94.81 |
| TERP adjustment | 0.98 |
| Adjusted basic earnings per share | 93.13 |
| Adjusted diluted earnings per share | 92.86 |

The Basic and Diluted earnings per share (EPS) for the year ended 30 June 2021 as previously reported has been restated for the bonus element of the non-renounceable entitlement offer in May 2022, as described in Note 17.

b. Changes in weighted average number of shares

There have been no significant transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

c. Information on the classification of securities

Options granted to employees as described in Note 18 are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of the basic earnings per share. The amount of the dilution of these options is the average market price of ordinary shares during the year minus the exercise price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

6 EARNINGS PER SHARE (EPS)/DIVIDENDS PAID AND PROPOSED (CONTINUED)

d. Equity dividends on ordinary shares

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| <i>Dividends paid or recognised as a liability during the year</i> | | |
| Final franked dividend for financial year ended 30 June 2020: 35.5 cents | | 26,206 |
| Interim franked dividend for financial year ended 30 June 2021: 16 cents | | 11,903 |
| Final franked dividend for financial year ended 30 June 2021: 39 cents | 29,017 | |
| Interim franked dividend for financial year ended 30 June 2022: 17 cents | 12,661 | |
| Total dividends paid/provided in current year | 41,678 | 38,109 |

In addition to the above, dividends paid to non-controlling interests totalled \$14.98m.

Dividends proposed and not recognised as a liability

| | | |
|---|---------------|---------------|
| Final franked dividend for financial year ended 30 June 2021: 39.0 cents | | 29,017 |
| Final franked dividend for financial year ended 30 June 2022 38.0 cents | 35,115 | |
| | 35,115 | 29,017 |
| Dividends paid and accrued per share (cents per share) | 55.00 | 55.00 |
| Dividends proposed per share (cents per share) not recognised at balance date | 38.0 | 39.00 |

e. Franking credit balance

The amount of franking credits available for the subsequent financial year are:

| | | |
|--|---------------|---------------|
| – franking account balance as at the end of the financial year at 30% (2021: 30%) | 52,547 | 47,818 |
| – franking credits that will arise from the payment of income tax payable as at the end of the financial year | – | (61) |
| The amount of franking credits available for future reporting periods | 52,547 | 47,757 |
| – impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year | (15,049) | (12,436) |
| The amount of franking credits available for future reporting periods after payment of dividend | 37,498 | 35,321 |

The tax rate at which paid dividends have been franked is 30% (2021: 30%).

Dividends proposed and accrued will be franked at the rate of 30% (2021: 30%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

7 BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

a. Business combinations

A major strategy of the Group is to acquire part ownership in insurance broking, agency and other complementary services businesses or portfolios. The terms of these acquisitions vary in line with negotiations with individual vendors but are structured to achieve the Group's benchmarks for return on investment.

The business combinations referred to below relate to insurance broking and agency businesses in Australia except Rosser Underwriting Limited and Dawson Insurance Brokers Limited which operate within and were incorporated in New Zealand.

The acquisition method of accounting is used to account for all business combinations. Consideration transferred is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange. All acquisition costs including legal fees are charged against profits to acquisition and legal fees (see Note 4(d)) as incurred, except stamp duty which is recognised in acquisition costs as incurred.

An estimate is made of the fair value of the future contingent consideration. Any variation to this amount in future periods (either up or down) is recognised through the Consolidated Statement of Comprehensive Income. Over accruals are recognised as income in the year the amount is reversed and any under accruals are charged as an expense against profits. Contingent considerations are recognised in the Consolidated Statement of Financial Position at fair value. Refer to Note 2.1d and Note 14 for further information on measurement and critical assumptions.

When a business combination occurs, the acquiree's identifiable assets and liabilities are measured at their fair value at the date of the exchange transaction to determine the amount of any goodwill associated with the transaction. Any previously held interests of the acquiree are remeasured to fair value, with the movement reflected in the Consolidated Statement of Comprehensive Income as either a profit or loss. If new information becomes available within one year of acquisition about the facts and circumstances that existed at the date of acquisition, then any revisions to the fair value previously recognised, will be retrospectively adjusted.

Non-Controlling Interest is initially measured at fair value.

When the Group increases their interest in a company leading to the Group obtaining control in the company the Group derecognises the investment in associate and recognises the acquiree's identifiable assets and liabilities measured at their fair value in line with other business combinations. The shares held immediately preceding the Group obtaining control is remeasured based on the implicit value of the shares acquired, resulting in a fair value gain or loss. The cumulative amount recognised through Other Comprehensive Income is reclassified to profit or loss when the control is obtained.

Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Consolidated Statement of Comprehensive Income and the net assets of the entity including the carrying value of non-controlling interests is derecognised.

Change in the ownership interest in a controlled entity (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will not give rise to a gain or loss in the Consolidated Statement of Comprehensive Income.

Refer to Note 9 for all transactions between owners.

a. i) During the current period, the following transactions occurred:

- Effective 1 July 2021, the Group acquired a further 8.8% of HQ Insurance Brokers Pty Ltd (HQ) for \$2.74m cash. On this date the entity became a controlled entity of the Group, and the transaction resulted in a fair value gain on step up of \$7.73m.
- Effective 1 October 2021, the Group acquired 100% of iaAnyware Unit Trust (iaAnyware) for \$18.15m cash plus estimated contingent consideration of \$11.85m. iaAnyware is a leading software platform business providing licensing of their proprietary software to brokers across Australia and New Zealand. The deferred consideration is based on estimated normalised EBIT in 2 years from the acquisition date and is uncapped.
- Effective 1 October 2021, a controlled entity of the Group, acquired 90% of Rosser Underwriting Limited (Rosser), including 50% from another controlled entity of the Group. On this date Rosser became a controlled entity of the Group, and the transaction resulted in a fair value gain on step up of \$1.19m. The Group's effective ownership has increased by 2.3%, however control was established as the Group controls an entity which in turn controls Rosser.
- Effective 30 June 2022, The Group acquired a further 5.5% of Insurance Advisernet Unit Trust (IAA) & Insurance Advisernet New Zealand Unit Trust (IAH). On this date IAA & IAH become controlled entities of the Group, and the transaction resulted in a fair value gain on step up of \$29.06m.

The above acquisitions have been provisionally accounted for as the initial accounting for the business combinations are incomplete at the reporting date. The accounting will be completed within 12 months of the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

7 BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL (CONTINUED)

a) i) During the current period, the following transactions occurred (continued):

| Business Acquired | Transaction date(s) | 2022 % | 2021 % |
|--|---------------------|-----------------|-----------|
| HQ Insurance Pty Ltd | 01-Jul-21 | 66.0 | 57.2 |
| iaAnyware Unit Trust | 01-Oct-21 | 100.0 | 0.0 |
| Rosser Underwriting Ltd* | 01-Oct-21 | 47.0 | 44.7 |
| Dawson Insurance Brokers Limited | 01-Apr-22 | 57.2 | 44.7 |
| Insurance Advisernet Unit Trust | 30-Jun-22 | 52.0 | 46.5 |
| Insurance Advisernet New Zealand Unit Trust | 30-Jun-22 | 52.0 | 46.5 |
| All other transactions | Various | Various | Various |
| Business Acquired | | \$'000 | |
| Total consideration attributed to all additional interests acquired | | (55,729) | |
| Less contingent/deferred consideration | | 13,484 | |
| Less shares issues by the Company | | – | |
| Less shares issued by a subsidiary of the Group | | – | |
| Less cash acquired | | 29,065 | |
| Less trust cash acquired | | 122,483 | |
| Cash acquired from acquisition of consolidated entities, net of payments for acquisitions | | 109,303 | |
| Goodwill and identifiable intangibles arising on acquisition related to the Group | | 99,644 | |
| Goodwill and identifiable intangibles arising on acquisition relating to non-controlling interests | | 62,220 | |
| Total Goodwill and identifiable intangibles arising on acquisition | | 161,864 | |
| Financial liability at amortised costs arising on acquisition payable to other unit holders | | 50,239 | |
| Net increase in non-controlling interests | | 14,131 | |

* The Group's effective shareholding in the entity is less than 50%, but the Group assessed it still has control, as a subsidiary of the Group has more than 50% interest and rights in the entity.

The total Revenue and Net Profit After Tax recognised during the financial year ended 30 June 2022 in relation to the current period acquisitions were \$20.61m, and \$9.03m respectively. Had the entities been acquired at the beginning of the financial year ended 30 June 2022, the Revenue and Net Profits would have been \$52.92m and \$17.92m respectively.

Insurance Advisernet Unit Trust &
Insurance Advisernet New Zealand Unit Trust
\$'000

| | |
|--|-----------------|
| ASSETS | |
| Cash and cash equivalents | 10,055 |
| Cash and cash equivalents - Trust | 121,683 |
| Receivables | 37,048 |
| Intangibles and other | – |
| Property plant and equipment | 1,017 |
| Total Assets | 169,803 |
| LIABILITIES | |
| Payables and provisions | 157,177 |
| Financial liability attributable to external unitholders | 50,239 |
| Borrowings | 11,768 |
| Deferred tax liabilities | – |
| Total Liabilities | 219,184 |
| Net Liabilities | (49,381) |
| Cash paid | 8,860 |
| Goodwill arising on acquisition relating to the Group | 103,812 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

7 BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL (CONTINUED)

a. ii. During the prior period, the following transactions occurred:

- Effective 1 August 2020, the Group acquired 73.2% of Experien Insurance Services Pty Limited for \$17.15m (\$12.07m in cash, and \$5.60m in Company shares). The agreement contained put options exercisable after 3 years. A total put option liability of \$6.85m was recognised in relation to both put options covering all non-controlling interests. This was booked directly against the Put Option Reserve and resulted in \$nil impact on the comprehensive income on initial recognition.
- Effective 26 November 2020, a controlled entity of the Group acquired a further 30% of Fleetsure for \$5.50m increasing its shareholding to 80%. A \$3.85m fair value gain on step up was recognised on obtaining control of Fleetsure.
- Effective 1 December 2020, a controlled entity of the Group acquired 100% (AUB's effective interest of 52.3%) of 360 Investments Pty Ltd and its controlled entities and associates (360) through a share swap with 360's vendors and \$19.52m in cash consideration.

b. Loss of Control

When a 100% disposal occurs the Group derecognises all assets and liabilities previously recognised in relation to the disposed entity including associated goodwill. A gain or loss is recognised in relation to the disposal based on the difference between the carrying value of net assets (including goodwill) associated with the entity and the sale price.

When a partial disposal occurs leading to the Group losing control of the entity, the Group derecognises all assets, liabilities and NCI previously recognised in relation to the disposed entity including associated goodwill with an investment in associate recognised in relation to the remaining interest continued to be held by the Group. A gain or loss is recognised in relation to the disposal based on the difference between the share (portion of interest being disposed) of net assets (including goodwill) associated with the entity and the sale price.

b. i. During the current period, the following transactions occurred:

During the period there were no individually significant transactions which resulted in the Group losing control of any of its subsidiaries. The aggregate results of all transactions are outlined below. A gain on disposal of \$ 3.9 m was recognised during the period.

| Business Disposed | Transaction date(s) | 2022 %/\$'000 | 2021 % |
|---|---------------------|------------------|-----------|
| All other transactions | Various | Various | Various |
| Total consideration receipted to all additional interests disposed | | 9,370 | |
| Less cash disposed | | (270) | |
| Less contingent consideration | | (377) | |
| Less non-cash settled (share swap) | | (3,393) | |
| Receipts for disposal of consolidated entities, net of cash acquired | | 5,330 | |
| Total goodwill derecognised on disposal | | (5,320) | |
| Total intangibles derecognised on disposal | | (797) | |
| Total non-controlling interest derecognised | | (436) | |

b. ii. During the previous period, the following transactions occurred:

- On 31 March 2021, the Group disposed all of its interest in Altius Group Holdings Pty Ltd for \$51.76m for cash, with no deferred or contingent consideration. On that date Altius ceased to be a controlled entity. An after tax profit on sale of \$20.34m was recognised. Costs of disposal attributable to the sale of \$2.23m was recognised in the comprehensive income. A charge to comprehensive income of \$5.37m was also recognised on re-measurement of the put option liability in relation to the Altius non-controlling interest. Furthermore, during the year but prior to the sale the Group increased its shareholding resulting in a cost of \$3.50m recognised directly in retained earnings as a transaction between owners. In total the resulting series of transactions increased equity attributed to the shareholders of the Group by \$9.24m at balance date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

8 INVESTMENT IN ASSOCIATES

The Group's investments in its associates are accounted for under the equity method of accounting in the Consolidated Financial Statements. These are entities in which the Group has significant influence and which are not controlled entities. The Group deems they have significant influence if they have more than 20% of the voting rights.

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the AUB Group are identical and adjustments are made to bring into line dissimilar accounting policies used by associates.

The investment in associates is carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less dividends and any impairment in value. The Consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associates.

Refer to Note 13 Impairment Testing of Identifiable Intangible Assets and Goodwill.

On partial acquisition whilst maintaining significant influence the purchase price is added to the investment in associate carrying value, and on partial disposal whilst maintaining significant influence the portion of interest in the entity being sold is proportionately derecognised from the investment in associate carrying value. As part of impairment testing we consider the recent purchase/disposal prices when determining if there are indicators of impairment.

