



For personal use only

## 2018 Notice of Annual General Meeting

10.30am Tuesday 14 May 2019

Registration from 9.30am



## How to get to Tower One, International Towers, Watermans Quay, Barangaroo

### By car

The following parking stations are located nearby:

Wilson Parking - Barangaroo Reserve

Secure Parking - King Street Wharf

### By Taxi

A taxi zone (drop-off/pick-up only) is located outside our entrance on Watermans Quay. There is also a taxi zone on Barangaroo Avenue (at the western end of Tower One).

The nearest taxi rank is currently on Shelley Street, near the Macquarie Group building.

### By Train

From Wynyard Station, follow the signs to Exit 4 and take the Wynyard Walk tunnel. Exit at Napoleon Plaza and turn right to walk over the Napoleon Bridge (crossing over Sussex Street). Take the escalator down to Shipwrights Walk - PwC can be found in One International Tower with entry on the right-hand side of Shipwrights Walk (past the Shirt Bar).

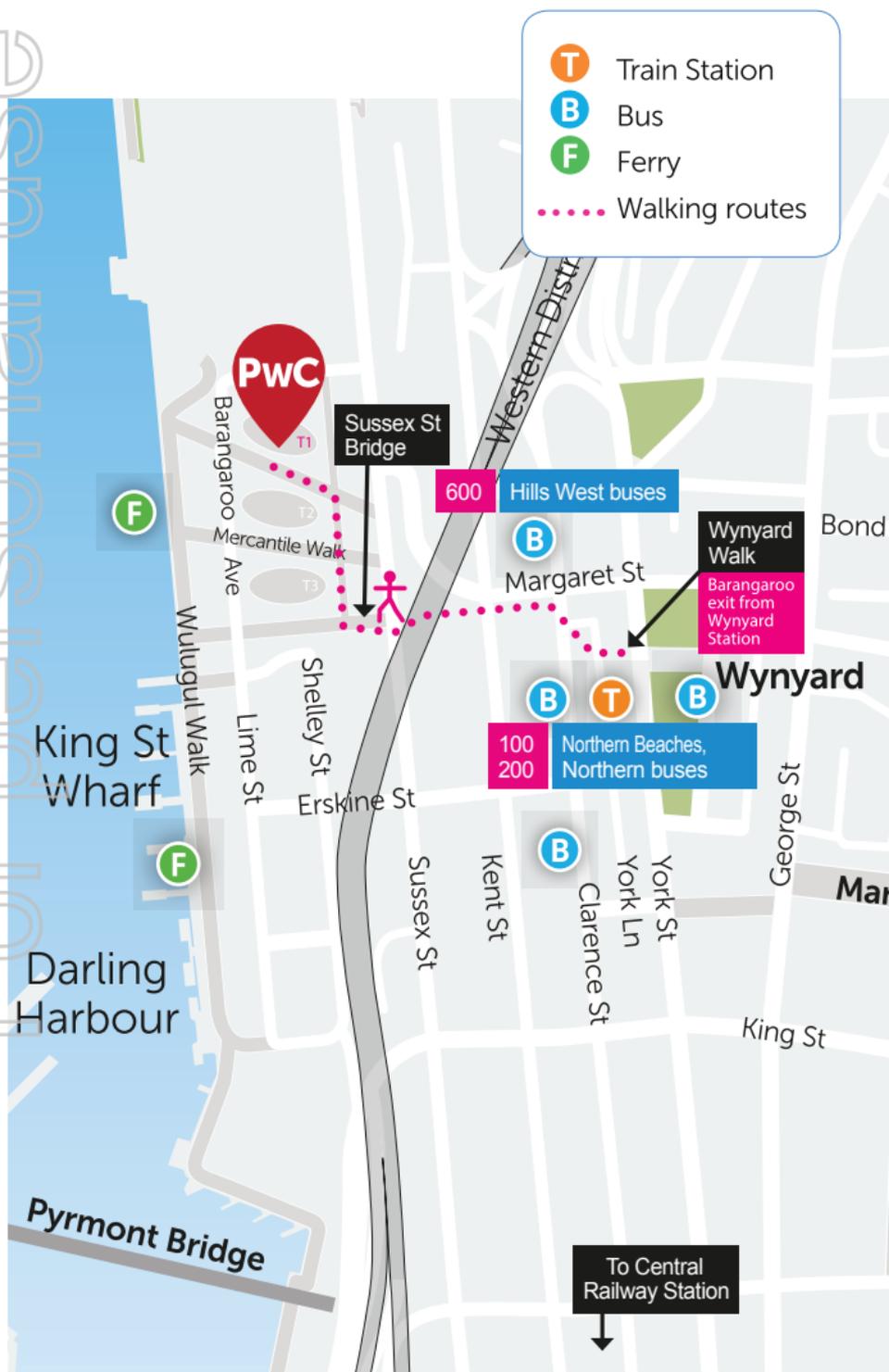
For those with limited mobility, you can take an elevator from the eastern end of Napoleon Bridge down to Sussex Street. Cross at the traffic lights and make your way up the ramp (under the escalator) to enter Shipwrights Walk.

