



# 2020 Notice of Annual General Meeting

Date: **Wednesday 10 June 2020**

Time: **11.00am Sydney time**

Venue: **Via online platform at <https://agmlive.link/SIQ20>**

# Letter from the Chairman

6 May 2020

Dear Shareholders

On behalf of the Directors of Smartgroup Corporation Ltd (**Smartgroup**), I am pleased to invite you to participate in the 2020 Annual General Meeting (**AGM**) of Smartgroup.

In light of the COVID-19 pandemic and restrictions on indoor gatherings, the AGM will be held via online platform only. The online AGM will be held at 11.00am on Wednesday 10 June 2020 (Sydney time). Shareholders will be able to participate in our AGM by:

- joining the AGM in real time via our online platform at <https://agmlive.link/SIQ20> and watching presentations given during the AGM by me, our CEO and Managing Director Tim Looi, and the Directors standing for re-election at the AGM;
- asking questions of the Board and our external auditor:
  - before the AGM, using the AGM Question Form enclosed with the Notice of Meeting or by lodging questions online at <https://www.linkmarketservices.com.au>; and/or
  - during the AGM via the online platform; and
- voting on the resolutions to be considered at the AGM either by lodging the enclosed Voting Form before the AGM or by direct voting during the online meeting,

or by a combination of these steps.

Further details of how to participate in the online meeting are set out in the attached Notice of Meeting and in the Online Meeting Guide that accompanies it. The Online Meeting Guide includes details of how to ensure your browser is compatible with the online platform, and a step-by-step guide to logging in, navigating the site, and asking questions and voting at the online AGM.

Thank you for your continued support of Smartgroup during this period.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Carapiet', with a long horizontal flourish extending to the right.

**Michael Carapiet**  
**Chairman**

# Smartgroup Corporation Ltd ACN 126 266 831

## Notice of Annual General Meeting

Notice is given that the 2020 Annual General Meeting (**AGM**) of Shareholders of Smartgroup Corporation Ltd ACN 126 266 831 (**Company**) will be held via an online platform at <https://agmlive.link/SIQ20> on Wednesday 10 June 2020 at 11:00am (Sydney time) for the purpose of transacting the business set out in this notice (**Notice of Meeting**).

The Explanatory Notes and the Voting Form accompanying this Notice of Meeting are incorporated in, and comprise part of, this Notice of Meeting.

The business of the meeting is to consider the Company's financial statements and reports for the financial year ended 31 December 2019 and then to consider four Resolutions for which Shareholder approval is sought. Details of each of these items are set out below.

### Consideration of financial statements and reports

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To receive and consider the 2019 Annual Report, the Directors' Report and the Auditor's Report of the Company for the financial year ended 31 December 2019.

The 2019 Annual Report, which includes the Directors' Report and Auditor's Report for the financial year ended 31 December 2019, is available on the Company's website, [www.smartgroup.com.au](http://www.smartgroup.com.au).

As part of the consideration of the financial statements and reports, Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the management of the Company.

The Company's Auditor will also attend the AGM via the online platform and will be available to respond to questions from Shareholders relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

This item of business does not require Shareholders to vote on a resolution or adopt the received reports.

### Resolutions for approval

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#### 1. Remuneration Report

To consider and, if thought fit, to pass the following Resolution as a non-binding ordinary resolution:

*"That the Remuneration Report of the Company for the year ended 31 December 2019 be adopted and approved."*

Note: the Remuneration Report is set out at pages 37 to 50 of the 2019 Annual Report, available at [www.smartgroup.com.au](http://www.smartgroup.com.au). In accordance with section 250R(3) of the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company.

**2. Re-election of Director – Ms Deborah Homewood**

To consider, and if thought fit, to pass the following Resolution as an ordinary resolution:

*"That Ms Deborah Homewood, who retires in accordance with the Company's constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company."*

**3. Re-election of Director – Mr John Prendiville**

To consider, and if thought fit, to pass the following Resolution as an ordinary resolution:

*"That Mr John Prendiville, who retires in accordance with the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

**4. Approval to issue Shares to Mr Timothy Looi**

To consider, and if thought fit, to pass the following Resolution as an ordinary resolution:

*"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 670,392 Shares to Mr Timothy Looi, the Company's Managing Director and Chief Executive Officer, under the Company's Loan Funded Share Plan and otherwise on the terms and conditions outlined in the Explanatory Notes."*

Note: Pursuant to Listing Rule 7.2, exception 14, if this Resolution is passed as an ordinary resolution under Listing Rule 10.14, Shareholder approval is not required under Listing Rule 7.1.

By order of the Board  
6 May 2020



**Sophie MacIntosh**  
**Chief Legal Officer and Company Secretary**

## **Voting Exclusion Statements**

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### **Resolution 1 - Remuneration Report**

In accordance with section 250R(4) of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of:

- a member of the KMP, details of whose remuneration are included in the Remuneration Report for the year ended 31 December 2019; or
- a Closely Related Party of such a member.