Except for the step up acquisitions of HQ, Rosser, Dawson, IAA and IAH (refer to Note 7) which resulted in the entities ceasing to be associates of the Group (became controlled entities), there were no other individually significant transactions related to associates during the period.

a) During the current period, the following transactions occurred:

| Entity | Transaction date(s) | 30 Jun 2022 %/\$'000 | 30 Jun 2021 %/\$'000 |
|--|---------------------|----------------------|----------------------|
| Increase in voting shares | | | |
| Various | Various | Various | Various |
| Total cash consideration paid for all interest acquired | | 5,532 | |
| Decrease in voting shares | | | |
| Various | Various | Various | Various |
| Total consideration received for all interest disposed | | 8,910 | |
| Less carrying value of shares being sold | | (6,047) | |
| Less Capital Gains Tax on shares being sold | | 370 | |
| Net gain/(loss) on disposal of interest | | 3,233 | |

b) During the previous period, the following transactions occurred:

There was no individually significant transactions with associates in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

8. INVESTMENT IN ASSOCIATES (CONTINUED)

c) The Group's investment in associates ownership at balance date is as follows:

| | 2022 % | 2021 % |
|---|-----------|-----------|
| Australian Broking | | |
| Adroit Specialty Risks Pty Limited | 34.0 | - |
| Austbrokers ABS Aviation Pty Ltd | 50.0 | 50.0 |
| Austbrokers AEI Transport Pty Ltd | 40.0 | 38.5 |
| Austbrokers Dalby Insurance Brokers Pty Ltd | 50.0 | 50.0 |
| Austbrokers Kelly Partners Pty Ltd | 50.0 | 50.0 |
| Austbrokers RIS Pty Ltd | 49.9 | 49.9 |
| Austbrokers SPT Pty Ltd | 50.0 | 50.0 |
| Austral Insurance Brokers Pty Ltd | 50.0 | 50.0 |
| Bluestone Insurance Pty Ltd | 50.0 | 50.0 |
| Brett Grant and Associates Pty Ltd | 50.0 | 50.0 |
| Broker Claims Pty Ltd | 47.5 | 47.5 |
| Countrywide Insurance Holdings Pty Ltd** | 52.5 | 49.9 |
| Cruden & Read Pty Ltd | 50.0 | 50.0 |
| Global Assured Finance Pty Ltd | 49.9 | 49.9 |
| Insurance Advisernet Unit Trust* | 52.0 | 46.5 |
| Insurance Advisernet New Zealand Unit Trust* | 52.0 | 46.5 |
| JMD Ross Insurance Brokers Pty Ltd | 40.0 | 40.0 |
| KJ Risk Group Pty Ltd | 49.0 | 49.0 |
| Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust** | 53.4 | 53.4 |
| Markey Group Pty Ltd | 49.9 | 49.9 |
| MGA Management Services Pty Ltd | 49.9 | 49.9 |
| Nexus (Aust) Pty Ltd | - | 50.0 |
| National Rural Insurance Group Pty Ltd | 25.0 | 25.0 |
| Oxley Insurance Brokers Pty Ltd/Coffs Harbour Insurance Brokers Unit Trust | - | 37.5 |
| Oxley Insurance Brokers Pty Ltd/Port Macquarie Insurance Brokers Unit Trust | 42.7 | 49.9 |
| Peter L Brown & Associates Pty Ltd | 50.0 | 50.0 |
| Rivers Insurance Brokers Pty Ltd | 49.9 | 49.9 |
| SRG Group Pty Ltd | 50.0 | 50.0 |
| Supabrook Pty Ltd | 49.9 | 49.9 |
| The Procure Group Pty Ltd | 49.0 | 49.3 |
| Western United Financial Services Pty Ltd | 49.9 | 49.9 |
| YDR Pty Ltd | 50.0 | 50.0 |
| Agencies | | |
| Anchorage Marine Underwriting Agency Pty Ltd | 26.2 | - |
| Longitude Insurance Underwriting Agency Pty Ltd | 75.0 | 75.0 |
| Millennium Underwriting Agency Pty Ltd | 49.9 | 49.9 |
| SURA Hiller Marine Pty Ltd | 50.0 | 50.0 |
| Sura Professional Risks Pty Ltd | 50.0 | 50.0 |
| Tasman Underwriting Pty Ltd | 50.0 | 50.0 |

* The Group obtained control of the entity during the period as a result of further shares obtained.

** Whilst the Group holds more than 50% interest in the entity, the Group's voting rights are capped at 50%, hence it was determined that the Group maintains significant influence and does not have control of the entity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

8 INVESTMENT IN ASSOCIATES (CONTINUED)

| | 2022 % | 2021 % |
|--|-----------|-----------|
| New Zealand Broking | | |
| BWRS (North Shore) Limited | 44.7 | 44.7 |
| Commercial and Rural Insurance Limited | 44.7 | 44.7 |
| Dawson Insurance Brokers* | 57.2 | 44.7 |
| McDonald Everest Insurance Brokers Limited | 44.7 | 44.7 |
| Rosser Underwriting Ltd* | 47.0 | 44.7 |
| Support Services | | |
| BizCover Pty Limited | 40.6 | 40.2 |

* The Group obtained control of the entity during the period as a result of further shares obtained.

Other information in respect of associated entities which carry on business directly or through controlled entities:

- The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd which are agents for insurance underwriters and The Procure Group Pty Ltd which offers rehabilitation, investigation, and loss adjusting services.
- There have been no significant subsequent events affecting the associates' profits for the period.
- There have been nil impairments relating to the investment in associates during the current year.
- All associates, including unit trusts, were incorporated, or established in Australia, except for associates owned by AUB Group NZ Limited which is a controlled entity incorporated in New Zealand.

d) The Group's reconciliation of its carrying value in its investment in associates are presented below:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Share of Revenue | 198,886 | 146,919 |
| Share of operating profits before income tax | 58,853 | 57,091 |
| Share of amortisation of intangibles | (6,800) | (6,891) |
| Share of net profit before income tax | 52,053 | 50,200 |
| Share of income tax expense attributable to operating profits | (13,000) | (12,872) |
| Share of associates' net profits | 39,053 | 37,328 |

e. Reconciliation of carrying value of associates:

| | | |
|--|----------------|----------------|
| Balance at the beginning of the period | 280,643 | 271,041 |
| Acquisition of associates | 9,552 | 11,231 |
| Disposal or dilution of interest in associates | (6,048) | (1,302) |
| Reclassification of investment in associates to controlled entities | (29,957) | (3,482) |
| Reclassification of controlled entity to investment in associate on losing control | 34 | — |
| Share of associates' profit after income tax | 39,053 | 37,328 |
| Impairment loss on carrying value of associates | — | — |
| Dividends/trust distributions received | (43,149) | (34,252) |
| Net foreign exchange and other movements | (28) | 79 |
| Balance at the end of the period | 250,100 | 280,643 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

8 INVESTMENT IN ASSOCIATES (CONTINUED)

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| f. The entity's share of the assets and liabilities of associates: | | |
| Current assets | 165,777 | 234,063 |
| Non-current assets | 94,250 | 74,712 |
| Current liabilities | (145,137) | (217,099) |
| Non-current liabilities | (28,335) | (17,931) |
| Net assets | 86,555 | 73,745 |

9 SHARES IN CONTROLLED ENTITIES

New acquisitions of controlled entities or transactions which lead to the Group obtaining or losing control in an entity during the current and previous period are disclosed in Note 7. The following transactions involve transactions between owners where there is no change in the control assessment.

i) During the current period, the following transactions occurred:

- On 1 October 2021 AUB Three Sixty Pty Ltd undertook a capital raise of \$6m to fund the acquisitions of Rosser Underwriting Limited and Anchorage Marine Underwriting Agency Pty Ltd.

There were no other significant transactions between owners during the period.

| Entity | Transaction date(s) | 2022 % | 2021 % |
|--|------------------------|----------------|-----------|
| Increase in voting shares | | | |
| All other transactions | Various | Various | Various |
| Total consideration paid for all interest acquired | | 3,137 | |
| Less adjustment to non-controlling interest | | (1,124) | |
| Transfer to retained earnings on equity transactions between owners | | 2,013 | |
| Decrease or no change in voting rights | | | |
| AUB Three Sixty Pty Ltd | 01-Oct-21 | 52.3 | 52.3 |
| All other transactions | Various | Various | Various |
| Total consideration received for all interest disposed | | (6,375) | |
| Less adjustment to non-controlling interest | | 7,743 | |
| Less Capital Gains Tax payable | | 27 | |
| Transfer to retained earnings on equity transactions between owners | | 1,395 | |

ii) During the previous period, the following transactions occurred:

There was no individually significant transactions with controlled entities in the prior year. Refer to prior year annual report for further information.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

9 SHARES IN CONTROLLED ENTITIES (CONTINUED)

Other information

- i) All controlled entities are incorporated in Australia except for AUB Group NZ Limited (AUBNZ), AUB Three Sixty NZ Limited and Insurance Advisernet New Zealand Unit Trust and their controlled entities which are incorporated in New Zealand and Colonnade Pte Ltd (Colonnade) which is incorporated in Singapore.
- ii) Colonnade is the Group's insurance captive. Given the size and scale of the Group including associates, certain insurable risks are internally manageable. Furthermore, the entity provides the Group opportunities to insure certain non-insurable or hard to place risks at more equitable terms for all participants in the scheme. During the current period cover placed through the Colonnade covers only the parent and the head office entities.
- iii) Material non-controlling interests (NCI) of the Group's controlled entities include the following:

| As at 30 June 2022 | Principal place of business | Non Controlling Interest % | Profit or loss attributed to minority \$'000 | Total NCI balance at balance date \$'000 |
|-------------------------|-----------------------------|----------------------------|--|--|
| AUB Group NZ Limited | New Zealand | 10.7 | 668 | 17,153 |
| AUB Three Sixty Pty Ltd | Australia and New Zealand | 47.7 | 6,542 | 81,912 |

| As at 30 June 2021 | Principal place of business | Non Controlling Interest % | Profit or loss attributed to minority \$'000 | Total NCI balance at balance date \$'000 |
|-------------------------|-----------------------------|----------------------------|--|--|
| AUB Group NZ Limited | New Zealand | 10.7 | 1,083 | 11,985 |
| AUB Three Sixty Pty Ltd | Australia and New Zealand | 47.7 | 1,968 | 71,321 |

No other NCI or minority interest is material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

9 SHARES IN CONTROLLED ENTITIES (CONTINUED)

The Group's shares in controlled entities ownership at balance date is as follows:

| | 2022 % | 2021 % |
|--|-----------|-----------|
| Name and Interests in controlled entities: | | |
| Australian Broking | | |
| AB Phillips Group Pty Ltd and its controlled entities | 60.8 | 57.5 |
| Adroit Holdings Pty Ltd and its controlled entities | 100.0 | 100.0 |
| ABFS (NSW) Pty Ltd and its controlled entities | 95.1 | 95.1 |
| Austbrokers Canberra Pty Ltd | 85.0 | 85.0 |
| Austbrokers Coast to Coast Pty Ltd and its controlled entity | 51.0 | 51.0 |
| Austbrokers CityState Pty Ltd and its controlled entity | 60.0 | 60.0 |
| Austbrokers Member Services Pty Ltd | 100.0 | 100.0 |
| Austbrokers RWA Pty Ltd and its controlled entity | 60.0 | 60.0 |
| Austbrokers Southern Pty Ltd | 80.0 | 80.0 |
| Austbrokers Sydney Pty Ltd and its controlled entities | 100.0 | 100.0 |
| Austbrokers Trade Credit Pty Ltd | 75.0 | 75.0 |
| CityCover (Aust) Pty Ltd and its controlled entities (Austbrokers Comsure) | 83.5 | 83.8 |
| Experien Insurance Services Pty Ltd | 73.2 | 73.2 |
| Finsura Holdings Pty Ltd and its controlled entities | 70.0 | 70.0 |
| Insurance Advisernet Unit Trust* | 52.0 | 46.50 |
| Insurance Advisernet New Zealand Unit Trust* | 52.0 | 46.50 |
| Austbrokers Corporate Pty Ltd and its controlled entities | 100.0 | 100.0 |
| McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity | 75.0 | 70.0 |
| North Coast Insurance Brokers Pty Ltd and its controlled entity | 75.0 | 75.0 |
| Northlake Holdings Pty Ltd (Country Wide Insurance Brokers WA) | 90.5 | 90.5 |
| Terrace Insurance Brokers Pty Ltd and controlled entity | 53.7 | 53.7 |
| The Insurance Alliance Pty Ltd | 100.0 | 100.0 |
| WRI Insurance Brokers Pty Ltd | 83.5 | 100.0 |
| Agencies | | |
| Austagencies Pty Ltd and its controlled entities | 100.0 | 100.0 |
| AUB Three Sixty Pty Ltd and its controlled entities | 52.3 | 52.3 |
| New Zealand Broking | | |
| AUB Group NZ Limited and its controlled entities | 89.3 | 89.3 |
| Brokerweb Risk Services Limited and its controlled entities | 89.3 | 89.3 |
| Runacres Limited and its controlled entities | 67.0 | 67.0 |
| Support Services – Australia | | |
| AUB Group Services Pty Ltd | 100.0 | 100.0 |
| Austbrokers Investments Pty Ltd | 100.0 | 100.0 |
| Austbrokers Employee Share Acquisition Schemes Trust | 100.0 | 100.0 |
| Austbrokers Pty Ltd | 100.0 | 100.0 |
| Colonnade Pte Ltd | 100.0 | 100.0 |
| Ludgate Limited** | 100.0 | – |
| Ludgate US Corp** | 100.0 | – |

* The Group obtained control of the entity during the period as a result of further shares obtained. The entity was previously an associate of the Group.