## By Bus

Bus services can take you directly to Barangaroo. Routes 311, 324 and 325 travel to Hickson Road from Town Hall. The Wynyard Bus Interchange is also a short walk away - arrive and depart from York, Clarence and Kent Streets, after a short walk along Margaret or Erskine Streets, or via the Wynyard Walk tunnel from Wynyard train station.

## By Ferry

The Barangaroo Wharf is also a short walk away.



# Committed to growth strategies

Dear Shareholder

I am pleased to invite you to InvoCare's 2018 Annual General Meeting (AGM) to be held at 10.30am on Tuesday 14 May 2019 in the offices of PricewaterhouseCoopers, One International Towers Sydney, Watermans Quay, Barangaroo, Sydney, New South Wales.

The AGM is an opportunity to find out more about the 2018 business performance and our progress against our growth strategies (Protect & Grow and Regional Acquisitions).

### **Growth strategies**

In 2018, it was pleasing InvoCare was able to show significant progress in implementing both of its growth strategies despite the soft market conditions that impacted the operational performance of the business. As part of Protect & Grow, InvoCare is spending a nett \$200 million across three core streams – Network and Brand Optimisation (NBO), People and Culture and Operational Efficiencies. InvoCare also invested \$70 million in the last year to acquire 11 businesses to both in-fill our core markets (Adelaide and Auckland) and extend our market coverage into new, primarily regional areas.

Our commitment to both strategies is driven by the knowledge that the customer is changing. It is essential for InvoCare, as the market leader, to provide leadership in meeting the future needs of our customers if we are to deliver strong sustainable double-digit EPS growth for our shareholders.

### **Equity raising for future growth**

In March 2019, InvoCare announced an \$85m fundraising (Institutional Placement and Shareholder Purchase Plan) to ensure the business can continue with the strong momentum that had been generated by both growth strategies in 2018.

### **2018 Dividend**

As a reflection of the challenging market conditions in 2018 a prudent approach to capital management has been taken by the Board with regard to the final dividend. The full year payout ratio, at 82%, remains consistent with our policy and the final dividend of 19.5 cents provided for a full year dividend of 37.0 cents.

**Bart Vogel**



## Board renewal

In 2018, three new non-executive directors were appointed to the InvoCare Board as part of the planned Board renewal. We were pleased to welcome Mr Keith Skinner from 1 September 2018 and effective from 1 October 2018, Ms Jackie McArthur and Ms Megan Quinn.

During the year Joycelyn Morton and Gary Stead resigned from the Board. We had previously announced Joycelyn's retirement and I would also like to thank Gary for the significant contributions he made on the InvoCare Board since 2014 and as Chair of the Finance, Capital & Investment Committee.

I would also like to express my personal thanks to Richard Fisher who retired as Chairman on 30 September 2018. Richard joined the Board 16 years ago and has made a significant contribution and left a lasting legacy. During his time as a director and then as Chairman he has played a critical role in guiding the InvoCare growth strategies which have led to Board and Leadership renewal programs and the implementation of the Protect & Grow plan to transform InvoCare. He has provided me with his full support and guidance during my transition to the role as Chairman and I ask that you join me to thank him for the strategic direction he has provided InvoCare and wish him and his family all the best.

On behalf of the InvoCare Board and all shareholders, I also extend my appreciation to the dedicated employees of InvoCare and the critical role they play to supporting our client families at their time of greatest need.

I encourage you all to join us now at the AGM and take the opportunity to meet the Directors and senior executives and ask questions. You will be able to vote on the items presented during the AGM. Full details of the items of business are included in the accompanying Notice of Meeting, Voting Information and Explanatory Notes.

Thank you also for your continued support as we build our business for the future.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Bart Vogel', written over a light blue background.

**Bart Vogel**

Chairman

# Performance highlights

Investment in growth initiatives progressed during period of soft market conditions.

## OPERATING EARNINGS AFTER TAX

-22.1% ▼

Operating earnings after tax decreased to \$49.4 million

## DIVIDENDS

-19.6% ▼

Dividends for the year decreased to 37 cents per share

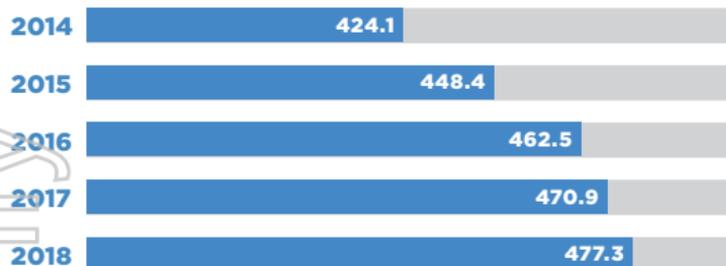
## CASH CONVERSION RATIO

88%

Consistently strong cash conversion ratio with 88% of operating EBITDA converted to cash

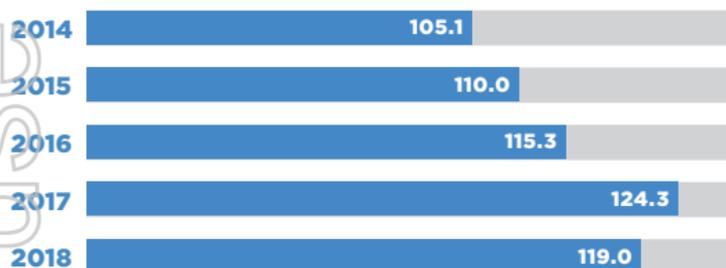
## Operating sales revenue

(\$ million)