However, in accordance with section 250BD(1) of the Corporations Act, a person described above may cast a vote on Resolution 1 if:

- the vote is cast by such person (including where such person is the Chair) as proxy for a person who is permitted to vote, and the appointment of the proxy specifies how the proxy is to vote on Resolution 1; or
- the vote is cast by the Chair as proxy for a person who is permitted to vote, and the appointment of the Chair as proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

### **Resolution 4 - Approval to issue Shares to Mr Timothy Looi**

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Timothy Looi or any associate of Mr Timothy Looi. However, this does not apply to a vote cast in favour of Resolution 4 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- the Chair as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the Chair to vote on Resolution 4 as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and
  - the Shareholder votes on Resolution 4 in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250R(4) of the Corporations Act, a vote on Resolution 4 must not be cast (in any capacity) by or on behalf of either Mr Timothy Looi or a Closely Related Party of Mr Timothy Looi.

In addition, in accordance with section 250BD(1) of the Corporations Act, a vote on Resolution 4 must not be cast by or on behalf of a member of the KMP or a Closely Related Party of a member of the KMP as a proxy unless:

- the vote is cast by such person (including where such person is the Chair) as proxy for a person who is permitted to vote, and the appointment of the proxy specifies how the proxy is to vote on Resolution 4; or

- the vote is cast by the Chair as proxy for a person who is permitted to vote, and the appointment of the Chair as proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

## Information for Shareholders

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### No attendance at physical venue

Shareholders will not be able to attend the AGM at a physical venue. Shareholders will be able to participate in our AGM:

- by joining an online meeting in real time via our online platform at <https://agmlive.link/SIQ20>;
- by asking questions of the Board or our external auditor:
  - before the AGM using the AGM Question Form enclosed with the notice of meeting, or by lodging questions online at <https://www.linkmarketservices.com.au>; or
  - during the AGM via the online platform; and
- by voting on the resolutions to be considered at the AGM either by lodging the enclosed Voting Form before the AGM or by direct voting during the online meeting,

or by a combination of these steps. Further details of how to join the online meeting, how to ask questions and how to vote are set out below.

### Online meeting

The online meeting will take place at 11.00am on Wednesday 10 June 2020. Shareholders may join the online meeting at <https://agmlive.link/SIQ20>. Shareholders who join the online meeting will have the opportunity to:

- watch presentations to be given by the Chairman and the CEO and Managing Director, and short presentations from the two Directors standing for re-election at the AGM;
- ask questions online of the Board and the external auditor;
- hear responses to questions asked online during the AGM and before the AGM using the AGM Question Form or online lodgement (see further information below under the heading Shareholder Questions); and
- cast a direct vote on the resolutions to be considered at the AGM (but only where those Shareholders have not cast a valid direct vote or proxy vote before the AGM – see further information below).

Further details of how to participate in the online meeting are set out in the Online Meeting Guide that accompanies this Notice. The Online Meeting Guide includes details on how to ensure your browser is compatible with the online platform, and a step-by-step guide to logging in, navigating the site and asking questions and voting at the meeting.

### Voting on resolutions to be considered at the AGM

The following section sets out important information about how Shareholders can vote on the resolutions to be considered at the AGM.

### Voting entitlements

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Sydney time) on Monday 8 June 2020 (**Effective Time**), will be entitled to attend and vote on the resolutions to be considered at the AGM as a Shareholder.

### ***Voting by poll***

Voting on each of the Resolutions being proposed at the AGM will be conducted by a poll, rather than on a show of hands.

### ***Direct voting***

In accordance with clause 9.22 of the Company's Constitution, the Directors have:

- determined that a Shareholder who is entitled to vote on a Resolution at the AGM is entitled to a direct vote in respect of that Resolution;
- approved the use of the real-time online platform provided by the Company's Share Registry, Link Market Services Limited, as a means of delivering a direct vote; and
- approved rules governing direct voting (the **Smartgroup Direct Voting Rules**), a copy of which is available on the Company's website [www.smartgroup.com.au](http://www.smartgroup.com.au) under the Investors tab.

Any Shareholder who submits a direct vote agrees to be bound by the Smartgroup Direct Voting Rules.

#### ***Direct voting before the AGM***

In accordance with clause 9.22 of the Company's Constitution, Shareholders may vote directly on the Resolutions to be considered at the AGM.

Shareholders who wish to exercise a direct vote before the AGM should lodge a Voting Form by no later than **11.00 am (Sydney time) on Monday 8 June 2020**. Details of how to lodge your Voting Form are set out in the section below headed How to Submit Voting Forms.