** Ludgate UK Limited and Ludgate C Corp LLC are incorporated within the UK and US respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, and cash and cash equivalents - trusts (trust cash), in the Consolidated Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

Although there is a concentration of cash and cash equivalents held with major banks, the lifetime expected credit losses on cash and cash equivalents are insignificant.

Trust cash relates to cash held for insurance premiums received from policyholders which will ultimately be paid to insurers.

Trust cash cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Cash and cash equivalents | 259,329 | 76,588 |
| Cash and cash equivalents - Trust | 333,131 | 205,232 |
| Total Cash and cash equivalents | 592,460 | 281,820 |

a. Cashflow from operating activities

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Profit after tax for the period | 99,884 | 83,726 |
| Equity accounted (profits) after income tax | (39,053) | (37,328) |
| Dividends/trust distributions received from associates | 43,149 | 34,252 |
| Amortisation of intangibles | 10,180 | 9,530 |
| Amortisation of capitalised project costs | 675 | 281 |
| Amortisation and impairment of Right of Use Asset | 7,171 | 8,938 |
| Depreciation of fixed assets | 2,333 | 3,141 |
| Share options expensed | 2,366 | 1,126 |
| Interest unwind on put options and contingent considerations | (234) | (215) |
| Adjustments to carrying value | (31,817) | 4,105 |
| Profit/Loss from sale of associates, controlled entities and broking portfolios | (6,782) | (22,451) |
| <i>Changes in assets and liabilities</i> | | |
| (Increase) in trade and other receivables | (7,387) | (3,116) |
| Decrease in trade and other payables | 12,949 | 9,505 |
| Increase in deferred revenue from customers | 2,108 | 923 |
| Increase/(decrease) in trust payables | (7,486) | 18,684 |
| Increase in provisions | 12,061 | 3,198 |
| Decrease in deferred tax asset | 196 | 1,335 |
| (Decrease) in deferred tax liability | (3,529) | (4,186) |
| Increase/(decrease) in provision for tax | (1,249) | 1,138 |
| Net cash flows from operating activities | 95,535 | 112,586 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

10 CASH AND CASH EQUIVALENTS (CONTINUED)

b. Changes in liabilities arising from financing activities

Listed below are the disclosure requirements in respect of the changes in the liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

| Year ended 30 June 2022 | 1 July 2021 \$'000 | Cash flows \$'000 | Foreign exchange movement \$'000 | New Acquisitions \$'000 | Other \$'000 | New consolidated entity/ deconsolidation \$'000 | 30 June 2022 \$'000 |
|--|-----------------------|----------------------|---|-------------------------------|-----------------|---|---------------------------|
| Current interest bearing loans and borrowings (excluding items listed below) | 10,508 | (4,558) | (80) | 2,518 | — | — | 8,388 |
| Current lease liability | 7,786 | 43 | (42) | 400 | — | — | 8,187 |
| Current Unsecured Loan Other | 750 | (182) | (15) | — | — | — | 553 |
| Non current interest bearing loans and borrowings (excluding items listed below) | 200,345 | (166,764) | (513) | 9,250 | — | (3,688) | 38,630 |
| Non current lease liability | 18,080 | (296) | (43) | 1,011 | — | — | 18,752 |
| Non Current Unsecured Loan Other | 680 | (448) | (1) | — | — | — | 231 |
| Total liabilities from financing activities | 238,149 | (172,205) | (694) | 13,179 | — | (3,688) | 74,741 |

| Year ended 30 June 2021 | 1 July 2020 \$'000 | Cash flows \$'000 | Foreign exchange movement \$'000 | New Acquisitions \$'000 | Other \$'000 | New consolidated entity/ deconsolidation \$'000 | 30 June 2021 \$'000 |
|--|-----------------------|----------------------|---|-------------------------------|-----------------|---|---------------------------|
| Current interest bearing loans and borrowings (excluding items listed below) | 10,095 | 421 | (8) | — | — | — | 10,508 |
| Current lease liability | 8,224 | (408) | (5) | 872 | — | (897) | 7,786 |
| Current Unsecured Loan Other | 807 | (57) | — | — | — | — | 750 |
| Non current interest bearing loans and borrowings (excluding items listed below) | 220,067 | (10,490) | (235) | — | — | (8,997) | 200,345 |
| Non current lease liability | 21,443 | (8,938) | (8) | 6,876 | — | (1,293) | 18,080 |
| Non Current Unsecured Loan Other | 801 | (120) | (1) | — | — | — | 680 |
| Total liabilities from financing activities | 261,437 | (19,591) | (258) | 7,748 | — | (11,187) | 238,149 |

11 TRADE AND OTHER RECEIVABLES

Trade and other receivables which generally have 30 day credit terms, are initially recognised at fair value and subsequently measured at amortised cost.

The Group acts as an agent in the collection of amounts due from customers for premiums and amounts payable to insurers on broking/agency operations, as the Group is not liable for the underlying insurance contract. As such these balances do not meet the definition of a financial liability or financial asset respectively. The Group recognises amounts due from customers in relation to uncollected fees and commissions due to the Group for services rendered, adjusted for the expected credit loss. The Group only recognises amounts due to insurers for premiums when collected but yet to be transferred to the insurer.

Amounts due from premium funding operations include amounts due from policyholders in respect of insurances arranged by a controlled entity. These arrangement with policyholders have repayment terms up to 12 months from policy inception. The individual funding arrangements are used to pay insurers. Should policyholders default under the premium funding arrangement, the insurance policy is cancelled by the insurer and a refund issued which is credited against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged plus any additional interest charged under the premium funding arrangement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables are loan receivables and short term intercompany funding to related entities.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred or retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

| As at 30 June 2022 | | | | | |
|---|------------------------------------|---|---|--|----------------|
| | Due not later than 6 months \$'000 | 6 months to no later than 1 year \$'000 | Later than 1 year and not later than 5 years \$'000 | Later than 5 years/ No maturity \$'000 | Total \$'000 |
| Trade receivables | 24,414 | — | 45 | — | 24,459 |
| Amount due from customers on broking/ agency operations | 74,967 | — | — | — | 74,967 |
| Amount due from clients in respect of premium funding | 1,018 | 873 | — | — | 1,891 |
| Related party receivables | 14,279 | — | 694 | — | 14,973 |
| Other receivables | 2,128 | — | — | — | 2,128 |
| Total trade and other receivables | 116,806 | 873 | 739 | — | 118,418 |

| As at 30 June 2021 | | | | | |
|---|------------------------------------|---|---|--|---------------|
| | Due not later than 6 months \$'000 | 6 months to no later than 1 year \$'000 | Later than 1 year and not later than 5 years \$'000 | Later than 5 years/ No maturity \$'000 | Total \$'000 |
| Trade receivables | 22,024 | — | — | — | 22,024 |
| Amount due from customers on broking/ agency operations | 37,582 | — | — | — | 37,582 |
| Amount due from clients in respect of premium funding | 1,342 | 1,151 | — | — | 2,493 |
| Related party receivables | 1,022 | — | 3,485 | — | 4,507 |
| Other receivables | 960 | — | 47 | — | 1,007 |
| Total trade and other receivables | 62,930 | 1,151 | 3,532 | — | 67,613 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected Credit Losses (ECL)

For Trade receivables and Other receivables, an allowance is made for anticipated losses based upon historical information, adjusted for forward-looking information, and specific credit information of counterparties where available.

Amounts overdue more than 30 days are assumed to have a significant increase in credit risk. Amounts due from customers on broking/agency operations are generally cancelled after 90 days (60 days overdue, assumed default date) in line with binding agreements.

Based on historical records on other loans and receivables, debts overdue by 90 days have a significant risk of default, as such debts overdue by 90 days are assumed to be in default by the Group, and the net (of expected credit losses) receivable reduced to the expected recoverable amount (taking into consideration any collateral or security associated with the debt) less costs of recoveries.

Expected credit losses are recorded on receivables, including trade and other receivables, interest-bearing loan assets, investments and other financial assets. The Group applies the simplified approach to its trade receivables, and measures the loss allowance at an amount equal to lifetime expected credit losses.

For amounts due from customers of broking/ agency operations and amounts due from clients in respect of premium funding operations, an allowance is made for anticipated lapses and cancellations based upon historical information, adjusted for forward-looking information.

ECL allowance included in trade and other receivables (current) above using the 12 month simplified approach as follows:

The provision for lapses 5.0% (2021: 5.0%) provides an amount for expected cancellations and loss of commissions and fees (amounts due from broking/agency operations, debtors) based on Group wide historic data. Australian Agencies provision at 50% for debtors over 90 days, and 100% for debtors over 120 days in line with their binding arrangements to generally cancel policies past due by 90 days.

The prior year increase in ECL is mainly attributable to COVID-19. The actual lapses were lower than expected and largely in line with previous years. The Group's resilience is due to (1) diversification across industry and risk lines, (2) low exposure to retail and (3) generally a regulatory requirement for customers to maintain insurance. Factors described in Note 2.1(d) continue to heighten the risk of default in certain industry sectors and customer segments.

Commercial loans to controlled entities and associates are secured over the shares of the non AUB Group shareholders of the lendee company. Other related party loans are generally provided for purchase of shares in a controlled entity or associate to a related party, where the shares acquired forms collateral in the loan deed. All other loans and receivables, including intercompany and short term loans to controlled entities and associates are unsecured. The valuation of shares held as security exceed the total loans receivable for the years ended 30 June 2022 and 30 June 2021.

| | 30-Jun-22 \$'000 | 30-Jun-21 \$'000 |
|--|---------------------|---------------------|
| Opening balance 1 July | 2,792 | 2,840 |
| ECL from acquisition of a controlled entity | 103 | 1 |
| ECL derecognised on deconsolidation of a controlled entity | – | (88) |
| Movements during the year | (2,579) | 39 |
| Total Expected Credit Loss | 316 | 2,792 |

The Group recognises under AASB 15 a deferred component of Revenue representing the significant risk of reversal on issued policies. This is within the Group's Deferred Revenue balance within the SOFP. In addition to requirements under AASB 15, forward looking elements under ECL provisioning is required. This is presented in the table above, along with ECL provisioning on assets not impacted by AASB 15. As such changes in forward looking elements of ECL provisioning have an impact on the table above.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

12 INTANGIBLE ASSETS AND GOODWILL

Capitalised project costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- i. it is technically feasible to complete the software so that it will be available for use;
- ii. management intends to complete the software and use or sell it;
- iii. there is an ability to use or sell the software;
- iv. it can be demonstrated how the software will generate probable future economic benefits; and
- v. adequate technical, financial and other resources to complete the development and to use or sell the software are available, and the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software including eligible employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Assessments are made on a project by project basis on the expected life of the intangible with a maximum useful life of 5 years adopted by the Group.

Costs associated with maintaining software programs and Software-as-a-Service (SaaS) are recognised as an expense as incurred. For the Group's policy on SaaS arrangements refer to Note 24.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets - Insurance Broking Register

Identifiable intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment costs. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life, currently estimated to be 10 years (2021: 10 years) for broking portfolios/client relationships and financial services businesses (life risk), and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in the expense category of the Consolidated Statement of Comprehensive Income consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an identifiable intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

12 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

| | Year ended 30 June 2022 | | | |
|---|-------------------------------------|--------------------|---------------------------------------|-----------------|
| | Capitalised project costs \$'000 | Goodwill \$'000 | Insurance broking registers \$'000 | Total \$'000 |
| Cost | | | | |
| Balance at the beginning of the year | 2,240 | 416,241 | 107,709 | 526,190 |
| Net addition/(disposals) not related to consolidation/(deconsolidation) | 702 | (1,723) | 1,977 | 956 |
| Acquisition of controlled entities | 2,686 | 161,627 | 15,801 | 180,114 |
| Deconsolidation of controlled entities | – | (5,320) | (1,139) | (6,459) |
| Translation of foreign exchange rate movements | (90) | (2,539) | (1,267) | (3,896) |
| Total Intangibles at cost | 5,538 | 568,286 | 123,081 | 696,905 |
| Amortisation | | | | |
| Balance at the beginning of the year | 1,696 | – | 54,817 | 56,513 |
| (Disposals) not related to deconsolidation | (137) | – | – | (137) |
| Acquisition of controlled entities | – | – | – | – |
| Deconsolidation of controlled entities | – | – | – | – |
| Amortisation during the year | 675 | – | 9,341 | 10,016 |
| Impairments/write-off during the year | – | 8,439 | – | 8,439 |
| Translation of foreign exchange rate movements | 65 | – | (501) | (436) |
| Total Accumulated amortisation | 2,299 | 8,439 | 63,657 | 74,395 |
| Summary | | | | |
| Net carrying amount at beginning of year | 544 | 416,241 | 52,892 | 469,677 |
| Net carrying amount at end of year | 3,239 | 559,847 | 59,424 | 622,510 |

| | Year ended 30 June 2021 | | | |
|---|-------------------------------------|--------------------|---------------------------------------|-----------------|
| | Capitalised project costs \$'000 | Goodwill \$'000 | Insurance broking registers \$'000 | Total \$'000 |
| Cost | | | | |
| Balance at the beginning of the year | 1,867 | 329,421 | 98,455 | 429,743 |
| Net addition/(disposals) not related to consolidation/(deconsolidation) | 380 | – | – | 380 |
| Acquisition of controlled entities | – | 129,786 | 9,451 | 139,237 |
| Deconsolidation of controlled entities | – | (39,573) | – | (39,573) |
| Translation of foreign exchange rate movements & Other | (7) | (393) | (197) | (597) |
| Total Intangibles at cost | 2,240 | 419,241 | 107,709 | 529,190 |
| Amortisation | | | | |
| Balance at the beginning of the year | 1,420 | – | 45,327 | 46,747 |
| (Disposals) not related to deconsolidation | – | – | – | – |
| Acquisition of controlled entities | – | – | – | – |
| Deconsolidation of controlled entities | – | – | – | – |
| Amortisation during the year | 281 | – | 9,530 | 9,811 |
| Impairments/write-off during the year | – | 3,000 | – | 3,000 |
| Translation of foreign exchange rate movements | (5) | – | (40) | (45) |
| Total Accumulated amortisation | 1,696 | 3,000 | 54,817 | 59,513 |
| Summary | | | | |
| Net carrying amount at beginning of year | 447 | 329,421 | 53,128 | 382,996 |
| Net carrying amount at end of year | 544 | 416,241 | 52,892 | 469,677 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