## Operating EBITDA

(\$ million)



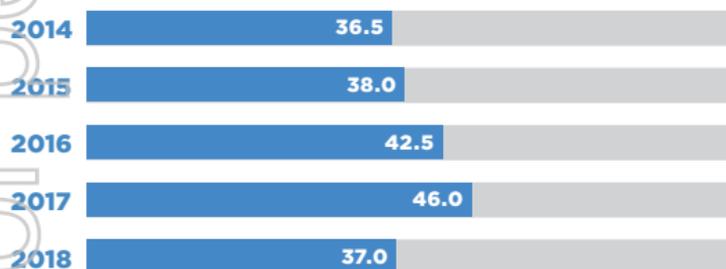
## Operating earnings after tax

(\$ million)



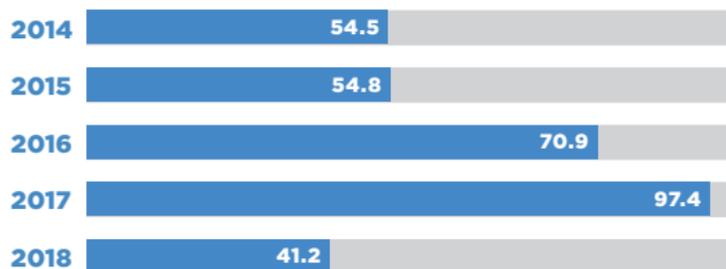
## Ordinary dividends per share

(cents per share)



## Profit after tax attributable to members

(\$ million)



# InvoCare Limited Notice of Annual General Meeting

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders of InvoCare Limited (**Company**) will be held:

**Date:** Tuesday, 14 May 2019  
Registration from 9.30am (AEST)

**Time:** 10.30am (AEST)

**Venue:** The offices of PricewaterhouseCoopers,  
Tower One, International Towers,  
Watermans Quay, Barangaroo,  
Sydney, New South Wales

The Explanatory Notes accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Notes, Voting Information and Voting Form comprise part of this Notice of Meeting.

## Items of business

**Item A: Chairman and Managing Director Presentations**

**Item B: Discussion of Financial Statements and Reports**

To discuss the financial report of the Company and the reports of the Directors and the Auditor for the financial year ended 31 December 2018.

**Item C: Adoption of Remuneration Report**

To consider, and if thought fit, to pass the following advisory resolution:

**Resolution 1:** *“That the Remuneration Report (which forms part of the Directors’ Report) for the year ended 31 December 2018 be adopted.”*

The vote on this resolution is advisory only and does not bind the directors or the Company.

### *Voting Exclusion Statement for Resolution 1*

In accordance with the *Corporations Act*, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any member of the key management personnel of the Company, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a person.

However, such a person (or closely related party) described above may cast a vote on Resolution 1 if:

- a. the person does so as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; or
- b. the person is the Chairman of the Meeting and the appointment of the Chairman as proxy:
  - i. does not specify the way the proxy is to vote on the resolution; and
  - ii. expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

“Key management personnel” and “closely related party” have the same meanings as set out in the *Corporations Act*.

### **Item D: Election of Directors**

To consider and, if thought fit, to pass the following ordinary resolutions:

*Resolution 2: “That Richard Davis, who retires by rotation in accordance with the Company’s Constitution, be re-elected as a director of the Company.”*

*Resolution 3: “That Jackie McArthur, being a Director appointed by the Board since the last Annual General Meeting, and who retires in accordance with the Company’s Constitution, be elected as a director of the Company.”*

*Resolution 4: “That Megan Quinn, being a Director appointed by the Board since the last Annual General Meeting, and who retires in accordance with the Company’s Constitution, be elected as a director of the Company.”*

*Resolution 5: “That Keith Skinner, being a Director appointed by the Board since the last Annual General Meeting, and who retires in accordance with the Company’s Constitution, be elected as a director of the Company.”*

## Item E: Approval of grant of securities to Martin Earp for 2019

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

*Resolution 6: "That approval be given, for the purposes of Rule 10.14 of the ASX Listing Rules, and for all other purposes, for the Company to grant to Mr Martin Earp, currently the Chief Executive Officer and Managing Director of the Company (Mr Earp), Options and Performance Rights to a value of \$756,092 for the 2019 financial year in accordance with the rules of the Performance Long Term Incentive Plan and as set out in the Explanatory Notes accompanying this Notice of Annual General Meeting."*

### *Voting exclusion statement for Resolution 6*

The Company will disregard any votes cast in favour of this resolution by Mr Earp or on his behalf, being the only director eligible to participate in the Performance Long Term Incentive Plan, or any associate of Mr Earp.

However, the Company need not disregard a vote, if:

- a. it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will also apply these voting exclusions, on an equivalent basis, to persons appointed as attorney by a shareholder to attend and vote at the Meeting under a power of attorney.