Shareholders who do not lodge a valid Voting Form by this time will only be able to vote at the AGM by lodging a direct vote at the AGM in the manner described below.

Shareholders who wish to exercise a direct vote before the AGM should ensure that they tick box A on the Voting Form. If you tick box A to lodge a direct vote, you are voting directly on each Resolution and are not appointing a proxy to vote on your behalf. If you wish to appoint a proxy, please tick box B on the Voting Form and follow the instructions below under the heading Appointment of Proxies.

Shareholders lodging a direct vote may include in the Voting Form the number of shares to be voted for or against any Resolution by inserting the percentage or number of shares to be voted in each manner. If no percentage or share number is inserted, a voting direction will be taken to apply to all shares held by the Shareholder. If any Shareholder purports to vote more than their total number of shares, excess votes will be disregarded.

#### ***Direct voting at the AGM***

Shareholders who wish to vote at the AGM using the online platform will have the opportunity to lodge a direct vote on the Resolutions to be considered at the AGM at any time between the commencement of the AGM and the close of voting at the AGM as announced by the Chairman during the AGM.

**Shareholders who have cast a vote on a Resolution before the AGM by lodging a valid Voting Form will not be entitled to lodge a further direct vote on that Resolution at the AGM.**

More information about how to use the online platform for direct voting is provided in the Online Platform Guide. Shareholders using the online platform may vote all or part of their



holdings on each Resolution in accordance with the instructions in the Online Platform Guide. If you intend to use the online platform to submit a direct vote during the AGM, we suggest that you check that the online platform works on your device well in advance of the AGM. Further instructions are provided in the Online Platform Guide.

As there will be no physical meeting, direct voting will be the only way in which Shareholders can vote during the AGM.

### ***Appointment of proxies***

All Shareholders as at the Effective Time who are entitled to attend and vote at the AGM may appoint a proxy for that purpose. A proxy need not be a Shareholder. If you wish to appoint a proxy for this AGM, please use the Voting Form sent to you with this Notice and tick box B.

If you are entitled to cast two or more votes at this AGM, you may appoint two proxies and you may specify the proportion or number of votes that each proxy is entitled to exercise. If you do not specify the proportion or number of votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional proxy form will be supplied by the Company on request.

In the case of an individual, a proxy must be under the hand of the individual or his or her attorney who has been authorised in writing. In the case of a corporation, a proxy must be executed by the corporation under common seal or under the hand of its authorised officer or officers or attorney.

The Chair will vote undirected and available proxies in favour of each of the Resolutions to be considered at the AGM. If you appoint the Chair as your proxy using the Voting Form provided, and you do not direct your proxy how to vote on Resolutions 1 or 4 then by submitting your Voting Form you will be expressly authorising the Chair to exercise your proxy on the relevant Resolutions, even though the Resolutions are connected, directly or indirectly, with the remuneration of members of the KMP.

### **How to submit Voting Forms**

To be valid for use at the AGM, Voting Forms must be received by the Company by no later than **11.00 am (Sydney time) on Monday 8 June 2020** at the Company's Share Registry:

- by delivering in person - Link Market Services Limited:
  - 1A Homebush Bay Drive, Rhodes NSW; **OR**
  - Level 12, 680 George Street, Sydney NSW;
- by post - using the Reply Paid envelope addressed Smartgroup Corporation Ltd, C/- Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235;
- by facsimile - to Link Market Services on (02) 9287 0309;
- online – by logging on to the Link Market Services website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions on the Voting Form; or
- by scanning the QR code on the back of the Voting Form using a mobile device.

If a Voting Form is signed under a power of attorney, it must be accompanied by the original power of attorney under which the Voting Form is signed, or a certified copy of that power of attorney.

## **Shareholder questions**

Shareholders who are unable to attend the online meeting, or who may prefer to register questions in advance, are invited to do so. Please log onto [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) select Voting then click "Ask a Question", or alternatively submit the enclosed AGM Question Form.

To allow time to collate questions and prepare answers, please submit any questions by **5.00pm Sydney time on Wednesday 3 June 2020**. Questions will be collated and, during the AGM, the Chairman will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to Shareholders.

## **Covid-19 Response**

In the lead up to the AGM, the Company is closely monitoring the impact of the COVID-19 virus in Australia, Government guidelines issued in response to the COVID-19 virus, and the response of regulators, including ASIC. If it becomes necessary or appropriate to make further changes to the arrangements for the holding of the AGM, we will ensure that Shareholders are given as much notice as reasonably possible. If arrangements for the AGM change, further information will be made available at <http://ir.smartgroup.com.au/investors/>.

## Explanatory Notes

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These Explanatory Notes have been prepared for the information of Shareholders in connection with the Resolutions to be considered at the Annual General Meeting to be held via the online platform at <https://agmlive.link/SIQ20> on Wednesday 10 June 2020 at 11:00am (Sydney time). These Explanatory Notes form part of the Notice and should be read together with the Notice.