12 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Intangible assets are attributable to the following controlled entities:

| | | 2022 \$'000 | 2021 \$'000 |
|---|--|----------------|----------------|
| i) Goodwill | | | |
| Austagencies Pty Ltd and its controlled entities | | 162,033 | 157,308 |
| Insurance Advisernet Unit Trust & Insurance Advisernet New Zealand Unit Trust | | 103,812 | – |
| AUB Group NZ Limited and its controlled entities | | 82,692 | 85,661 |
| Adroit Holdings Pty Ltd and its controlled entities | | 38,272 | 39,864 |
| Austbrokers Corporate Pty Ltd and its controlled entities | | 17,545 | 17,545 |
| Experien Insurance Brokers Pty Ltd | | 18,596 | 18,596 |
| Other controlled entities | | 136,897 | 97,267 |
| Total Goodwill | | 559,847 | 416,241 |
| | | | |
| | | 2022 \$'000 | 2021 \$'000 |
| ii) Insurance Broking Registers | | | |
| | Remaining amortisation period (years) | | |
| | 2022 | 2021 | |
| AUB Group NZ Limited and its controlled entities | 6.5 | 7.5 | 26,832 |
| Adroit Holdings Pty Ltd and its controlled entities | 6.0 | 7.0 | 7,203 |
| Experien Insurance Brokers Pty Ltd | 8 | 9 | 5,648 |
| Other controlled entities | | | 19,741 |
| Total Insurance Broking Register | | | 59,424 |

13 IMPAIRMENT

Impairment of non-financial assets other than Investment in Associates, Intangibles and Goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

No such indicators were noted in the current or prior year and subsequently no impairments recorded.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

13 IMPAIRMENT (CONTINUED)

Investments in Associates, Intangibles and Goodwill

The Group assesses the impairment of investments in Associates, Intangibles, and Goodwill as a significant judgement and material to the financial statements.

The recoverable amount of the intangible assets and goodwill is determined based on the higher of the estimate of fair value of the cash generating unit (CGU) to which they relate less costs to sell and its value in use. In determining fair value, each controlled entity or associate is considered a separate CGU or grouped into a single CGU for impairment testing where cash inflows are interdependent and have similar characteristics.

The CGU represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. Australian Broking entities, New Zealand entities and Support Services entities are viewed as separate CGUs at the entity level for impairment purposes, whilst the Australian Agency businesses have each been aggregated into a single CGU.

To conduct impairment testing, the Group compares the carrying value with the recoverable amount of each CGU.

The recoverable amount is based on the higher of:

- Fair value - based on maintainable earnings; or
- Value in use - based on a discounted cash flow model.

The Group conducts testing over multiple phases, throughout the year and with several layers of review:

1. **Half year impairment review:** Review of all cash generating unit (CGU) at 31 December for indicators of review including qualitative questionnaires to each Group representative which has oversight of the respective CGU.
2. **Annual Impairment testing:**
 - Phase I – Targeting: Fair value measurement of all CGUs and compared to carrying value as at 31 March to determine if any entities show a potential impairment or low headroom. Testing is conducted irrespective of any indicators of impairment (or lack thereof). EBITs are averaged over 3 years to consider the impact of timing differences, however stress testing is conducted using (1) a 5% decline in EBIT, (2) stressed multiples, and (3) a single year EBIT.
 - Phase II – Screening: Update of prior year Discounted Cash Flow (DCF) models where an entity continues to rely on a value in use model to support its carrying value and current year results meet or exceed prior year projections.
 - Phase III – Detailed Review: Review of entities identified in Phase I and II as having potential impairment issues including creation of new DCFs, supporting normalisations or plans to rectify profitability concerns.
 - Phase IV – Year End Refresh: Review of following year budgets, and current year actuals to ensure no significant changes to the reporting date at 30 June compared to the interim testing date 31 March. Low head room entities are revisited to mitigate the risk of an undetected impairments.
3. **Watchlist Monitoring:** Entities with low headroom are monitored at Board Audit & Risk Committee (BARC) level and specifically considered during half year and year end testing given sensitivity to impairment.
4. **Governance:** Impairment testing is conducted by the Group financial control team in conjunction with the mergers & acquisitions team, and reviewed at 3 levels (1) Head of Financial Control & Head of Technical Accounting & Tax, (2) Chief Financial Officer, and (3) BARC.

The Group maintains a policy to seek independent advice on multiples every 3 years from an appropriate valuations firm. The Group sought independent advice in 2022 to determine the appropriate earnings before interest and tax (EBIT) multiple used to determine fair value.

The extensive impairment testing and monitoring exceeds requirements under accounting standards and reflects the materiality of the balances to the Group and the low risk appetite of management and the BARC.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

13 IMPAIRMENT (CONTINUED)

Fair Value

Key assumptions for the fair value methodology are as follows:

| | 2022 | 2021 |
|--|------------|----------------|
| Fair value is based on estimates of maintainable earnings. The appropriate pre tax maintainable earnings for each CGU is multiplied by a multiple from within the range, depending on the type of business carried out by the CGU. | 8-15 times | 7 - 9.75 times |
| The risk free rate (before risk margin). | 2.8-3.1% | 1% |
| Multiples have been determined after factoring in the following assumed sustainable long term profit growth. | up to 2% | up to 2% |

Value in use

Where the Value In Use methodology produces a higher valuation than Fair Value Less Costs of Disposal (FVLCD), this valuation is used for the Recoverable Amount. This measurement takes into account the expected Discounted Cash Flows (DCF) for the next 5 -15 years based on the forecast profitability. The valuation takes into account the weighted average cost of capital (WACC) for those CGUs and also looks at the expected long term growth rate with a terminal value calculation at the end of 5 years. This methodology will result in a better estimate valuation for entities where historic performance may not factor in the medium and long term expected growth from this business.

During the current year, two CGU's (2021: three CGU's) were valued using the value in use methodology. All other CGUs were supportable using the fair value methodology. For two of the CGUs it was determined that an EBIT multiple was not appropriate in measuring the recoverable amount for the Group in relation to the entities. The fair value measurements were categorised as level 3 fair value based on the lack of observable inputs in the valuation technique used (see Note 16).

Key assumptions for the value in use methodology are as follows:

| | 2022 | 2021 |
|--|------------|------------|
| Post tax discount rates (WACC). | 6.5%-10.9% | 6.5%-15.0% |
| Short term revenue growth rate - used in discount cash flow assumptions (1-5 years). | 2.5%-5.7% | 2.5%-19.0% |
| Long term revenue growth rate. | 1.5%-2.0% | 1.5%-2.0% |

Low headroom

Entities are considered to have low headroom if headroom is less than \$500k or 5% of total carrying value (whichever is lower) or show impairment using any of the following (1) Stressed multiple (2) 5% reduction in EBIT or (3) single current year profit (to ensure 3 year average does not hide a decline in profitability).

No reasonably possible change in key assumptions would result in the recoverable amount of a CGU that is material to the Group's total intangible assets, goodwill and investment in associates, being significantly less than the carrying value included in the accounts.

When making an acquisition, the Group may pay a deposit and defer a component of the purchase price to be determined based on future financial results. Estimates of the final acquisition cost are made and recognised in the financial statements. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change or actual payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate is reduced an offsetting adjustment (impairment) is generally made to the carrying value.

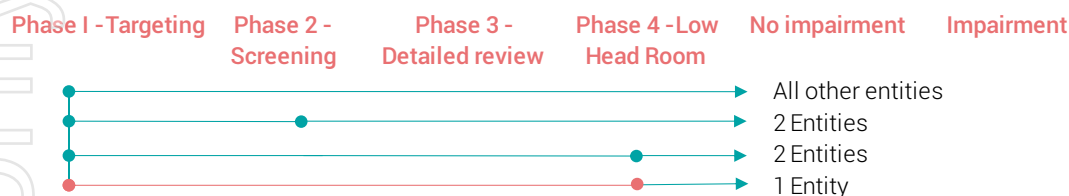
During the current year, due to current market conditions further adjustments to contingent considerations in respect of current and prior year acquisitions resulted in a net reduction (previous year increase) to the estimates previously recognised by the Consolidated Group of \$0.41m (2021: \$0.42m). Where the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge may be recognised. The reduction in contingent consideration lead to an impairment of \$nil (2021: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

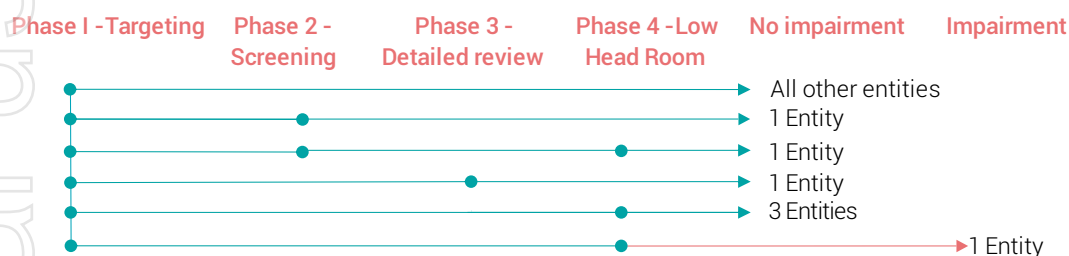
13 IMPAIRMENT (CONTINUED)

Impairment - current year



1 cash generating unit within the New Zealand Broking segment was assessed to be impaired during the current year by \$8.44m. The primary driver for the impairment was due to the loss of key brokers and in turn expected lower client retention. Two CGUs remain on the watchlist due to low headroom. No CGUs were added to the watchlist.

Impairment - previous year



1 entity within the New Zealand Broking segment was assessed to be impaired during the current year by \$3.00m. The primary driver for the impairment was due to loss of a key broker and some clients resulting in lower profitability. Four CGUs remain on the watchlist due to low headroom of which 3 were acquired in the past 3 years (on initial acquisition fair value transactions have nil headroom). No CGUs were added to the watchlist.

14 TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Payables to related parties are carried at the principal amount. Interest, when charged, is recognised as an expense on an accrual basis. Payables are normally settled on 90 day terms.

The Group recognises amounts due to insurers for premiums collected but yet to be transferred to the insurer.

Financial liability and reserve

AUB Group Limited entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities.

The Group recognises put options financial liability initially at present value of the value the Group could be required to pay on the future exercise by holders of the put options. Refer to Note 2.1d for further information on measurement and critical assumptions and for Put Option liability movement during the current period, refer to the SOCIE.

After initial recognition, put options financial liability is subsequently measured at amortised cost using the effective interest method. The Group re-estimates put options financial liability at the reporting date using the same model applied during the initial measurement, however the discount rate is not reset as the liability is held at amortised cost. The adjustment is recognised through the Consolidated Statement Comprehensive Income as income or expense. Movements in the put option liability are ultimately transferred to the Put Option Reserve.

Whilst this obligation will only be payable in the event that non-controlling shareholders put their remaining shares to the Group, a liability has been recognised in relation to the put option. The financial liability will be derecognised when the put option expires unexercised or an entity is disposed with the corresponding movement being reflected in the Put Option Reserve. At balance date there has been no indication from the non-controlling shareholders that they wish to exit their respective businesses and put their shares to the Group.

AUB also recognises a financial liability in relation to units held by non-AUB parties for unit trusts consolidated by the Group. These liabilities are initially measured at fair value and subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

14 TRADE AND OTHER PAYABLES (CONTINUED)

During the current period

During the current period \$50.2m of additional financial liability was recognised as part of the IAA and IAH acquisition, refer to Note 7 for further details.