## Item F: Ratify previous share issue

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

*Resolution 7: "That approval be given for the purposes of ASX Listing Rule 7.4 and all other purposes, to the issue of 4,642,858 ordinary shares under the Institutional Placement announced on 8 March 2019 and summarised in the explanatory notes to this Notice of Meeting."*

The Company will disregard any votes cast in favour of this resolution by any person or an associate of that person who participated in the Institutional Placement.

However, the Company need not disregard a vote, if:

- a. it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- a. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will also apply these voting exclusions, on an equivalent basis, to persons appointed as attorney by a shareholder to attend and vote at the Meeting under a power of attorney.

## Item G: Other Business

To transact any other business which may be lawfully brought forward in accordance with the Company's Constitution and the *Corporations Act*.

By order of the Board

**Heidi Aldred**

Company Secretary

12 April 2019

## Voting information

### Entitlement to vote

The directors have determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that persons who are registered holders of shares of the Company as at 7:00pm (AEST) on Friday 10 May 2019 will be entitled to vote at the AGM as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### All Resolutions will be by Poll

In accordance with clauses 8.9 and 8.14 of the Company's constitution, the Chairman intends to demand a poll on each of the resolutions proposed at the AGM. Each resolution considered at the AGM will therefore be conducted by a poll, rather than on a show of hands. The Chairman considers voting by poll to be in the interests of the shareholders as a whole and is a way to ensure the views of as many shareholders as possible are represented at the meeting.

### How to vote

Shareholders may vote by:

- a. attending the meeting and voting either in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- b. by appointing a proxy to attend and vote on their behalf, using the enclosed proxy form.

### Voting in person (or by attorney)

Shareholders and their attorneys who plan to attend the meeting are asked to arrive at the venue 60 minutes prior to the time designated for the meeting, if possible, so that their shareholding may be checked against the share register and attendances noted. It would also be appreciated if shareholders could bring with them their proxy form which contains a bar code to facilitate entry to the meeting hall. Attorneys should also bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the meeting.

In order to vote in person at the meeting, a person who is a shareholder may appoint an individual to act as his/her representative. The appointment must comply with the requirements of Section 250D of the *Corporations Act*. The representative should bring to the meeting evidence of his/her appointment, including any authority under which it is signed.

## Voting by proxy

A member who is entitled to vote at the meeting may appoint:

- a. one proxy if the member is only entitled to one vote; or
- b. two proxies if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded.

A proxy need not be a member of the Company.

If you require an additional proxy form, please contact the InvoCare Share Registry on 1300 854 911, which will supply it on request.

The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by InvoCare's Share Registry, Link Market Services Limited, no later than Sunday, 12 May 2019 at 10.30am (that is, at least 48 hours before the meeting). Proxies received after this time will not be accepted. Instructions for completing the proxy form are outlined on the form, which may be returned by:

- a. posting it in the reply-paid envelope provided;
- b. posting it to InvoCare Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- c. hand delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000;
- d. faxing it to Link Market Services Limited on fax number (02) 9287 0309;
- e. lodging it online at [linkmarketservices.com.au](http://linkmarketservices.com.au) in accordance with the instructions provided on the website. You will need your Holder Identification Number (HIN) or Security Reference Number (SRN) to lodge your proxy form online;
- f. posting it to InvoCare's registered office, Level 2, 40 Miller Street, North Sydney NSW 2060; or
- g. faxing it to InvoCare's registered office on fax number (02) 9978 5298.

Proxies given by corporate shareholders must be executed in accordance with their Constitutions or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as a proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote how he or she thinks fit.

The Constitution provides that where the appointment of a proxy has not identified the person who may exercise it, the appointment will be deemed to be given in favour of the Chairman of the meeting to which it relates or to such other person as the Board determines.

If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman will vote, as a proxy for that shareholder, in favour of the item on a poll.

## **Explanatory Notes**

These Explanatory Notes have been prepared for the information of shareholders of the Company in relation to the business to be conducted at the Company's AGM to be held on Tuesday, 14 May 2019.

The purpose of these Explanatory Notes is to provide shareholders with information that is reasonably required by shareholders to decide how to vote upon the resolutions.

Subject to the abstentions noted below in respect of each resolution, the directors unanimously recommend shareholders vote in favour of all Resolutions. The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 2, 3, 4, 5, 6 and 7 are ordinary resolutions, which require a simple majority of votes cast by shareholders present and entitled to vote on the resolution. Resolution 1, relating to the Remuneration Report, is advisory and does not bind the directors or the Company.

## **Item A: Chairman and Managing Director Presentations**

The Chairman and the Managing Director will each give a presentation.

## Item B: Discussion of Financial Statements and Reports

The *Corporations Act* requires the Financial Report (which includes the financial statements and Directors' Declaration), the Directors' Report and the Independent Audit Report of the Company to be laid before the Annual General Meeting.

There is no requirement either in the *Corporations Act* or in the Company's Constitution for shareholders to approve the Financial Report, the Directors' Report or the Independent Audit Report. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent 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.