### Resolution 1 – Remuneration Report

Pursuant to section 250(R) of the Corporations Act, at the annual general meeting of a listed company, that company must propose a resolution that the remuneration report be adopted.

The purpose of Resolution 1 is to lay before the Shareholders the Remuneration Report so that Shareholders may ask questions about or make comments on the management of the Company in accordance with the requirements of the Corporations Act and vote on an advisory and non-binding resolution to adopt the Remuneration Report.

The Board will consider the outcome of the vote of Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Remuneration Report is contained within the 2019 Annual Report. You may view the 2019 Annual Report at the Company's website, [www.smartgroup.com.au](http://www.smartgroup.com.au).

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on this Resolution at the Meeting are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the Meeting, the Company's remuneration report for the financial year ending 31 December 2020 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at the Company's 2021 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the Company's 2021 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has been unanimously been adopted by a resolution of the Board. The Directors have resolved in favour of the Remuneration Report and recommend it to Shareholders for adoption.

### **Directors' recommendation**

*The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.*

### Resolution 2 – Re-election of Director – Ms Deborah Homewood

Ms Deborah Homewood retires in accordance with the Constitution. Being eligible, Ms Homewood offers herself for re-election as a Director. Resolution 2 seeks Shareholder approval of the re-election of Ms Homewood.

Ms Homewood's appointment as a Director commenced on 9 May 2016. Ms Homewood was last elected as a Director at the annual general meeting held on 3 May 2017. Ms Homewood has confirmed to the Company that she continues to have sufficient time to fulfil her responsibilities as a Director.

Ms Homewood is a member of the Human Resources and Remuneration Committee and the IT and Innovation Committee. The Board considers Ms Homewood to be an independent Director.

Ms Homewood completed her registered nurse training at St Andrews Hospital in Queensland, and holds a Masters of Management from Macquarie Graduate School of Management. Ms Homewood has many years of management experience in various sectors, including retail, the medical industry and communications. She is currently Managing Director of MAX Solutions, which provides employment, disability and training services in suburban and regional areas across Australia. Prior to that, Ms Homewood was CEO for Pacnet, Australia and New Zealand, an Asian-headquartered telecommunications carrier where she also held other senior roles including Vice President Sales, South Asia. Ms Homewood is a current member of Chief Executive Women, and chaired the Membership Committee of that organisation from 2010 to 2012.

The Board believes that Ms Homewood's senior executive experience, her knowledge of the healthcare, employment, disability and training sectors, and her human resources, remuneration, sales and communications skills bring significant benefits to the Board and the Committees of which Ms Homewood is a member. The Board therefore supports Ms Homewood's re-election.

#### ***Directors' recommendation***

*The Directors, with Deborah Homewood abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.*

#### **Resolution 3: Re-election of Director – Mr John Prendiville**

Mr John Prendiville retires in accordance with the Constitution. Being eligible, Mr Prendiville offers himself for re-election as a Director. Resolution 3 seeks Shareholder approval of the re-election of Mr Prendiville.

Mr Prendiville was first appointed as a Director on 18 February 2014. Mr Prendiville was last re-elected as a Director at the annual general meeting held on 3 May 2017. Mr Prendiville has confirmed to the Company that he continues to have sufficient time to fulfil his responsibilities as a Director.

Mr Prendiville is Chairman of the Audit and Risk Committee and a member of the Human Resources and Remuneration Committee. The Board considers Mr Prendiville to be an independent Director.

Mr Prendiville holds a Bachelor of Science (Hons in Astrophysics) from the Royal Military College, Duntroon, and Master of Business Administration from the University of Western Australia and the Institute for International Finance in Japan. He is currently a Director and a member of the Audit and Risk Committee of the University of Notre Dame. Mr Prendiville is also a material shareholder and director of 1300 Australia Pty Limited, a provider of telecommunication services to the SME space, and GetCapital Pty Limited, a rapidly growing provider of finance to the SME space in Australia. Previously Mr Prendiville held numerous senior roles at Macquarie Group, where he worked for 20 years until his departure in 2011.

The Board believes that Mr Prendiville's senior executive experience, his deep knowledge of the financial services sector, and his financial, accounting, risk management, remuneration

and people management skills bring significant benefits to the Board, the Audit and Risk Committee which Mr Prendiville chairs, and the Human Resources and Remuneration Committee of which Mr Prendiville is a member. The Board therefore supports Mr Prendiville's re-election.

### ***Directors' recommendation***

*The Directors, with John Prendiville abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.*

## **Resolution 4: Approval to issue Shares to Mr Timothy Looi**

### ***Background***

Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 10.14 for the issue of the LFSP Shares to Mr Timothy Looi, the Company's Chief Executive Officer and Managing Director, under the Loan Funded Share Plan (**LFSP**) as described in this Notice.