During the prior period

On 1 August 2020, the Group acquired 73.15% of Experien Insurance Services Pty Ltd, which included issuance of put option rights to the minority shareholder (see Note 7(a) for further details). This resulted in recognition of a \$6.85m put option liability and related reserve on initial acquisition. Interest unwind of \$0.22m was recognised during the period, resulting in a liability at balance date of \$7.06m.

| As at 30 June 2022 Consolidated | | | | | |
|---|------------------------------------|---|---|---------------------------------------|----------------|
| | Due not later than 6 months \$'000 | 6 months to no later than 1 year \$'000 | Later than 1 year and not later than 5 years \$'000 | Later than 5 years/No maturity \$'000 | Total \$'000 |
| Trade payables and accruals | 42,100 | — | — | — | 42,100 |
| Amount payable on broking/agency operations | 354,176 | — | — | — | 354,176 |
| Financial Liability at amortised cost | 9,624 | — | 8,161 | 50,239 | 68,024 |
| Contingent or deferred consideration payables | 8,352 | — | 9,224 | — | 17,576 |
| Related party payables | 1,130 | — | — | — | 1,130 |
| Other payables | 10,243 | — | 3 | — | 10,246 |
| Total trade and other payables | 425,625 | — | 17,388 | 50,239 | 493,252 |

| As at 30 June 2021 Consolidated | | | | | |
|---|------------------------------------|---|---|---------------------------------------|----------------|
| | Due not later than 6 months \$'000 | 6 months to no later than 1 year \$'000 | Later than 1 year and not later than 5 years \$'000 | Later than 5 years/No maturity \$'000 | Total \$'000 |
| Trade payables and accruals | 28,027 | — | — | — | 28,027 |
| Amount payable on broking/agency operations | 195,774 | — | — | — | 195,774 |
| Financial Liability at amortised cost | — | — | 7,057 | — | 7,057 |
| Contingent or deferred consideration payables | 3,722 | 1,435 | 3,449 | — | 8,606 |
| Related party payables | 1,630 | — | 24 | — | 1,654 |
| Other payables | 12,316 | — | — | — | 12,316 |
| Total trade and other payables | 241,469 | 1,435 | 10,530 | — | 253,434 |

Included in trade and other payable are the following deferred and contingent consideration payables:

| | 2022 \$'000 | 2021 \$'000 |
|---|---------------|--------------|
| Balance at the beginning of the period | 8,606 | 3,395 |
| Contingent and deferred consideration on current year acquisitions (at net present value) | 14,529 | 11,095 |
| Payments made in respect of previously recognised contingent consideration | (5,179) | (5,321) |
| Adjustments to contingent consideration (including foreign currency movements) | (380) | (563) |
| Balance at the end of the period | 17,576 | 8,606 |

Reasonably possible changes in assumptions will change these deferred payments as follows:

- If the full year 2022 operating profit declines by 10% compared to the current forecast, a reduction of \$1.50m (2021: \$NIL) in the deferred consideration would result.
- If the full year 2022 operating profit increases by 10% compared to the current forecast, an increase of \$1.50m (2021: \$NIL) in the deferred consideration would result.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

15 INTEREST BEARING LOANS AND BORROWINGS

Interest-bearing liabilities are initially recognised at fair value of the consideration received, net of any directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Borrowing costs are amortised over the term of the loans.

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Current | | |
| Secured bank loan | 8,388 | 10,508 |
| Other | 553 | 966 |
| Total interest bearing loans and borrowings (current) | 8,941 | 11,474 |
| Non-current | | |
| Secured bank loan | 38,630 | 200,345 |
| Other | 231 | 464 |
| Total interest bearing loans and borrowings (non-current) | 38,861 | 200,809 |
| AUB Group Limited syndicated finance facility (see below) | – | 181,880 |
| St George Bank | 16,170 | 1,013 |
| Hunter Premium Funding | 14,790 | 17,091 |
| Australia and New Zealand Banking Group | 9,250 | – |
| Macquarie Bank | 3,690 | 9,252 |
| Commonwealth Bank | 2,518 | 211 |
| National Australia Bank | 600 | 1,406 |
| Total secured bank loans | 47,018 | 210,853 |

Group Borrowing facilities as at 30 June 2022

During the year proceeds from the capital raise were used to settle all existing Group syndicated debt which was extinguished.

AUB Group has obtained a binding commitment to enter into a Syndicated Debt Facility with Goldman Sachs totalling \$675m subject to the completion of Tysers. Refer to Note 20 for further information.

During the current and prior periods, there were no defaults or breaches of terms and conditions of any of these facilities.

| Facility provider | Type of Borrowing | Total Facility \$'000 | Undrawn Amount \$'000 | Amount Utilised \$'000 | Borrowing Amount \$'000 | Current \$'000 | Non Current \$'000 | Expiry Date | Interest Rate % | Variable/ Fixed (Var/Fix) |
|---|-------------------|-----------------------|-----------------------|------------------------|-------------------------|----------------|--------------------|---------------------------------|-----------------|---------------------------|
| AUB Group Limited | | | | | | | | | | |
| Australia and New Zealand Banking Group | Bank Guarantees | 23,179 | – | 23,179 | – | – | – | N/A | N/A | N/A |
| Facilities arranged by other controlled entities | | | | | | | | | | |
| St George Bank | Loan facility | 16,888 | 719 | 16,170 | – | 2,468 | 13,702 | Between 18/10/2022 & 19/03/2023 | 4 - 4.2 | Var |
| Hunter Premium Funding | Loan Facility | 18,694 | 3,904 | 14,790 | – | 2,669 | 12,121 | 1/2/2023 | 1 - 2 | Fixed |
| Macquarie Bank | Loan facility | 4,140 | 449 | 3,691 | – | 133 | 3,558 | Between 01/05/2024 & 30/04/2027 | 3.75 - 5.2 | Var and Fixed |
| Australia and New Zealand Bank | Loan Facility | 14,896 | 5,646 | 9,250 | – | – | 9,250 | 31/07/2026 | 2 | Fixed |
| Commonwealth Bank | Loan facility | 2,706 | 188 | 2,518 | – | 2,518 | – | | | Fixed |
| National Australia Bank | Loan facility | 2,000 | 1,400 | 600 | – | 600 | – | 30/11/2022 | 6 | Var |
| Total Borrowing Facilities | | 82,502 | 12,305 | 70,197 | – | 8,388 | 38,630 | | | |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

15 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Group Borrowing facilities as at 30 June 2021

| Facility provider | Type of Borrowing | Total Facility \$'000 | Undrawn Amount \$'000 | Amount Utilised \$'000 | Borrowing Amount \$'000 | Current \$'000 | Non Current \$'000 | Expiry Date(s) | Interest Rate % | Variable/Fixed (Var/Fix) |
|---|-------------------|-----------------------|-----------------------|------------------------|-------------------------|----------------|--------------------|---------------------------------|-----------------|--------------------------|
| AUB Group Limited | | | | | | | | | | |
| Syndicated finance facility | Loan Facility | 208,128 | 68,120 | 140,007 | 140,007 | – | 140,007 | 6/12/2022 | 1.85 | Var |
| | Loan facility | 41,873 | – | 41,873 | 41,873 | – | 41,873 | 6/12/2022 | 2.01 | Var |
| Total Syndicated facility | | 250,001 | 68,120 | 181,880 | 181,880 | – | 181,880 | | | |
| Australia and New Zealand Banking Group | Credit Cards | 450 | 450 | – | – | – | – | 6/12/2022 | 17.45 | Var |
| | Bank Guarantees | 4,000 | 585 | 3,415 | – | – | – | 6/12/2022 | 1.70 | Var |
| Facilities arranged by other controlled entities | | | | | | | | | | |
| Hunter Premium Funding | Loan facility | 18,692 | 1,601 | 17,091 | 17,091 | 2,307 | 14,784 | Between 01/11/2025 & 27/01/2035 | 2.46 - 3.63 | Var |
| Macquarie Bank | Loan facility | 9,612 | 360 | 9,252 | 9,252 | 7,485 | 1,767 | On Demand to 30/06/2033 | 3.80 - 5.65 | Var |
| St George Bank | Loan Facility | – | – | – | – | – | – | – | – | – |
| Finance facilities with other banks | Loan facility | 5,579 | 2,949 | 2,630 | 2,630 | 716 | 1,914 | Between 31/03/2022 & 17/03/2026 | 2.32 - 4.44 | Var and Fixed |
| Total Borrowing Facilities | | 288,334 | 74,065 | 214,268 | 210,853 | 10,508 | 200,345 | | | |

16 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, loans, cash and short-term deposits, payables, lease liabilities, overdrafts, interest bearing loans and borrowings and bank overdrafts.

The Group manages its exposure to key financial risks, including interest rate and foreign currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

As outlined in Note 20, AUB Group has entered into a binding agreement to purchase Tysers. As part of the transaction, AUB must deliver GBP 400m upfront in cash on completion. To protect against the potential FX risk AUB entered into a forward contract to fix the rate at which GBP of 350m could be purchased by the Group. AUB has designated the instrument under hedge accounting, and has been assessed as being highly effective.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board Audit and Risk Management Committee, supported by a Management Committee, under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

16 FINANCIAL INSTRUMENTS (CONTINUED)

Risk exposures and Responses

a. Credit Risk

Refer to Note 10 *Cash and Cash Equivalents* and Note 11 *Trade and Other Receivables*.

b. Liquidity Risk

The Company's objective is to maintain adequate cash to ensure continuity of funding and flexibility in its day-to-day operations.

The Company reviews its cash flows weekly and models expected cash flows for the following 12 to 24 months (updated monthly) to ensure that any stress on liquidity is detected, monitored and managed, before risks arise.

To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

The Group's main borrowing facilities were provided by a syndicated facility comprising ANZ Bank Ltd and Macquarie Bank Limited, although some controlled entities have arranged borrowing facilities with other banks. During the year proceeds from the capital raise were used to settle all existing Group syndicated debt which was extinguished.

AUB Group has obtained a binding commitment to enter into a Syndicated Debt Facility with Goldman Sachs totalling \$675m subject to the completion of Tysers. Refer to Note 20 for further information.

The Company considers the maturity of its financial assets and projected cash flows from operations to monitor liquidity risk.

Liquidity risk arises in the event that the financial assets/liabilities are not able to be realised/settled for the amounts disclosed in the accounts on a timely basis.

The table below reflects all contractually fixed pay-outs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without a fixed amount or timing are based on the conditions existing at 30 June 2022 with comparatives based on conditions existing at 30 June 2021.

| | 2022 \$'000 | 2021 \$'000 |
|---|------------------|------------------|
| Financial Assets | | |
| Due not later than 6 months | 710,709 | 344,750 |
| 6 months to not later than one year | 2,317 | 2,750 |
| Later than one year and not later than five years | 5,346 | 3,572 |
| Later than five years | 4,607 | – |
| Total financial assets | 722,979 | 351,072 |
| Financial Liabilities | | |
| Due not later than 6 months | (439,381) | (254,682) |
| 6 months to not later than one year | (13,756) | (14,648) |
| Later than one year and not later than five years | (75,001) | (222,056) |
| Later than five years | (50,239) | (7,363) |
| Total financial liabilities | (578,377) | (498,749) |

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Lease liabilities, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as plant and equipment and investments in working capital, e.g. trade receivables and deferred payments on broker acquisitions.

The table summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

16 FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair Values of recognised assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interests.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company's put option liabilities and contingent considerations made in relation to acquisitions of controlled entities and associates are categorised as level 3. These are valued based on the inputs in the valuation used on new acquisitions during the reporting period, refer to Note 2.1(d), Note 7(a) and Note 14 for measurement techniques & critical assumptions, new transactions, and movements during the year respectively.

All other assets and liabilities measured at fair value are categorised as level 2 under the three level hierarchy reflecting the availability of observable market inputs when estimating the fair value.

Management has assessed that the fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair value of loans and other financial assets has been calculated using market interest rates.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates and individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. Market values have been used to determine the fair value of securities.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.
- The fair value of unquoted instruments, loans from banks and other financial liabilities (including put option liability), obligations under leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The fair value of the non-current deferred contingent consideration payments may change as a result of changes in the projected future financial performance of the acquired assets and liabilities. Refer to Note 14 for further information.

The carrying value of most of the Group's Financial Assets and Financial liabilities approximate their fair value due to their short term nature. There were no material differences between the book value and the fair value of the Group's financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

16 FINANCIAL INSTRUMENTS (CONTINUED)

d. Market Risk

Interest rate risk

The Group's exposure to interest rate movements relates to cash and cash equivalents held by the Group and the Group's long-term debt obligations. To manage interest rate risk, interest rates on borrowings are fixed for a period depending on market conditions. This risk is minimal as the Group holds cash received from policyholders to pay insurers in excess of the amount of borrowings and therefore the group has a hedge against interest rate rises. Loans generally have interest rate resets every six months. In the event of interest rate rises, a net increase in interest revenue will occur due to cash and cash equivalents exceeding borrowings.

The main risk to the Group is in relation to interest rate reductions which will decrease the net income earned on cash and cash equivalents held. The cash held to pay insurers must be held in prescribed investments (Australian bank accounts or deposits) and as such will be subject to market interest rate fluctuations. The Group has at balance date, the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Financial Assets | | |
| Cash and cash equivalents (including trust account balance) | 592,460 | 281,820 |
| Loans and advances - related entities | 14,973 | 4,507 |
| Other financial assets | 11,082 | 51 |
| Total financial assets | 618,515 | 286,378 |
| Financial Liabilities | | |
| Loans and other borrowings | (56,934) | (213,937) |
| Net exposure to interest rate movements | 561,581 | 72,441 |

The Group's long term policy is to maintain a component of long term borrowings at fixed interest rates, which are carried at amortised cost and it is acknowledged that exposure to fluctuations in fair value is a by-product of the Group's policy. Due to the current low interest rate environment, the Group has determined that variable interest rates will result in a better overall interest rate risk than fixing for extended periods. All borrowings are based on variable interest rates. See Note 15 for full details of terms and conditions.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the term for fixing interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at year end. The sensitivity for the prior year has been prepared on an equivalent basis. At year end, had interest rates moved as illustrated in the table below, with all other variables held constant, post-tax profits and equity would have been affected as follows:

| | Post tax profits Higher/ (lower) | | Impacts directly to equity Higher/ (lower) | |
|--|-------------------------------------|----------------|---|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Judgements of reasonably possible movements | | | | |
| +0.50% (50 basis points) (2021 +0.50% (50 basis points)) | 2,808 | 362 | 2,808 | 362 |
| -0.50% (50 basis points) (2021 -0.50% (50 basis points)) | (2,808) | 783 | (2,808) | 783 |

The net increase in profits in respect of interest rate rises is due to the interest bearing assets being greater than borrowings.