## Item C: Adoption of remuneration report

### Resolution 1 – Adoption of remuneration report

In accordance with Section 250R(2) of the *Corporations Act*, the Remuneration Report is put to shareholders for adoption.

The Remuneration Report is set out on pages 39 to 52 inclusive of the 2018 Annual Report and is available on the Company's website at **[www.invocare.com.au](http://www.invocare.com.au)**

The vote on this resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into account in setting remuneration policy for future years.

Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on the Remuneration Report.

### Recommendation

Noting that each director has a personal interest in their own remuneration from the Company, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

## **Item D: Election of directors**

### **Resolution 2 – Re-election of Richard Davis**

Richard Davis retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

#### *Qualifications of Richard Davis BEc*

Richard Davis was appointed a non-executive director of InvoCare Ltd on 21 February 2012. Richard previously retired as InvoCare's Chief Executive Officer and Managing Director on 31 December 2008 after 20 years with InvoCare. For the majority of that time, he held the position of Chief Executive Officer and successfully initiated and managed the growth of the business through a number of ownership changes and over 20 acquisitions, including Singapore Casket Company (Private) Limited, the Company's first international acquisition.

Richard is currently serving as Chairman of Singapore Casket Company (Private) Limited. Prior to joining the funeral industry, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney. Richard is also Chairman of Australian Vintage Limited and Monash IVF Group Limited.

The Board considers Richard Davis to be an independent director.

### **Recommendation**

The Board has benefited from Richard Davis's extensive knowledge of the funeral industry in framing strategic decisions, particularly as the Company continues to pursue growth by acquisition and refreshes its facilities under the Protect & Grow Plan.

The directors (with Richard Davis abstaining) recommend the shareholders vote in favour of Resolution 2.

### **Resolution 3 – Election of Jackie McArthur**

Jackie McArthur being a Director appointed by the Board since the last Annual General Meeting retires in accordance with the Company's Constitution and, being eligible, offers herself for election.

#### *Qualifications of Jackie McArthur B.Eng. MAICD*

Jackie McArthur was appointed a non-executive director of InvoCare Limited with effect from 1 October 2018. She is a member of the Audit, Risk & Compliance Committee, the Investment Committee and the Nomination Committee.

Jackie has over 20 years' experience at board and executive levels in strategic planning processes, organisational design, operations, franchising systems, retail, supply chain, logistics, transport, food processing and manufacturing, emerging brand issues and crisis management, risk management, corporate social responsibility and compliance issues, as well as governance at a global level across Australia, Asia and globally.

Most recently she was Managing Director, Australia and New Zealand, of Martin-Brower ANZ, the exclusive distributor to McDonald's restaurants across Australia and New Zealand. Previously, for more than thirteen years, she held various senior executive positions with McDonalds, both in Australia and overseas, including Vice President of Supply Chain for Asia, Pacific, Middle East and Africa and, in McDonalds Australia, as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director.

Jackie was the 2016 Telstra NSW Business Woman of the Year and overall 2016 Telstra Business Women's Awards - Corporate and Private National Winner. She has completed the INSEAD International Executive Program, has a Bachelor of Engineering from the University of Sydney and is a member of the Australian Institute of Company Directors. Jackie is also a non-executive director of ASX listed Blackmores Limited, Inghams Group Limited and Tassal Group Limited.

The Board did not identify any adverse information about Jackie McArthur when it performed background and other checks prior to her appointment.

The Board considers Jackie McArthur to be an independent director.

### **Recommendation**

The Board has benefited from Jackie McArthur's extensive business experience, particularly in the areas of marketing and supply chain management as the Company embarks on its next phase of growth and implements the Protect & Grow Plan while improving internal efficiencies.

The directors (with Jackie McArthur abstaining) recommend the shareholders vote in favour of Resolution 3.

## Resolution 4 – Election of Megan Quinn

Megan Quinn being a director appointed by the Board since the last Annual General Meeting retires in accordance with the Company's Constitution and, being eligible, offers herself for election.

### *Qualifications of Megan Quinn GAICD*

Megan Quinn was appointed a non-executive director of InvoCare Limited with effect from 1 October 2018. She is a member of the Audit, Risk & Compliance Committee, the People, Culture & Remuneration Committee and the Nomination Committee.

Megan is internationally regarded as a transformation, marketing, retail and business expert and is invited to speak and consult on service, innovation, creativity, strategy, building a global brand, business excellence and customer experience for companies, conferences and media outlets around the world. Named a global game changer and one of Australia's most powerful women in retail, Megan was a co-founder of the world's premier online luxury fashion retailer, NET-A-PORTER.

She is a Graduate of the Australian Institute of Company Directors. Megan is a non-executive director of Reece Group and City Chic Collective and has recently stepped down from the Board and National Committee of UNICEF Australia, and is a passionate ambassador of Fitted For Work.

The Board did not identify any adverse information about Megan Quinn when it performed background and other checks prior to her appointment.

The Board considers Megan Quinn to be an independent director.

### **Recommendation**

The Board has benefited from Megan Quinn's extensive transformational and innovation experience and her particular focus on customer service, which supports the Company as it continues to enhance and leverage one of its core strengths - its highly committed and empathic work force.

The directors (with Megan Quinn abstaining) recommend the shareholders vote in favour of Resolution 4.