### ***ASX Listing Rule 10.14***

ASX Listing Rule 10.14.1 provides that an entity must not permit a director of the entity or an associate of a director of the entity to acquire securities under an employee incentive scheme without the approval of Shareholders.

The LFSP is an employee incentive scheme for the purposes of the ASX Listing Rules. Mr Looi is a Director and accordingly, Shareholder approval for the acquisition of the LFSP Shares by Mr Looi is required under ASX Listing Rule 10.14.

In accordance with ASX Listing Rule 10.15.9, a summary of the material terms of the LFSP is attached as Appendix A.

### ***Details of shares to be issued and loan to be made to Mr Looi***

If Shareholders approve Resolution 4:

- Mr Looi will be issued the LFSP Shares, being 670,392 Shares;
- the Board has resolved to issue the LFSP Shares to Mr Looi on the second business day after the AGM, and in any event, no later than 12 months after the AGM;
- the issue price of each LFSP Share to be issued to Mr Looi will be the 20-day volume weighted average price of Shares traded on ASX up to and including the Trading Day which falls on the date of the AGM (**Issue Price**); and
- in accordance with the terms of the LFSP, the Company will loan to Mr Looi an amount equal to 670,392 multiplied by the Issue Price to fund the purchase of the LFSP Shares.

A summary of the material terms of the loan to be made to Mr Looi is set out below.

### ***Other terms on which the LFSP Shares will be issued to Mr Looi***

The LFSP Shares vest over three years subject to the satisfaction of the Vesting Conditions, which are set out in more detail below, under the headings "EPS performance hurdle", "TSR performance hurdle" and "Continuous employment condition". Once vested, the LFSP Shares remain restricted until Mr Looi repays the loan. Mr Looi may repay the loan at any time after the LFSP Shares have vested up until the end of year five (when the loan becomes repayable).

The Board believes that an equity-based long-term incentive plan is important to ensure an appropriate part of the executive's reward is linked to generating long-term returns for Shareholders. In addition, the Board considers the Vesting Conditions for the proposed issue of LFSP Shares to Mr Looi to be appropriate.

If the Vesting Conditions are not satisfied, or if the Board determines that they cannot be satisfied, Mr Looi will forfeit his unvested LFSP Shares unless the Board exercises its discretion to permit those LFSP Shares to vest in accordance with the terms of the LFSP rules.

#### *EPS performance hurdle*

The Earnings Per Share (**EPS**) performance hurdle applies to 75% of the total number of LFSP Shares that may vest at the end of the Vesting Period.

In determining underlying net profit after tax, significant or exceptional non-repeating items that are not relevant to the long-term performance of the Company including acquisition or defence advisory related costs will be excluded at the discretion of the Board.

The following method is used to calculate the EPS performance hurdle. It is based on the achievement of target Compound Annual Growth Rate (**CAGR**) in EPS over a 3-year period ending on 31 December 2022 measured on the Company's underlying net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles (**NPATA**). Based on the 2019 NPATA of \$81.0m, EPS for 2019 is \$0.615.

<b>EPS PERFORMANCE HURDLE</b> <i>Applies to a maximum of 75% of the total number of LFSP Shares</i>				
Measure	Vesting Period	EPS CAGR	EPS Target	LFSP Shares subject to vesting (expressed as percentage of 75% of the total number of LFSP Shares)
EPS CAGR	3 calendar years ending 31 December 2022*	Below 5.0%		Nil
		5.0%	\$0.712	50%
		Between 5.0% and 10%		Straight line from 50% to 100%
		10.0% or more	\$0.819	100% (capped)

*\*Or such other date on which the Board makes a determination as to whether the Vesting Condition has been met.*

#### *TSR performance hurdle*

The Total Shareholder Return (**TSR**) performance hurdle applies to 25% of the total number of LFSP Shares that may vest at the end of the Vesting Period.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. Each of the companies in the S&P/ASX 200 Index will be ranked from highest to lowest based on their TSR over the performance measurement period (which is the same as the Vesting Period). For the purpose of calculating the TSR measurement, the relevant share prices will be determined by reference to the volume weighted average share price over the 20 trading days up to and including 1 January 2020 (performance measurement period start date) and 20 trading days up to and including the performance measurement period end date.

Accordingly, the TSR performance hurdle is based on the TSR performance (ranking) of the Company as determined over the performance measurement period (ie. Vesting Period) compared to the TSR of companies in the S&P/ASX 200 Index.

