

carsales.com Limited

ABN 91 074 444 018

Registered Office: Level 4, 449 Punt Road, Richmond, Victoria, 3121

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of carsales.com Limited will be held in Victoria on Friday, 27 October 2017, in the La Trobe Ballroom, Level 1, Sofitel Melbourne on Collins at 25 Collins Street, Melbourne, at 1:00 p.m. **(Melbourne time)**.

### Ordinary Business

Please note that the default option for receiving your Annual Report is now online. To access your online Annual Report please visit <http://shareholders.carsales.com.au> and click on 'Financial Reports' on the left hand side of the screen. You have the option of receiving, free of charge, a printed copy of the Annual Report. Please contact Computershare on 1300 651 575 (or outside Australia +613 9415 4694) or logon to [www.investorcentre.com](http://www.investorcentre.com), click on 'Update My Details' then 'Communication Options' and complete your details to receive a printed copy of the Annual Report.

#### Financial Report and Directors' and Auditor's Reports

1. To receive, consider and adopt the Financial Report, including the Directors' declaration, the related Directors' Report and Auditor's Report of the Group for the year ended 30 June 2017 (contained in the 2017 Annual Report).

#### Remuneration Report

To receive, consider and adopt the Remuneration Report for the year ended 30 June 2017 (contained in the 2017 Annual Report) by passing the following resolution:

2. *"That the Remuneration Report that forms part of the Directors' Report of the Group for the financial year ended 30 June 2017 be adopted."*

#### Election and re-election of Directors

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

3. *"That Mr Walter Pisciotto OAM, being a Director of the Company who retires by rotation, and being eligible under the Company's constitution, is re-elected as a Director of the Company."*
4. *"That Mr Richard Collins, being a Director of the Company who retires by rotation, and being eligible under the Company's constitution, is re-elected as a Director of the Company."*
5. *"That Mr Jeffrey Browne, being a Director of the Company who retires by rotation, and being eligible under the Company's constitution, is re-elected as a Director of the Company."*

## Special Business

**Chief Executive Remuneration: Grant of deferred short term incentive performance rights and long term incentive share options and performance rights to the Managing Director and Chief Executive Mr Cameron McIntyre**

To consider and if thought fit, pass the following resolutions to be voted on separately:

- 6a. *“That, for the purpose of ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the grant of up to 25,076 Performance Rights over shares in the Company to Mr Cameron McIntyre, in accordance with the terms of the Company’s Option Plan and as set out in the Explanatory Memorandum below.”*
- 6b. *“That, for the purpose of ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the grant of up to 234,024 Options and Performance Rights over shares in the Company to Mr Cameron McIntyre, in accordance with the terms of the Company’s Option Plan and the Company’s long term incentive arrangements as set out in the Explanatory Memorandum below.”*

## Contingent Business

**Conditional Spill Resolution [see Item 7 of Explanatory Memorandum]**

*Important Note: The following resolution will only be put to Shareholders if at least 25% of the votes validly cast on the resolution proposed in Item 2 (Remuneration Report) of the 2017 Annual General Meeting are cast against that resolution.*

Note: If you do not want the spill meeting to take place, vote “AGAINST” this resolution. If you want the spill meeting to take place, vote “FOR” this resolution.

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

7. *“That, for the purposes of section 250V of the Corporations Act:*

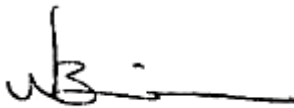
- (a) a general meeting of the Company’s Shareholders (the **Spill Meeting**) be held within 90 days of the 2017 Annual General Meeting;*
- (b) all of the Non-Executive Directors in office when the director’s resolution to approve the Directors’ Report for the financial year ended 30 June 2017 was passed (being Mr Jeffrey Browne, Mr Richard Collins, Mr Walter Pisciotta, Ms Kim Anderson, Mr Pat O’Sullivan and Ms Edwina Gilbert) and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.”*

## Other Business

To deal with any other business which may be brought forward in accordance with the Company’s Constitution and the Corporations Act.

During the Annual General Meeting, a presentation covering the status of the Group will be made by Mr Cameron McIntyre (Managing Director). Shareholders will be able to put questions to the Directors. Tea and coffee will be served from 12:30 p.m. (Melbourne time).

By order of the Board.



Nicole Birman  
Company Secretary  
26 September 2017

**TERMS:**

Capitalised terms used in this Notice of AGM (including those used in the items set out in this Notice of AGM) have, unless otherwise defined, the same meanings as set out in the Explanatory Memorandum.