## Resolution 5 – Election of Keith Skinner

Keith Skinner being a director appointed by the Board since the last Annual General Meeting retires in accordance with the Company's Constitution and, being eligible, offers himself for election.

### *Qualifications of Keith Skinner B.Com, FCA, FAICD*

Keith Skinner was appointed a non-executive director of InvoCare Limited with effect from 1 September 2018. He is Chair of the Audit, Risk & Compliance Committee and a member of the Investment Committee and the Nomination Committee.

Keith has a strong record in business management, restructuring, finance, accounting, risk and governance. He commenced his career as an auditor with Deloitte Australia in 1974, later moving to the firm's Restructuring Services division, and was appointed a partner in 1986. He was a leading practitioner for company turnarounds for over a decade, before becoming Chief Operating Officer of Deloitte Australia in 2001.

Since retirement in 2015, he has been a director of a number of public and private organisations (including Emeco Limited, North Sydney Local Health Board, Australian Digital and Health Agency (where he serves as an independent chair of the Audit and Risk committee), not for profit organisation Lysicrates Foundation) and has consulted to a number of organisations on strategy execution, restructuring and operational improvement. He holds a Bachelor of Commerce from the University of New South Wales and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

The Board did not identify any adverse information about Keith Skinner when it performed background and other checks prior to his appointment.

The Board considers Keith Skinner to be an independent director.

### **Recommendation**

The Board has benefited from Keith Skinner's extensive finance and accounting experience, particularly as major new accounting standards are adopted by the Company and the capital structure of the business is reviewed.

The directors (with Keith Skinner abstaining) recommend the shareholders vote in favour of Resolution 5.

## Item E: Approval of the grant of securities to Martin Earp for 2019

Resolution 6 - Approval of the grant of securities to Martin Earp for 2019.

Resolution 6 seeks approval, for the purposes of Rule 10.14 of the ASX Listing Rules, and for all other purposes, of the grant of Options and Performance Rights in the 2019 financial year to the Chief Executive Officer and Managing Director, Mr Martin Earp, under the terms of the Performance Long Term Incentive Plan (PLTIP).

### *Overview of CEO remuneration arrangements for 2019*

Mr Earp was appointed as Chief Executive Officer and Managing Director of the Company on 1 May 2015. His remuneration package for the 2019 financial year has been set by the Board and its People, Culture & Remuneration Committee and is unchanged on his 2018 remuneration package with the objectives of:

- aligning Mr Earp's interests with the interests of shareholders;
- ensuring that Mr Earp's remuneration is competitive and aligned with market remuneration; and
- encouraging the achievement of performance goals and continued growth of InvoCare's business and shareholder value.

Mr Earp's 2019 remuneration package totals \$2,102,825 comprising:

- Total fixed remuneration (TFR) comprising annual base salary, superannuation and motor vehicle of \$889,520;
- Short-term incentive (STI) bonus of up to \$457,213, being 51.4% TFR\*; and
- Long term incentive (LTI) award under the PLTIP to the value of \$756,092, being 85.0% of TFR.

\* If in any year Mr Earp in aggregate exceeds the prescribed KPIs having regard only to those of the KPI's which are objectively measurable, then his STI Entitlement will be increased in that year by the same percentage as those KPIs, taken collectively, are exceeded. See the Remuneration Report.

Of the total package, 57.7% is 'at risk' and subject to the achievement of STI (21.74% of package) and LTI (35.96%) performance hurdles.

## Reason for seeking shareholder approval

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. It is proposed that the Company will acquire all shares required under the PLTIP on-market and in accordance with Listing Rule 10.15B. Should this occur, technically this approval is not necessary, but the Board has sought approval to give shareholders the opportunity to consider the benefits conferred. If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

## Key features of the grant

A brief overview of the details of the proposed grants is set out below. Further details of Mr Earp's remuneration package and a summary of the operation of the PLTIP are set out in the Remuneration Report on pages 39 to 52 of the Annual Report and also these Explanatory Notes.

### *a. Amount of grant*

In accordance with Mr Earp's service agreement and the remuneration package approved by the Board for the 2019 financial year, Mr Earp is entitled to the grant of securities under the PLTIP equal to 85.0% (being \$756,092) of his TFR which is \$889,520, including salary, superannuation and car. The 2019 grant is made up of 75% Options (total value \$567,069) and 25% Performance Rights (total value \$189,023).

No amounts will be payable by Mr Earp for the grant of Performance Rights or for InvoCare shares issued on vesting of the Performance Rights.

No amount will be payable by Mr Earp for the grant of Options. The exercise price for vested Options will be \$14.46, being the value of an InvoCare share determined in the same manner and at the same time as the value of a Performance Right described below.

### *b. Number of Options and Performance Rights*

The number of Options and Performance Rights issued (and therefore the maximum number which may be issued) will be determined by dividing the entitlement by the value of an option or right. Each Option and each Performance Right provides an entitlement to one InvoCare Limited share, subject to achievement of performance hurdles described below.