<b>TSR PERFORMANCE HURDLE</b> <i>Applies to a maximum of 25% of the total number of LFSP Shares</i>			
<b>Measure</b>	<b>Vesting Period</b>	<b>Smartgroup TSR performance compared to Index</b>	<b>LFSP Shares subject to vesting (expressed as percentage of 25% of the total number of LFSP Shares)</b>
Relative TSR (ranking)	3 calendar years ending 31 December 2022*	0 to 49 <sup>th</sup> percentile	Nil
		50 <sup>th</sup> percentile	50%
		51 <sup>st</sup> to 74 <sup>th</sup> percentile	Straight line between 50% and 100%
		75 <sup>th</sup> to 100 <sup>th</sup> percentile	100%

*\*Or such other date on which the Board makes a determination as to whether the Vesting Condition has been met.*

#### *Continuous employment condition*

Mr Looi must be continuously employed by the Company on the vesting date (or such other date on which the Board makes a determination as to whether the Vesting Conditions have been met).

#### *Forfeiture conditions*

In addition to the Vesting Conditions, the LFSP Shares are also subject to the Forfeiture Conditions. In summary, a holder of Shares issued under the LFSP (including these LFSP Shares) will forfeit them if the holder does not satisfy the relevant vesting conditions or if they cease employment with the Company and are deemed to be a 'Bad Leaver' (including any vested Shares). The Board has discretion to determine that some or all of the LFSP Shares may vest in appropriate circumstances. The LFSP Shares are restricted until the end of the Vesting Period and until the loan has been repaid.

#### **Grant value**

Mr Looi's long-term incentive (**LTI**) opportunity is \$600,000, representing 88.2% of his total fixed remuneration for 2020, being \$680,000. The number of LFSP Shares to be granted to Mr Looi, representing his total LTI opportunity, has been determined by dividing the LTI grant value by \$0.895, being the fair value of an LFSP Share as at 11 February 2020, the time the 2020 grant allocations were determined for all participants under the LFSP.

#### **Material terms of loan to be made to Mr Looi**

The LFSP provides a five year limited recourse, interest-free and fee-free loan from the Company for the sole purpose of acquiring the LFSP Shares. Once vested, the LFSP Shares remain restricted until Mr Looi repays the loan. Mr Looi may repay the loan at any time after the LFSP Shares have vested up until the end of year five (when the loan becomes repayable).

Any dividend paid on the LFSP Shares while the LFSP Shares are restricted is applied (on an after-tax basis) towards repaying the outstanding loan. The balance of the dividend (if any)

will be paid directly to the Shareholder (in this case Mr Looi) to fund his tax liability on the dividends received.

Following the satisfaction of the Vesting Conditions, Mr Looi can dispose of the LFSP Shares on repayment of any outstanding loan balance.

As this is a limited-recourse loan, if the value of the LFSP Shares is less than the outstanding loan balance at the end of the loan period, the Company will only have recourse to the cash proceeds received by Mr Looi from a disposal of the LFSP Shares issued to him and the after-tax amount in respect of a cash dividend or a capital distribution received by the borrower in respect of those Shares in accordance with the LFSP.

#### ***Other information required under ASX Listing Rule 10.15***

The following information is provided to Shareholders for the purposes of ASX Listing Rule 10.15.

##### *Total remuneration package*

Mr Looi's current total remuneration package comprises:

- a fixed salary of \$680,000 per annum inclusive of superannuation;
- participation in the Smartgroup Short Term Incentive Plan with a maximum full year payment of \$350,000 inclusive of superannuation; and
- long term incentives to be granted under the LFSP to a value of \$600,000 for the 2020 year, subject to Shareholder approval and subject to the achievement of the performance hurdles described in this Notice of Meeting.

The amount of any future grant to Mr Looi under the LFSP is at the discretion of the Board.

##### *Shares previously issued to Mr Looi under the LFSP*

The following Shares have previously been issued to Mr Looi under the LFSP. All previous issues occurred before Mr Looi was appointed as a Director.

<b>Date</b>	<b>Number of Shares</b>	<b>Acquisition price</b>
18 March 2015	309,735	\$1.60
18 March 2016	128,458	\$4.42
17 March 2017	124,792	\$6.39
28 March 2018	157,068	\$10.89
20 March 2019	191,824	\$8.46

##### *Publication of details of Shares issued under the LFSP*

Details of any Shares issued to Mr Looi under the LFSP will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.

##### *Other persons covered by ASX Listing Rule 10.14*

Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the LFSP after Resolution 4 is approved and who were not



named in this Notice of Meeting will not participate until approval is obtained under that Listing Rule.

As at the date of this Notice of Meeting none of the Directors other than Mr Looi is entitled to participate in the LFSP as non-executive Directors are excluded from the operation of the LFSP.