The net increase in profits in respect of interest rate decreases is due to interest bearing assets decreases being capped (cannot go below 0.00% interest rate), whilst interest bearing liabilities decreasing by the full 0.5% (sensitivity interest rate remains above 0.00%) in the analysis.

Equity securities price risk

Equity securities price risk arises from investments in equity securities. The Group does not invest in listed equity securities or derivatives.

At year end, the Group had no material exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment and results is shown in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

16 FINANCIAL INSTRUMENTS (CONTINUED)

d. Market Risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses is denominated in a foreign currency) and the Group's investment in overseas controlled entities.

The majority of the foreign exchange rate exposure relates to the investment in New Zealand operations, although some controlled entities raise client invoices in foreign currency denominations.

The Group does not hedge its exposure in foreign currencies through derivatives however the Group's syndicate facility arrangement includes a component of borrowing in New Zealand Dollars utilised by the Group's New Zealand arm which reduces the net assets the Group exposed to foreign currency.

At year end, had foreign exchange rates moved as illustrated in the table below, with all other variables held constant, post-tax profits and equity would have been affected as follows:

| Judgements of reasonably possible movements | Post tax profits Higher/ (lower) | | Impacts directly to equity Higher/ (lower) | |
|---|-------------------------------------|----------------|---|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| -NZ \$0.10 (ten cents) (2021 -NZ \$0.10 (10 cents)) | – | – | (11,792) | (1,933) |
| +NZ \$0.10 (ten cents) (2021 +NZ \$0.10 (10 cents)) | – | – | 11,742 | 1,933 |

As outlined in Note 20, AUB Group has entered into a binding agreement to purchase Tysers. As part of the transaction, AUB must deliver GBP 400m in cash on completion. To protect against the potential FX risk, AUB entered into a forward contract to fix the rate at which GBP of 350m could be purchased by the Group. AUB has designated the instrument under hedge accounting, and has been assessed as being highly effective. At year end, had foreign exchange rates moved as illustrated in the table below, with all other variables held constant, post-tax profits and equity would have been affected as follows:

| Judgements of reasonably possible movements | Post tax profits Higher/ (lower) | | Impacts directly to equity Higher/ (lower) | |
|---|-------------------------------------|----------------|---|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| -GBP 0.05 (five cents) | – | – | 60,185 | – |
| +GBP 0.05 (five cents) | – | – | (50,396) | – |

e. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure.

In order to maintain or adjust the capital structure or in response to changes in economic conditions and the requirements of the financial covenants, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt if required.

The Group monitors capital using the gearing ratio. The gearing ratio is calculated as contingent considerations payable plus total borrowings of controlled entities and our share of total borrowings of associates divided by total equity, total borrowings of controlled entities and our share of total borrowings of associates and contingent consideration payable.

The gearing ratios at 30 June were as follows:

| | 2022 \$'000/% | 2021 \$'000/% |
|--|------------------|------------------|
| Debt to equity ratio | | |
| Interest bearing loans and borrowings- controlled entities | 47,802 | 212,283 |
| Interest bearing loans, borrowings & contingent consideration payable - associates (AUB Group share) | 21,671 | 17,543 |
| Contingent consideration payable | 17,576 | 8,606 |
| Total debt | 87,049 | 238,432 |
| Total equity | 999,677 | 598,287 |
| Total equity and debt | 1,084,72 | 836,719 |
| Gearing Ratio - total debt/(total equity and debt) | 8.03% | 28.50% |

AUB has entered into a binding commitment letter with Goldman Sachs to obtain a syndicated debt facility of \$650m. The facility will be executed just before completion of the Tysers acquisition. The facility is fully underwritten by Goldman Sachs.

f. Put Option

AUB Group Limited has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to AUB Group Limited, refer Note 20.

Other than shown on Note 14, at balance date no liability has arisen in relation to these arrangements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

17 ISSUED CAPITAL

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Issued Capital opening balance | 266,659 | 258,947 |
| Issued Capital under dividend reinvestment plan | – | 2,108 |
| Issue of shares* | 341,861 | 5,604 |
| Issued Capital closing balance | 608,520 | 266,659 |

| | Shares No. | Shares No. |
|--|------------|------------|
| Number of Shares on Issue (ordinary shares fully paid) | 92,409,126 | 74,403,507 |

Movements in number of shares on issue

| | | |
|---|------------|------------|
| Beginning of the financial year | 74,403,507 | 73,818,757 |
| Number of shares issued during period - dividend reinvestment plan | – | 138,835 |
| Issue of shares* | 17,950,069 | 428,566 |
| Number of shares issued during period - options exercised on 1 March 2021 | – | 17,349 |
| Number of shares issued during period - options exercised on 11 November 2021 | 55,550 | – |
| Total Shares on Issue | 92,409,126 | 74,403,507 |
| Weighted average number of shares on issue at end of the year | 76,545,637 | 74,265,626 |

* On 9 May 2022 AUB announced a \$350m fully underwritten capital raise as a partial funding mechanism of the Tysers acquisition (refer to Note 20 for further information). 17,950,069 ordinary shares were issued at \$19.50 (including a 10.6% discount to the Theoretical Ex-Rights Rights (TERP)) in a 1 for 5.2 pro-rated accelerated non-renounceable entitlement offer. Both the institutional and retail components of the capital raise were completed by 1 June 2022. \$7.92m of capital raising costs have been directly charged to equity.

Ordinary shares have the right to receive dividends and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary share capital is recognised at the fair value of the consideration received by the company, net of issue costs.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

18 SHARE-BASED PAYMENT PLANS

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

An Employee Performance Share Rights Plan is in place which provides benefits to executive directors and senior executives through the issue of both Performance Share Rights (PSRs) and Share Appreciation Rights (SARs). The performance hurdles relating to PSRs (previously referred to as Performance options) issued in previous periods remain unchanged.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Details of the methodology to value of PSRs is included below.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AUB Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. It is included in Note 4(d) Expenses.

The Share Based Payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

18 SHARE-BASED PAYMENT PLANS (CONTINUED)

For PSRs vesting based on earnings per share hurdles, no expense is recognised for awards that do not ultimately vest, except for awards that are cancelled or where vesting is only conditional upon a market condition.

For PSRs issued based on Total Shareholder Return (TSR) hurdles, an expense is recognised irrespective of the Group meeting market expectations.

In the event PSRs are cancelled, or cancelled and reissued, the unexpensed cost for these is brought forward and recognised immediately in addition to the expense for any reissued/new PSRs.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured, at the date of modification.

The dilutive effect, if any, of outstanding PSRs is reflected as additional share dilution in the computation of earnings per share (see Note 6).

The number of options outstanding is represented by:

| Financial year Grants issued | As at 30 June 2020 | lapsed during FY21 | exercised during FY21 | Granted during FY21 | As at 30 June 2021 | lapsed during FY22 | exercised during FY22 | Granted during FY22* | As at 30 June 2022 | Grant date | Earliest exercise date | Valuation \$ |
|---|--------------------|--------------------|-----------------------|---------------------|--------------------|--------------------|-----------------------|----------------------|--------------------|------------|------------------------|--------------|
| 2017 | 26,081 | (17,473) | (8,608) | – | – | – | – | – | – | 23-Nov-15 | 24-Jan-20 | 8.99 |
| 2018 | 42,327 | (8,741) | – | – | 33,586 | (6,077) | (27,509) | – | – | 07-Apr-16 | 23-Nov-20 | 11.83 |
| 2019 | 32,914 | – | – | – | 32,914 | – | (28,041) | – | 4,873 | 08-Dec-16 | 31-Oct-21 | 10.72 |
| 2020 | 101,219 | – | – | – | 101,219 | – | – | – | 101,219 | 24-Jan-17 | 31-Aug-22 | 9.37 |
| 2020 | 200,000 | – | – | – | 200,000 | – | – | – | 200,000 | 23-Nov-17 | 31-Aug-24 | 8.91 |
| 2021 | – | – | – | 125,688 | 125,688 | – | – | 38,748 | 164,436 | 31-Oct-18 | 31-Aug-23 | 11.27 |
| 2022 | – | – | – | – | – | – | – | 144,879 | 144,879 | 13-Nov-21 | 31-Aug-24 | 18.02 |
| | 402,541 | (26,214) | (8,608) | 125,688 | 493,407 | (6,077) | (55,550) | 183,627 | 615,407 | | | |
| Share Appreciation Rights (SARs's) | | | | | | | | | | | | |
| 2022 | – | – | – | – | – | – | – | 1,016,776 | 1,016,776 | 11-Nov-21 | 31-Aug-26 | 3.79 |

* 38,748 PSRs granted in relation to FY21 (incorrectly not issued in November 20) to other senior executives with similar hurdles as PSRs granted in the previous year.

The weighted average exercise price for all PSRs exercised in FY22 and FY21 was \$NIL.

The fair value per SAR at grant is calculated at \$3.79 using the Black-Scholes formula.

All PSRs lapsed during FY21 and FY22 were due to vesting conditions not being met.

The weighted average remaining contractual life for the PSRs outstanding at 30 June 2022 is 6.32 years (30 June 2021: 6.06 years).

Vesting conditions for PSRs

The following option exercise conditions apply to all PSRs issued.

60% of PSRs issued are subject to either the compound annual growth rate (CAGR) or average annual growth rate (AAGR) hurdle set out in Part (b) below (EPS PSRs). 40% of PSRs issued are subject to the total shareholder return hurdle set out in Part (e) and (f) below (TSR PSRs)

Subject to satisfaction of the performance based conditions referred to in paragraphs (a), (b) and (c) below, the EPS PSRs will vest 3 years after the date of grant;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

18 SHARE-BASED PAYMENT PLANS (CONTINUED)

(a) Earnings Per Share Growth hurdles are as follows:

| Issued before 1 July 2019 | | Issued in FY20 | | Issued in FY21 and FY22 | |
|---------------------------|----------------------|-------------------|----------------------|-------------------------|----------------------|
| CAGR EPS outcomes | EPS vesting outcomes | AAGR EPS outcomes | EPS vesting outcomes | AAGR EPS outcomes | EPS vesting outcomes |
| less than 4% | NIL | less than 5% | NIL | less than 5% | NIL |
| 4% | 25% | 5% | 50% | 5% | 50% |
| 4-7% | 25%- 50% | 5%-7% | 50% - 100% | 5%-10% | 50%- 100% |
| 7% | 50% | 7% or more | 100% | 10% or more | 100% |
| 7-10% | 50%-100% | | | | |
| 10% or more | 100% | | | | |

- (b) For all PSRs issued before 1 July 2019, if all of the PSRs do not become exercisable on the First Test Date and the Second Test Date Compound Growth is higher than the First Test Compound Growth then an additional number of PSRs will become exercisable as is equal to the difference between the number of PSRs which became exercisable under paragraph (b) and the number of PSRs which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);

For PSRs issued after 1 July 2019, there is no retest if PSRs do not vest after 3 years performance hurdle period and any unvested PSRs will lapse.

- (c) Performance Period - 200,000 CEO 5 year PSRs – The performance hurdles for the 5 year PSRs are the same as the 3 year PSRs except the vesting period is 5 years. One third of the PSRs will be tested over a 3 year performance period (three year test date). To the extent that any PSRs satisfy the performance hurdles at this point, they will remain on foot and will vest and become exercisable following the end of the 5 year performance period, subject to the CEO's continued employment with the Company (subject to the cessation of employment provisions included in his contract); and

The remaining two thirds of the PSRs, and any PSRs that did not satisfy the performance hurdles at the 3 year test date, will be tested over the full 5 year performance period.

- (d) For the purposes of calculating the CAGR or AAGR, an underlying form of earnings per share will be utilised (Underlying EPS) being, in respect of any financial year, the consolidated net profit after tax of the Company for that year excluding fair value adjustments to the carrying values of associates, profit on sale of entities and assets or deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles (Underlying NPAT) divided by the weighted average number of shares on issue during the financial year. Other adjustments to the Underlying NPAT calculation may be made in limited circumstances where the Board considers it to be appropriate.

Subject to satisfaction of the performance based conditions referred to in paragraphs (f) below, the TSR Options will vest 3 years (5 years for item (d) above) after the date of grant;

(e) TSR hurdles are as follows:

Hurdles for TSRs issued after 1 July 2019

Less than 50th percentile of the Comparator Group, 0% of the Options will become exercisable.

50th percentile of the Comparator Group, 50% of the Options will become exercisable.

Between 50th percentile and 75th percentile of the comparator Group, straight line satisfaction of the performance hurdle between 50% and 100% of the options will become exercisable.

75th percentile of the Comparator Group or higher, 100% of the Options will become exercisable.

TSR Options will be measured by comparing the TSR of the Company with the TSRs of the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (Comparator Group) as adjusted by the Board, as at the beginning of each financial year.

This may include, but is not limited to, removing entities in a particular sector or entities affected by takeovers, mergers or de-mergers

There are no outstanding PSRs issued before 1 July 2019. All pre 1 July 2019 PSR's have either vested in previous years or have lapsed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

18 SHARE-BASED PAYMENT PLANS (CONTINUED)

Share Appreciation Rights (SARs)

The SARs have five-year performance period which is intentionally longer than the 3 year performance period for other performance options granted under the LTI Plan. Additionally there is a further post exercise holding lock of two years which is designed to act as an additional mechanism with executives having additional AUB Group equity ownership.

SARs will be tested against a CAGR of the EPS of the Company during the five-year performance period covering 1 July 21 to 30 June 2026.

Vested SARs

Vesting will require stretch performance exceeding regular LTI plan maximum, as well as peer LTI maximum, together with 5 years of ongoing employment from 1 July 2021.