For the purpose of calculating the number of Options to be issued, the value of an Option has been determined using a Black Scholes valuation methodology as \$2.51. Dividing the total Option value entitlement (ie. \$567,069) by the value of an individual Option (ie. \$2.51) will result in Mr Earp receiving 225,923 Options. This is the maximum amount of Options Mr Earp can be issued pursuant to this resolution.

For the purpose of calculating the number of Performance Rights to be issued, the value of a Performance Right is \$14.46, determined by the VWAP of InvoCare shares traded in the first 10 trading days of the trading window immediately following the release of InvoCare's full year results on 22 February 2019. Dividing the total Performance Rights entitlement (ie. \$189,023) by the value of an individual Performance Right (ie. \$14.46) will result in Mr Earp receiving 13,072 Performance Rights. This is the maximum amount of Performance Rights Mr Earp can be issued pursuant to this resolution.

#### *c. Timing of issue of Options and Performance Rights*

Participants in the PLTIP are expected to be awarded Options and Performance Rights each February. Even though Mr Earp's Options and Performance Rights will not be issued until shareholder approval is granted in May, in order to ensure his alignment with other participants in the plan, the Options and Performance Rights issued to him are valued and will vest as if they were issued at the same time as other participants in the plan.

#### *d. Vesting performance hurdles*

The Options and Performance Rights will vest subject to satisfying of the following vesting conditions:

- Return on Invested Capital (**ROIC**) must exceed the weighted average cost of capital (**WACC**);
- A minimum compound per annum Normalised Earnings Per Share (EPS) growth rate of 8%, which will result in 30% vesting, then increasing on a pro-rata basis to 100% vesting at EPS compound annual growth of 12% or more; and
- Mr Earp not having engaged in serious and wilful misconduct, wilful disobedience, gross negligence or incompetence, disqualification under Corporations Law or serious breaches of contract of employment (Proscribed Conduct) at the date of vesting.

#### *e. Vesting period and testing*

The vesting period will be four years from February 2019 until February 2023.

Subject to achieving the vesting conditions, 50% of Options and Performance Rights may vest in February 2022, following release of InvoCare's financial results for the preceding 2021 financial year. The second and final testing of the balance of 50% of Options and Performance Rights, plus any unvested amounts carried forward from the first vesting date, will occur in February 2023, again following release of InvoCare's financial results for the preceding 2022 financial year.

After the final testing in February 2023, all unvested Options and Performance Rights will lapse and be forfeited.

#### *f. Vesting of Options and Performance Rights*

Upon vesting of Options during any Trading Window under InvoCare's Share Trading Policy up until February 2029, Mr Earp may notify the Company and stipulate the number of Options he wishes to exercise or cash in, in which event the Board may either:

- if the exercise price of \$14.46 per Option has been paid, allocate to Mr Earp one share in the Company for each Option exercised; or
- pay to Mr Earp a cash equivalent of each share in the Company for each Option exercised. The cash equivalent for a share will be determined as the volume weighted average market price (**VWAP**), calculated during the first 10 days of the relevant Trading Window, less the Option exercise price of \$14.46.

Upon vesting of Performance Rights, Mr Earp will be allocated one InvoCare share for each right or be paid its cash equivalent determined as set out above.

#### *g. Clawback*

The Board may, at its sole discretion, determine that all or part of any granted but Unvested Performance Right or Options be forfeited in the following circumstances:

- a material misstatement or omission in the financial statements of InvoCare;
- the actions or inactions of management seriously damaging InvoCare's reputation;
- the actions or inactions of management placing InvoCare at a significant unmitigated risk; or
- a material abnormal occurrence results in an unintended increase in the grant.

#### *h. Restrictions on share trading*

Any shares allocated following satisfaction of the performance hurdles and, in the case of Options, by payment of the exercise price, will not be subject to any trading restrictions other than those imposed by InvoCare's Share Trading Policy which stipulates the conditions relating to and the period of time allowed for buying or selling InvoCare shares.

#### *i. Cessation of employment*

The cessation of Mr Earp's employment with the Company for reasons other than death or disablement will not affect the vesting of Options and Performance Rights. Provided that Mr Earp does not engage in any Proscribed Conduct then the Board will allow unvested awards of securities under InvoCare's PLTIP to continue on foot and vest subject to the original terms and performance conditions attaching to the relevant securities (regardless of whether or not he is employed by the Company at the relevant time).

If Mr Earp dies, all of his vested and unvested Shares, Options or Performance Rights will form part of his Estate and may be dealt with by the executor of his estate in accordance with the terms of the offer.

If Mr Earp becomes disabled, he (or his lawful guardian) may issue instructions with regards to any vested Options or Performance Rights or to any Shares issued and held in the PLTIP. The Board will, in its discretion, determine whether any unvested Options or Performance Rights will vest.

### **Other information required under ASX Listing Rules**

Mr Earp is the only executive director and the only director entitled to participate in the PLTIP. No non-executive directors of the Company, or any of their associates, are entitled to participate in, or have received any securities under, the PLTIP.

Other senior managers, who are not directors, of the Company are also entitled to participate in the PLTIP if invited by the Board.

No loan will be provided to Mr Earp in connection with the grants or the exercise of vested Options.