### ***Other considerations***

#### ***ASX Listing Rule 7.1***

ASX Listing Rule 7.1 provides that without the approval of the holders its ordinary securities, an entity must not issue or agree to issue equity securities, which amount to more than 15% of its issued share capital in any rolling 12-month period. However, ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. Exception 14 of ASX Listing Rule 7.2 provides that, if an issue of shares is made with the approval of the holders of the entity's ordinary securities under Listing Rule 10.14 then approval is not required under Listing Rule 7.1.

Shareholder approval is sought under Listing Rule 10.14 for this Resolution 4. If this Resolution is passed, the issue of the LFSP Shares to Mr Looi will fall under an exception to, and is not included in the 15% calculation of, the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### ***Corporations Act – treatment of remuneration matters***

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to a related party unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 211 of the Corporations Act provides an exception to the provisions of Chapter 2E of the Corporations Act will occur where the financial benefit is given to the related party as an officer of the company and to give the remuneration would be reasonable given the circumstances of the company and the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue of the LFSP Shares to Mr Looi to be reasonable remuneration for a company of the size and nature of the Company and, as such, falls within the exception set out in section 211 of the Corporations Act.

### ***Directors' interest in the outcome of this Resolution***

Other than Mr Looi, no other Director has an interest in the outcome of Resolution 4.

### ***Directors' recommendation***

*The Directors, with Timothy Looi abstaining, unanimously recommend that Shareholders vote in favour of Resolution 4.*

## Glossary

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**2019 Annual Report** means the financial report of the Company (and any relevant controlled entities) for the year ended 31 December 2019.

**AGM** means the 2020 annual general meeting of the Shareholders.

**AGM Question Form** means the form for asking questions in advance of the AGM accompanying this Notice.

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

**Auditor** means PriceWaterhouseCoopers.

**Auditor's Report** means the report of the Auditor regarding its audit of the Company and its controlled entities which accompanies the 2019 Annual Report.

**Australian Securities Exchange** or **ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

**Board** means the board of Directors.

**Chair** means the chair of the Meeting.

**Closely Related Party** means, in relation to a member of the KMP, any of the following:

- a spouse, child or dependent of the member;
- a child or dependant of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this Notice of Meeting, no additional persons have been prescribed by regulation).

**Company** means Smartgroup Corporation Limited ACN 126 266 831.

**Constitution** means the constitution of the Company.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Directors** mean the directors of the Company and **Director** means any of them.

**Directors' Report** means the report of the Directors which forms part of the 2019 Annual Report.

**Explanatory Notes** means these explanatory notes that accompany, and are incorporated as part of, this Notice of Meeting.

**Forfeiture Conditions** means the forfeiture conditions applicable to the LFSP Shares.

**Key Management Personnel** or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity of which the Company forms part, directly or indirectly, including the Directors and certain senior executives.

**LFSP Shares** means the 670,392 Shares proposed to be issued to Mr Timothy Looi in accordance with the LFSP, and for which Shareholder approval is sought under Resolution 4.

**Loan Funded Share Plan** or **LFSP** means the Company's loan funded share plan, pursuant to which Shares in the Company are acquired by eligible employees using a loan made to them by the Company.

**Notice of Meeting** or **Notice** means this notice of meeting relating to the AGM.

**Online Platform Guide** means the document of the same name accompanying this Notice and which is also available on the Company's website [www.smartgroup.com.au](http://www.smartgroup.com.au) under the Investors tab.

**Remuneration Report** means the remuneration report of the Company that forms part of the Directors' Report.

**Resolution** means a resolution set out in this Notice of Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares as shown on the register of members of the Company as at 7:00pm on Monday 8 June 2020.

**Trading Days** has the meaning given to this term in the ASX Listing Rules.

**Vesting Conditions** means the vesting conditions applicable to the LFSP Shares.

**Vesting Period** means the period of 3 calendar years ending 31 December 2022 (or such other date on which the Board makes a determination as to whether the Vesting Condition has been met).

**Voting Form** means the voting form accompanying this Notice, which permits Shareholders either to exercise a direct vote on the Resolutions, or to appoint a proxy to vote on behalf of the Shareholder on the Resolutions in accordance with the directions on the Voting Form.

## **Appendix A – Summary of the terms of the LFSP**

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### **Eligibility**

Full-time and part-time employees and executives of the Company or any of its subsidiaries (**Participants**), who are selected by the Board, will be eligible to participate in the LFSP. For the avoidance of doubt this does not extend to associates. Offers of Shares under the LFSP are economically equivalent to an award of options.

### **Administration and Board discretion**

The Board administers the LFSP, and it may delegate some or all of its powers and functions under the LFSP to a person or to a committee of two or more persons.