The Board, at its discretion, may determine to make an equivalent value cash payment in lieu of an allocation of Shares. The vesting date, conversion price and the portion of SARs to vest and convert may be changed at the Board's discretion.

Shares allocated on the vesting and conversion of SARs are subject to the terms of AUB Group's Share Trading Policy and carry full dividend and voting rights upon allocation.

SARs will automatically vest and convert into Shares if the vesting conditions have been satisfied, expected to be on or around 31 August 2026. Vested SARs will be converted to shares in AUB Group Limited based on the formula below.

There is no conversion price or exercise price payable for the conversion of any vested SARs.

Vesting is conditional on meeting performance targets in line with table below

| Achieving a CAGR of Underlying EPS of | Vesting outcomes of SARs |
|---------------------------------------|---|
| Less than 12% | 0% |
| Greater than 12% but less than 14% | Pro rata straight line vesting between 25% and 100% |
| 14% or more | 100% |

If the vesting conditions are satisfied, the SARs will convert into that number of Shares based on the following formula:

$$\text{Number of vested SARs} \times \frac{(\text{Conversion Price} - \text{Initial VWAP})}{(\text{Conversion Price})}$$

Where:

- Number of vested SARs means the number of SARs that vested after the EPS calculation has been undertaken at the end of the 5 year performance period.
- Conversion Price means the VWAP of the Shares traded on the ASX over the 60 trading days prior to 30 June 2026.
- Initial VWAP means \$20.33, being the VWAP of the Shares traded on the ASX over the 60 trading days prior to 1 July 2021 (the first day of the Performance Period).
- The base underlying EPS at 30 June 2021 was 87.93 cents per share.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

19. PARENT ENTITY INFORMATION

The parent company's summary financials are presented below:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | 176,673 | 20,889 |
| Current Assets | 131,632 | 100,315 |
| Non-current Assets | 436,961 | 444,367 |
| Total Assets | 745,266 | 565,571 |
| LIABILITIES | | |
| Current Liabilities | 9,054 | 15,159 |
| Non-current Liabilities - Interest bearing loans and borrowings | – | 181,880 |
| Total Liabilities | 9,054 | 197,039 |
| NET ASSETS | 736,212 | 368,532 |
| EQUITY | | |
| Issued capital | 608,520 | 266,659 |
| Reserves | 12,641 | 10,139 |
| Retained earnings | 115,051 | 91,734 |
| TOTAL SHAREHOLDERS EQUITY | 736,212 | 368,532 |
| Profit for the year before income tax | 62,010 | 92,160 |
| Income tax (expense)/credit | 2,985 | (4,346) |
| Net profit after tax for the year | 64,995 | 87,814 |
| Other comprehensive (expense)/income after income tax for the year | (140) | – |
| Total comprehensive income after tax for the year | 64,855 | 87,814 |
| Other information | | |
| Guarantees entered into by the parent entity in relation to the debts of its controlled entities or associates: | | |
| AUB Group Limited has guaranteed loan facilities provided to controlled entities and associates in proportion to its shareholding | – | 6,445 |
| AUB Group Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding | 16,745 | 3,556 |
| Total Guarantees | 16,745 | 10,001 |

Contingent liabilities

AUB Group Limited has provided indemnities to other shareholders of related entities and associates in relation to guarantees given by those shareholders, to financiers of or lessors to entities in which AUB Group Limited has an equity interest. We have assessed the impact of COVID-19 on our associates' and controlled entities' liquidity positions and noted no significant deterioration. At balance date no liability has arisen in relation to these indemnities.

AUB Group Limited has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to AUB Group Limited.

AUB has also entered into a binding agreement to purchase 100% of Tysers for GBP 500m. Refer Note 20 for further detail.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

20 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are presented below:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Commitments - Group excluding AASB 16 Lease Liabilities | | |
| - Not later than one year* | 706,608 | 1,134 |
| - Later than one year and not later than five years | 204 | 222 |
| - Later than five years | – | – |
| | 706,812 | 1,356 |
| Commitments - Associate excluding AASB 16 Lease Liabilities | | |
| - Not later than one year | 68 | 251 |
| - Later than one year and not later than five years | 116 | 138 |
| - Later than five years | – | – |
| | 184 | 389 |
| Contingent liabilities | | |
| Estimates of the maximum amounts of contingent liabilities that may become payable: | | |
| AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding. | 3,598 | 5,184 |
| AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding. | 234 | 132 |
| Contingent liabilities on committed transactions** | 196,553 | – |
| | 200,385 | 5,316 |

* AUB has entered into a binding agreement to purchase 100% of Tysers for GBP500m (GBP100m to be settled in AUB shares). The acquisition will complete subject to some customary conditions and regulatory approvals. AUB will fund the acquisition through its recent capital raise of \$350m (Refer to Note 17), private placement with the vendors of \$176m in AUB issued shares (escrowed until 24 months post completion) and committed Syndicated Debt facility of \$675m with an accordion facility to fund the potential deferred consideration. The upfront cash component of the purchase price and certain costs associated with the syndicated debt raising are payable on completion and are included within the table above.

** The Tysers acquisition described above includes certain transaction costs contingent on completion of the deal, as well as a contingent payment of GBP100m subject to Tysers meeting revenue growth hurdles within 24 months of completion.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

21 AUDITORS' REMUNERATION

The Group's payments to audit firms are presented below:

| | Consolidated | |
|---|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Amounts received or due to Ernst & Young (Australia and NZ) for: | | |
| Audit of the financial statements of Group and its Controlled entities | 1,395,804 | 1,118,612 |
| Other statutory assurance services | 156,072 | 145,761 |
| Other assurance related services | 58,000 | – |
| Total audit services | 1,609,876 | 1,264,373 |
| <i>Non-audit services</i> | | |
| Taxation advice | – | – |
| Taxation compliance services | 158,271 | 184,393 |
| Consulting services | 38,000 | – |
| Total non-audit services | 196,271 | 184,393 |
| Total services provided by Ernst & Young | 1,806,147 | 1,448,766 |
| Amounts received or due to non Ernst & Young audit firms for: | | |
| Audit and review of financial statements | 280,645 | 237,561 |
| Other statutory assurance services | 20,716 | 49,382 |
| Other assurance related services | – | – |
| Total audit services | 301,361 | 286,943 |
| <i>Non-audit services</i> | | |
| Taxation advice | – | – |
| Taxation compliance services | 26,669 | 20,985 |
| Other consulting services | 3,030 | – |
| Total non-audit services | 29,699 | 20,985 |
| Total services provided by other auditors | 331,060 | 307,928 |
| Total Auditors' remuneration | 2,137,331 | 1,756,694 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

22 RELATED PARTY DISCLOSURES

a) Details of Key Management Personnel (KMP)

The directors of the company in office throughout the year and until the date of signing this report are:

| | |
|---------------|---|
| D. C. Clarke | Chairman (non-executive) |
| R. J. Carless | Director (non-executive) (retired 31 August 2021) |
| P. G. Harmer | Director (non-executive) (appointed 22 July 2021) |
| P. A. Lahiff | Director (non-executive) |
| R. J. Low | Director (non-executive) |
| C. L. Rogers | Director (non-executive) |

The following persons were the executives with the greatest authority for the planning, directing and controlling the activities of the consolidated entity during the financial year:

| | |
|---------------|--------------------------------------|
| M.P.C. Emmett | Director and Chief Executive Officer |
| M. Shanahan | Chief Financial Officer |

b) There are no loans outstanding owing by KMP at 30 June 2022 (2021: NIL)

c) Compensation of KMP's by Category

| | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Salary, fees and short-term incentives | 3,753,969 | 3,203,531 |
| Post employment benefits | 112,112 | 112,305 |
| Other long-term benefits | — | — |
| Termination benefits | — | — |
| Share-based Payments | 1,718,365 | 948,563 |
| Total | 5,584,446 | 4,264,399 |

d) STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year. The 2022 amounts have been approved by the Remuneration Committee.

e) The following related party transactions occurred during the year:

i) Transactions with related parties in parent, controlled entities and associates

1. Entities within the Consolidated Group charge associates management fees for expenses incurred and services rendered. Refer to Note 4.
2. Entities within the Consolidated Group provide funds to other related entities within the Group. These funds are interest bearing, excluding small working capital advances, and are repayable on demand. See Note 11 for amounts receivable from related parties and Note 14 for payables to related parties.

These transactions are at normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

22 RELATED PARTY DISCLOSURES (CONTINUED)

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Entities within the Consolidated Group have advanced funds to other related parties | | |
| Associates | 11,682,895 | 904,913 |
| Related persons/Companies – Trust distribution | 1,817,877 | 1,671,227 |
| Related persons/Companies – Shareholder Loan | 1,472,274 | 1,930,977 |

ii) Transactions with other related parties

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Other payables - related parties | | |
| Associates | 1,129,651 | 862,244 |
| Related persons/Companies – Trust distribution | 8,115,125 | 791,482 |
| Related persons/Companies – Shareholder Loan | – | – |

Entities within the Consolidated Group provide Shareholder loans to enable key employees to buy into the business (as part of the Group's strategy to retain key employees). These loans are payable back within 5 years, are fully securitised on the shares of the company, and mechanisms for repayments include garnishing rights over associated dividends.

These transactions are at normal commercial terms and conditions.

A member of the Group Executive, K. McIvor, has a 10.7% (2021 10.7%) interest in the voting shares of a controlled entity, AUB Group NZ Limited.

iii) Transactions with directors and director-related entities.

Entities within the Consolidated Group receive fees for arranging insurance cover for directors and /or director related entities. These transactions are at normal commercial terms and conditions.

Other than disclosed above and in Notes 22(b) and 22(c), there were no other transactions with director or director related entities.

23 SUBSEQUENT EVENTS

AUB has entered into a binding agreement to purchase 100% of Tysers for GBP 500m, with a potential further contingent consideration of GBP 100m subject to meeting revenue growth hurdles.

The acquisition will complete subject to some customary conditions and regulatory approvals.

AUB will fund the acquisition through its recent capital raise of \$350m, a private placement with the vendors of \$176m in AUB issued shares (escrowed until 24 months post completion) and committed Syndicated Debt facility of \$675m with an accordion feature to fund the potential deferred consideration.

Effective 1 July 2022, Austbrokers Corporate Pty Ltd (AUC), a controlled entity of the Group acquired 100% of SRS Broking Pty Ltd. AUC partially funded the acquisition by issuing shares, resulting in AUB diluting its ownership in AUC by 20% to 80%.

Effective 1 July 2022, AUB acquired an additional 10.7% of AUB Group NZ Limited, increasing its shareholding to 100%.

On 29 July 2022, the Group disposed of its 50% investment in SRG Group Pty Ltd.

On 24 August 2021, the Directors of AUB Group Limited declared a final dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$35.1m which represents a fully franked dividend of 38.0 cents per share. The dividend has not been provided for in the 30 June 2022 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

24 OTHER POLICIES

Other Policies

For the basis of preparation, significant accounting policies, and changes to accounting refer to Note 2.

For accounting policies on material balances refer to notes above.

Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when it is:

- expected to be realised, or intended to be sold, or consumed in the normal operating cycle;
- expected to be realised within twelve months after the reporting period;
- held primarily for the purpose of trading; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other assets and liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Deferred revenue from contracts with customers

Revenue from broking and agency activities are partially (1%, 2021: 1%) deferred for premium settlement and claims handling services (1.5%, 2021: 1.5%) and cancellations (5%, 2021: 5%). The amount of deferral is based on historic data (on time and cost such activities) adjusted for any forward looking anticipated changes, and margin on service of a standalone service (based on available external data). The revenue is recognised over time, generally 90 days for premium settlement, and within 12 months for claims handling.

Dividends Received

The Group recognises Dividends received within the Consolidated Statement of Cash Flows as cash from operating activities. The Group's strategy involves investing into other businesses (see Note 7). Cash flows from the Group's investment in associates is derived in the form of dividends received. As the Group intends to hold such businesses for the long term, dividends from associates represents operating cash flows from the Group's equity investments. The parent actively monitors dividend payout ratios compared to net profits generated by each business in which the parent has a direct investment.

Employee benefits

Liabilities for employee entitlements to annual leave and other current entitlements are accrued at amounts calculated on the basis of current wage and salary rates, including package costs and on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities for employee entitlements to long service leave, which are not expected to be settled within twelve months after balance date, are accrued at the present value of the future amounts to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and periods of service. The discount factor applied to all such future payments is determined using the corporate bond rates attaching as at the reporting date, with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Any contributions made to the accumulated superannuation funds by entities within the Group are charged against profits when due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

24 OTHER POLICIES (CONTINUED)

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date.

The income and expenses of foreign operations are translated to Australian dollars at exchange rates on the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve, in equity. If the foreign operation is not a wholly owned controlled entity then the relevant proportion of the translation difference is allocated to non-controlling interests.

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Leases

The Group has entered into leases for premises, car parking and fixed assets for varying periods of up to seven years. The lease contracts are recognised on the balance sheet at commencement of the lease, with the exception of short-term leases not exceeding 12 months and leases of low-value assets. The Group applied practical expedients and the exemptions to short-term leases and low-value underlying assets available in the accounting standard.

Pursuant to some of its lease agreements, the Group has the option to renew the lease for a period of up to ten years. The Group has no restrictions placed upon the lessee by entering into these leases. The Group applies judgement and considers all relevant factors in assessing whether it is reasonably certain to exercise an option. This assessment is performed periodically, and when the Group is reasonably certain to exercise an option to extend the duration of a lease, that option is then taken into account in calculating or recalculating the right-of-use asset and lease liability.