If shareholder approval is obtained, the Options and Performance Rights will be granted to Mr Earp shortly after the AGM, and in any event no later than three years after the AGM. Following approval of the 2018 grant in respect of the last AGM held on 18 May 2018, Mr Earp received 203,982 Options at an issue price of \$2.78 and 13,589 Performance Rights at an issue price of \$13.91. These options and rights were issued to Mr Earp for no consideration. He was issued 173 Ordinary Shares on 5 October 2018 as a consequence of participation in the Dividend Reinvestment which was satisfied by the issue of shares. Otherwise there have been no other securities issued to Mr Earp.

The details of any securities issued under the PLTIP will be published in each annual report of the Company relating to a period in which securities have been issued, and a statement that approval for the issue of securities was obtained under Rule 10.14 of the ASX Listing Rules.

Any additional directors (or their associates) who become entitled to participate in the PLTIP after the resolution was approved and who were not named in the Notice of Meeting will not participate until approval is obtained under Rule 10.14 of the ASX Listing Rules.

### **Recommendation**

Mr Earp declares his personal interest in the grant of Options and Performance Rights under the PLTIP.

The directors (with Mr Earp abstaining) recommend that the shareholders vote in favour of this resolution.

### **Item F: Ratify previous share issue**

#### **Resolution 7 - Ratify previous share issue**

On 8 March 2019, the Company announced it was undertaking an Institutional Placement and subsequently issued 4,642,858 shares at \$14.00 raising \$65 million using part of the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1 ("Placement"). This Placement was undertaken to enable the Company continue to pursue its core Protect & Grow and Regional Acquisition strategies. The Placement was within the Company's placement capacity and does not of itself require approval. This resolution seeks to ratify this Placement and therefore to refresh the Company's placement capacity.

### *Listing Rule 7.1*

Listing Rule 7.1, known as the “15% rule”, limits the capacity of an ASX-listed company to issue Equity Securities without the approval of its shareholders. In broad terms, the Listing Rule provides that a company may not issue or agree to issue Equity Securities equal to more than 15% of the total number of ordinary securities on issue in the capital of the Company 12 months prior to the proposed date of issue or agreement to issue (excluding any shares issued in reliance on the 15% rule in that 12 month period) unless the issue or agreement to issue is approved by shareholders or otherwise comes within one of the exceptions to Listing Rule 7.1.

### *Listing Rule 7.4*

A company in general meeting can ratify, by Ordinary Resolution, issues of Equity Securities made in the preceding 12 months without shareholder approval in reliance on the 15% rule, so as to reverse the “depletion” of the company’s placement capacity.

Listing Rule 7.4, enables an issue of Equity Securities made without shareholder approval under Listing Rule 7.1 to be treated as if it had been made with shareholder approval for the purposes of Listing Rule 7.1.

Approval is sought for the Institutional Placement to permit the Company to refresh its placement limit. This resolution is being put to shareholders to enable the Company to have the capacity to issue up to 15% of its issued ordinary shares over the next twelve months, if considered to be in the best interests of the Company.

None of the investors in the Institutional Placement were “related parties” of the Company under the *Corporations Act*.

Listing Rule 7.5 provides that for shareholders to approve an issue subsequently, the Notice of Meeting must include particular information. This information is as follows:

The number of shares issued under the Institutional Placement was 4,642,858 ordinary shares;

- The shares were issued at an issue price of \$14.00 each;
- The shares were fully paid ordinary shares in the capital of the Company and rank equally with all other existing InvoCare ordinary shares, from the time of issue;
- The allottees were determined on the basis of a bookbuild conducted for the Company (by Macquarie Capital (Australia) Limited as underwriters); and
- The net proceeds from the Institutional Placement will be used to continue to fund the enhancement and refurbishment of funeral homes under the Protect & Grow Plan and to continue the Regional Acquisition strategy.

If shareholders approve this resolution, the Company will refresh its placement capacity. Although the directors do not currently propose to issue further shares in the immediate future (other than pursuant to its dividend reinvestment plan in relation to the dividend due to be paid in October 2019, which in any event do not require approval under Listing Rule 7.1), this resolution would provide funding flexibility in respect of any potential opportunities that may arise.

If the Company issues further equity, the percentage holdings in the Company of shareholders will be diluted to the extent they do not participate in that further equity issue (should it occur). The directors consider that this potential disadvantage is outweighed by the potential advantages and benefits of the Company refreshing its placement capacity and accordingly consider that this resolution is in the best interests of shareholders.

If shareholders do not approve this resolution, if a major opportunity arises, the Company's ability to pursue that opportunity in a timely manner, or at all, may be constrained.

On 8 March 2019, the Company announced a Share Purchase Plan. The plan closed on 5 April 2019. The Company will announce the details of the results of the Share Purchase Plan including the amount raised as soon as the offer is finalised. The funds raised will also be used to continue to fund the enhancement and refurbishment of funeral homes under the Protect & Grow Plan and to continue the Regional Acquisition strategy. Approval under Listing Rule 7.1 was not required for this raising of funds and it did not affect the placement capacity of the Company.

The directors recommend that shareholders vote in favour of this resolution.

The Chairman of the AGM intends to vote undirected proxies able to be voted **in favour** of this resolution.



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