The Board may add to, repeal, amend, alter or vary any or all of the provisions of the LFSP rules (including with retrospective effect) in writing in any respect whatsoever, including the rights or obligations of the Participant, provided that no addition, repeal, amendment, alteration or variation of the LFSP terms will:

- without the Participant's consent in writing, materially reduce the Participant's accrued benefits or entitlements as they existed before the date of the amendment;
- without the Participant's consent in writing, impose additional obligations on the Participant in respect of his or her LFSP Shares;
- repeal, amend, alter or vary these protections,

unless the addition, repeal, amendment, alteration or variation is introduced primarily:

- for the purpose of complying with or conforming to present or future laws or regulating the maintenance or operation of the LFSP or like plans, including any relevant tax legislation;
- to correct any manifest error or mistake; or
- to enable the LFSP or the Company to comply with the Corporations Act, the Listing Rules or its Constitution.

### **Invitation**

Participants may purchase a specified number of Shares which are subject to restrictions to be determined by the Board. An invitation may only be made if approved by the Board. It must be in writing and must be made in accordance with the LFSP rules.

### **Transaction costs**

The Company may, but is not required to, bear all brokerage, commission or other transaction costs payable by a Participant in relation to acquisition of Shares under the LFSP.

### **Conditions**

The Board may determine that Shares to be granted to Participants will be subject to:

- 'Vesting Conditions'; and
- 'Forfeiture Conditions',

which must be detailed in the invitations made to Participants.

The nature and content of the 'Vesting Conditions' are determined by the Board and may include conditions relating to any or all of:

- continuing employment;
- performance of the Participant;
- performance of the Company; or
- the occurrence of specific events.

Unless determined otherwise by the Board, while Shares are held by a Participant under the LFSP, they are subject to forfeiture if any of the following 'Forfeiture Conditions' are satisfied:

- if the Participant breaches any term of the loan agreement between the Participant and the Company;
- if the Participant ceases employment, but only in certain circumstances set out in the rules of the LFSP; or
- if, in the opinion of the Board, any of the Vesting Conditions have not been or cannot be satisfied for any reason.

If the applicable 'Vesting Conditions' are satisfied, the Participant will be permitted to retain those Shares which have vested provided they repay the loan owing on those Shares. The Board may waive any or all of the Forfeiture Conditions.

On cessation of employment, the Board will have absolute discretion to determine whether the Participant is a 'Bad Leaver', a 'Good Leaver' or 'Leaver'. Together with the Vesting Conditions and Forfeiture Conditions, each of these classifications will have differing implications on whether, for example, a Participant unvested LFSP Shares, vested LFSP Shares and the terms of the Loan which applies to the LFSP Shares.

### **Loan terms**

Participants will be invited to purchase Shares using loan funds under the loan agreement with the Company (**Loan**).

The Board may determine the value of the Loan that will be provided to Participant to facilitate the acquisition of the LFSP Shares, or the means by which that value will be calculated and shall state the value or means of calculation of the Loan value in the invitation from the Board.

A Participant who accepts a Loan irrevocably authorises the Company to apply the Loan funds on behalf of the Participant in payment of the total cost of the LFSP Shares to be acquired.

The Loan must always be repaid if the Participant wishes to benefit from the Shares. Participants only benefit from growth in share price.

The Loans to be made under the LFSP will be:

- limited recourse in nature, meaning that if the market value of the Shares is less than the loan value at the end of the term of the Loan, the Participant cannot be forced to repay the remaining Loan balance out of their own funds;
- interest-free and fee free; and
- repayable in full on the earlier of the termination date of the Loan (5 years from the date it is made) or the date on which the Shares are sold in accordance with the terms of the rules of the LFSP.

In the event that the Vesting Conditions are not met, or Shares do not vest for any other reason, the Shares may be bought-back by the Company and the proceeds used to repay the Loan, such that the Participant receives no gain from the LFSP.

### **Dividends and voting rights**

A Participant is entitled to any rights which accrue (including voting rights and dividends) to LFSP Shares held by the Participant and may deal with those rights in accordance with the terms of the LFSP rules and the invitation from the Board in relation to those LFSP Shares.

If the Company pays dividends or make capital distributions, the after-tax value of any dividends paid or distributions made to a Participant will be applied to repay the Loan. The balance (ie the estimated value of the tax payable by the Participant on the dividend or distribution) is paid to the Participant to allow them to fund their tax liability on the dividend or distribution.

### **Transferability and dealings**

A Participant must not sell, transfer, encumber or otherwise deal with a LFSP Shares unless otherwise permitted under the LFSP or determined by the Board.

At the end of the vesting period and subject to continuous employment, Participants can dispose of their Shares on repayment of any outstanding Loan balance.

### **Capital reconstruction**

In the event of a capital reconstruction, subject to any provisions in the Listing Rules, the Board may adjust the number of LFSP Shares held by a Participant.

The Board may determine that LFSP Shares held by a Participant may be bought-back (in accordance with the requirements of the Constitution and the Corporations Act) in certain circumstances.