Where the Group sub leases a premises, it derecognises the Right of Use asset and immediately recognising a Lease Net Investment asset representing the net present value of all future net cash flows expected from the sub lease. Any gain or loss is charged against profit and loss.

Make Good Provision

Current lease durations range from less than 1 year to 10 years. Make good payments will only be made at the end of the lease.

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling existing fit outs, repainting of premises and carpet replacement where necessary.

The calculation of this provision requires assumptions such as future labour costs. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision recognised for each premises is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimates of future costs are recognised in the Consolidated Statement of Financial Position by adjusting both the expense or asset and the provision.

Non-controlling Interests

This is measured at their proportionate share of the identifiable net assets and proportion of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

24 OTHER POLICIES (CONTINUED)

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Property, plant and equipment

Property, plant and equipment, is stated at cost less depreciation and any impairment in value.

Depreciation is calculated on a straight-line over the estimated useful life of the asset as follows:

Motor vehicles: 5 to 8 years;

Plant and equipment: 5 to 10 years.

Impairment

The carrying value of property, plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to their recoverable amount.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

24 OTHER POLICIES (CONTINUED)

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

- Recognise as an operating expense over the term of the service contract:
 - Fee for use of application software;
 - Support and maintenance services;
 - Program/Project management;
 - Integration; and
 - Customisation costs.
- Recognise as an operating expense as the service is received (as considered distinct services):
 - Configuration costs
 - Data conversion and migration costs
 - Testing costs; and
 - Training costs.

Other Reserves

Other Reserves include cash flow hedge reserve and fair value reserve of financial assets at fair value through Other Comprehensive Income.

The Group uses derivative financial instruments to hedge its risks associated with foreign currency rate fluctuations. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Amounts taken to other comprehensive income are transferred out of other comprehensive income and reclassified to profit or loss when the hedged cash flows affect profit or loss. Hedge accounting is discontinued prospectively when a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting.

The fair value reserve of financial assets at fair value through Other Comprehensive Income is used to record remeasurements of equity investments held at fair value through other comprehensive income. When an investment is sold or disposed of, the related balance in the reserve is transferred to a separate component of equity.

25.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation are the same as those adopted in prior years except for new and amended accounting standards which came into effect on 1 July 2021.

The 30 June 2022 financial statements, and respective notes to the financial statements have been prepared in accordance with the new and amended accounting standards. The accounting policies in the notes below have also been updated to reflect the new and amended accounting standards in effect during the year.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2021:

- AASB 2020-8 Amendments to AASs – Interest Rate benchmark Reform – Phase 2;
- AASB 2021-3 Amendments to AASs – COVID-19-Related Rent Concessions beyond 30 June 2021;
- AASB 2020-5 Amendments to AASs – Insurance Contracts; and
- AASB 2020-3 Amendments to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle).

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

25.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Group in this Financial Report. The new standards and amendments (noted below), when applied in future periods, are not expected to have a material impact on the financial position of the Group.

- AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- AASB 17 Insurance Contracts;
- AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework;
- AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current;
- AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use;
- AASB 2020-3 Amendment to AASB 141 – Taxation in Fair Value Measurements (Part of Annual Improvements 2018–2020 Cycle);
- AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract;
- AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates.

DIRECTORS' DECLARATION

YEAR ENDED 30 JUNE 2022

In accordance with a resolution of the directors of AUB Group Limited, we state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date;
 - ii. complying with Australian Accounting Standard (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.1; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year 30 June 2022.

On behalf of the Board



D.C. Clarke
Chair

Sydney, 24 August 2022



M. P. C. Emmett
Chief Executive Officer and Managing Director

Sydney, 24 August 2022

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Members of AUB Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AUB Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



Impairment assessment of goodwill, insurance broking registers and investment in associates

Financial report reference: Notes 2, 7, 8, 12 and 13

| Why significant | How our audit addressed the key audit matter |
|--|---|
| <p>At 30 June 2022, the Group's statement of financial position includes goodwill, insurance broking registers and investment in associates totalling \$869 million, representing 53% of total assets. The Group recognised an additional \$160 million of goodwill and \$18 million of insurance broking registers arising from business acquisitions during the year.</p> <p>In assessing the recoverability of goodwill, insurance broking registers and investment in associates, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present. This was a key audit matter as the determination of whether or not goodwill, insurance broker registers and investment in associates are impaired, involves complex and significant judgments by the Group about the future results of relevant parts of the business.</p> <p>As disclosed within Note 13 to the financial statements, the Group's impairment assessment involves significant judgments and estimates including:</p> <ul style="list-style-type: none"> ▶ Determination of Cash Generating Units ('CGUs') ▶ Applicable Revenue and Earnings Before Interest and Tax (EBIT) multiples ▶ Discount rates, terminal growth rates as well as revenue and expense assumptions within Discounted Cashflow (DCF) models, where required. ▶ Stress testing of key assumptions. <p>The Group has more than 50 individual CGUs that operate in a number of industries within the insurance broking and underwriting sector in Australia and New Zealand as well as the provision of support services. Economic and entity specific factors are incorporated into the EBIT multiples or DCFs used in the impairment assessments.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We assessed the CGUs and confirmed their use in the impairment model, based on our understanding of the nature of the Group's business and management's internal reporting. ▶ We assessed the determination of the initial recognition of goodwill and intangible assets arising from business combinations during the year. ▶ We evaluated the Group's process regarding impairment assessments of goodwill, insurance broking registers and investment in associates and the determination of any asset impairment outcomes. ▶ We evaluated the competence, capabilities and objectivity of management's expert who advised management on EBIT multiples across the Group's operating segments, geographical regions, and CGUs. ▶ We involved EY valuation specialists to assist in assessing the appropriateness of the impairment models including key inputs into the models such as the applicable EBIT multiples and discount rates used in the current year impairment calculations. ▶ We tested the mathematical accuracy of the impairment models and agreed relevant data back to management's forecasts, audited year end results and other supporting documentation. ▶ We assessed the reasonableness of the estimated useful life attributed to identifiable insurance broking register intangible assets. ▶ We assessed the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to an impairment. ▶ We assessed the adequacy of the disclosures associated with the impairment assessment in Note 13 to the financial report. |

INDEPENDENT AUDITOR'S REPORT



Decentralised operations

Financial report reference: Notes 2.1, 8 and 9

| Why significant | How our audit addressed the key audit matter |
|--|--|
| <p>The Group comprises more than 80 subsidiaries and associates ('components') with operations in Australia and New Zealand.</p> <p>This was a key audit matter as the individual components are wide ranging in size with each business operation having different customer profiles and products. The decentralised and varied nature of these operations require significant oversight by the Group to monitor the activities, review component financial reporting and undertake the Group consolidation procedures.</p> <p>The financial reports of a large number of controlled entities and associates are audited by component auditors other than EY and therefore the assessment of the adequacy of the procedures performed by other auditors was significant to the audit.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none">▶ We assessed the effectiveness of relevant controls over the Group's decentralised structure, including monitoring controls at the Group, segment and individual component level which are focused on key performance metrics and risk reporting.▶ We planned and scoped our audit by size and risk across all components of the Group to determine the extent of audit work to be undertaken for each component. Instructions were sent to all component auditors including specific instructions asking them to consider those risks assessed as significant to the Group.▶ We received audit clearance and supporting documentation from all EY and Non-EY audited components. For components we identified as significant entities and a rotational sample of smaller components, we liaised directly with the component audit teams to evaluate the adequacy of the auditor's work, through review of:<ul style="list-style-type: none">▶ underlying audit work;▶ the scoping of key audit areas;▶ planning and execution of audit procedures, significant areas of estimation and judgment; and▶ audit findings.▶ We analysed the financial information of all components. Procedures included discussions with Group management about the components' financial performance, and an assessment as to whether there was any matters arising that required explanation or additional procedures. |

Information other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 48 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Michael Wright
Partner
Sydney
24 August 2022

Ernst & Young

Stacey Hooper
Partner
Sydney
24 August 2022

ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2022

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 29 July 2022.

A. DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital

- 92,409,126 fully paid ordinary shares are held by 2,878 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.

Performance Share Rights (PSRs)

- 615,407 PSRs are held by 8 individual holders. PSRs do not carry a right to vote.

Share Appreciation Rights (SARs)

- 1,016,776 SARs are held by 3 individual holders. SARs do not carry a right to vote.

There is no current on-market buy-back.

The number of security holders, by size of holding, in each class are:

| Range of shareholding | Number of shareholders | Fully paid ordinary shares | Fully paid ordinary shares (%) |
|---------------------------------------|------------------------|----------------------------|--------------------------------|
| 100,001 and over | 23 | 85,171,701 | 92% |
| 10,001 – 100,000 | 131 | 3,587,308 | 4% |
| 5,001 – 10,000 | 159 | 1,160,328 | 1% |
| 1,001 – 5,000 | 811 | 1,928,680 | 2% |
| 1 – 1,000 | 1,754 | 561,109 | 1% |
| | 2,878 | 92,409,126 | 100% |
| Holding less than a marketable parcel | 194 | | |

The number of PSRs and SARs holders, by size of holding, in each class are:

| Range of holding | Holders of PSRs | Number of PSRs | % of PSRs | Holders of SARs | Number of SARs | % of SARs |
|------------------|-----------------|----------------|-----------|-----------------|----------------|-----------|
| 100,001 and over | 1 | 408,101 | 66% | 3 | 1,016,776 | 100% |
| 10,001 – 100,000 | 3 | 197,909 | 32% | – | – | – |
| 5,001 – 10,000 | 1 | 7,692 | 1% | – | – | – |
| 1,001 – 5,000 | – | – | – | – | – | – |
| 1 – 1,000 | 3 | 1,705 | 1% | – | – | – |
| | 8 | 615,407 | 100% | 3 | 1,016,776 | 100% |

B. SUBSTANTIAL SHAREHOLDERS

The following organisations have disclosed a substantial shareholding notice to ASX.

| | Date of Notice | Number | Fully Paid Percentage |
|----------------------------------|----------------|-----------|-----------------------|
| Challenger Limited | 10 March 2022 | 5,903,204 | 7.93% |
| Greencape Capital Pty Limited | 14 March 2022 | 5,628,039 | 7.56% |
| Norges Bank | 7 July 2022 | 4,857,453 | 5.26% |
| The Capital Group Companies, Inc | 27 April 2022 | 3,726,876 | 5.01% |

ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2022

C. TWENTY LARGEST HOLDERS OF ORDINARY SHARES

| Ordinary shareholders | Number | Fully paid Percentage |
|--|------------|-----------------------|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 29,278,132 | 31.68% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 23,004,649 | 24.89% |
| CITICORP NOMINEES PTY LIMITED | 15,785,687 | 17.08% |
| NATIONAL NOMINEES LIMITED | 5,271,205 | 5.70% |
| BNP PARIBAS NOMINEES PTY LTD | 5,227,737 | 5.66% |
| AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED | 2,378,330 | 2.57% |
| WASHINGTON H SOUL PATTINSON & COMPANY LIMITED | 1,535,643 | 1.66% |
| MASFEN SECURITIES LIMITED | 567,174 | 0.61% |
| MIRRABOOKA INVESTMENTS LIMITED | 541,920 | 0.59% |
| NEWECONOMY COM AU NOMINEES PTY LIMITED | 393,748 | 0.43% |
| NETWEALTH INVESTMENTS LIMITED | 310,070 | 0.34% |
| MRS GAELEEN ENID ROUVRAY | 236,723 | 0.26% |
| DCRM PTY LTD | 210,669 | 0.23% |
| GOTTLIEB PTY LTD | 210,669 | 0.23% |
| BOND STREET CUSTODIANS LIMITED | 199,704 | 0.22% |
| INVIA CUSTODIAN PTY LIMITED | 196,428 | 0.21% |
| MARKEY INVESTMENTS PTY LTD | 148,709 | 0.16% |
| MR STEPHEN SPENCE ROUVRAY | 147,805 | 0.16% |
| PACIFIC CUSTODIANS PTY LIMITED | 116,120 | 0.13% |
| MR GENNARO BITTI & MRS GWEN BITTI | 110,033 | 0.12% |
| | 85,871,155 | 92.93% |

DIVIDEND DETAILS

YEAR ENDED 30 JUNE 2022

DIVIDEND DETAILS

| Dividend | Amount | Franking | Ex Date | Record Date | Payment Date |
|----------|--------|---------------|-----------|-------------|--------------|
| Interim | 17.0c | Fully Franked | 1/03/2022 | 2/03/2022 | 4/04/2022 |
| Final | 38.0c | Fully Franked | 7/09/2022 | 8/09/2022 | 7/10/2022 |

CORPORATE INFORMATION

This annual report covers the consolidated entity comprising AUB Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD(\$).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' report on pages 12-14.

DIRECTORS

D. C. Clarke (Chair)
M. P. C. Emmett (Chief Executive Officer and Managing Director)
P. G. Harmer
P. A. Lahiff
R. J. Low
C. L. Rogers

COMPANY SECRETARIES

R. H. Bell
E. M. McGregor

ANNUAL GENERAL MEETING

The Annual General Meeting of AUB Group Limited will be held on Thursday 3rd of November 2022 at 10.00am.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

AUB Group Limited

Level 14, 141 Walker Street
North Sydney NSW 2060

P: + 61 2 9935 2222
W: www.aubgroup.com.au

ACN: 000 000 715

SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

P: 1800 194 270
W: www.linkmarketservices.com.au

AUB Group Limited shares are listed on the Australian Securities Exchange (ASX: AUB)

AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000

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www.aubgroup.com.au