**VOTING EXCLUSION STATEMENT:**

**1. Items 2 and 7**

- (a) In accordance with the Corporations Act, a member of the Company's KMP whose remuneration is included in the Remuneration Report, and closely related parties of a KMP, will not be eligible to vote on **Item 2 or 7**, except as provided in paragraph (b) below.
- (b) A person described in paragraph 1(a) may vote on **Item 2 or 7** if the vote is not cast on behalf of a person described in that paragraph and the person –
  - (i) votes as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; **or**
  - (ii) is the Chairman of the Annual General Meeting, voting as a proxy for a person who is entitled to vote, and the appointment of the Chairman as proxy:
    - (A) does not specify the way the proxy is to vote on the resolutions; **and**
    - (B) 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 Company's KMP.

**2. Items 6a and 6b**

In accordance with the ASX Listing Rules the Company will, except as provided in paragraph 3 below, disregard any votes cast on **Items 6a and 6b**, by the Managing Director, Mr Cameron McIntyre, or any associate of Mr Cameron McIntyre and any other Director and their respective associates (except if ineligible to participate in the employee incentive scheme in respect of which approval is sought). Mr Cameron McIntyre is the only Director currently eligible to participate in the Company's Option Plan.

As Mr Cameron McIntyre is a member of the Company's KMP, in accordance with the Corporations Act, a vote must not be cast on either of these resolutions by him or any other KMP, or a closely related party of Mr Cameron McIntyre or any other KMP, acting as a proxy if the proxy form does not specify the way the proxy is to vote on these resolutions. However, the Company will not disregard any proxy votes cast on either of these resolutions by a member of the Company's KMP if the KMP is the Chairman of the Annual General Meeting acting as a proxy and the appointment expressly authorises the Chairman to exercise the proxy even though these resolutions are connected with the remuneration of Mr Cameron McIntyre.

- 3. The Company will not disregard a vote if it is cast:
  - (a) by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; **or**
  - (b) by the Chairman of the Annual General 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.
- 4. 'Closely related party' is defined in the Corporations Act and includes a spouse, dependent and certain other close family members, as well as any companies controlled by a KMP.

## REQUIRED VOTING MAJORITY - CORPORATIONS ACT:

### Items 2 to 7 (inclusive)

In accordance with section 249HA of the Corporations Act for each of these resolutions to be effective -

- not less than 28 days written notice specifying the intention to propose the resolutions has been given; and
- each resolution must be passed by more than 50% of all the votes cast by Shareholders entitled to vote on the resolutions (whether in person or by proxy, attorney or representative).

On a show of hands, every Shareholder has one vote and, on a poll, every Shareholder has one vote for each Ordinary Share held, subject to the voting exclusions set out in the Voting Exclusion Statement above.

## NOTES:

### Proxies and corporate representatives

1. Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register at **7:00pm (Melbourne time) on Wednesday, 25 October 2017 ("Effective Time")**.
2. All Shareholders at the Effective Time are entitled to attend the Annual General Meeting and may appoint a proxy for that purpose.
3. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment **does not** specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise one half of the Shareholder's votes. If the Shareholder appoints two proxies, neither may vote on a show of hands if both proxies are present at the Annual General Meeting.
4. A proxy need not be a Shareholder of the Company.
5. The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act 2001.
6. A corporation which is a Shareholder of the Company may appoint a representative to act on its behalf at the Annual General Meeting. Appointments of representatives must be received in accordance with paragraph 7 below at any time before the Annual General Meeting or at the meeting or any adjournment of the Annual General Meeting.
7. Proxies and powers of attorney granted by Shareholders must be received by the Company by no later than **1:00pm (Melbourne time) on Wednesday, 25 October 2017**. To be valid, a duly completed proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be:
  - (a) given electronically, by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions provided but a proxy cannot be appointed online if appointed under power of attorney or similar authority; **or**
  - (b) deposited with the Company's share registry, Computershare Investor Services GPO Box 242 Melbourne, VIC 3001; **or**
  - (c) successfully transmitted by facsimile to 1800 783 447 (within Australia), +613 9473 2555 (outside Australia); **or**
  - (d) deposited at the registered office of carsales.com Limited at Level 4, 449 Punt Road, Richmond, Vic, 3121; **or**
  - (e) given electronically by intermediary online custodians, by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).
8. If a Shareholder has any specific questions in relation to the above, please contact the Shareholder information line on 1300 651 575 or from overseas +613 9415 4694 not later than 48 hours before the holding of the Annual General Meeting or any adjournment of that Annual General Meeting.

## Explanatory Memorandum

This Explanatory Memorandum contains information relevant to the business referred to in the Notice of AGM of carsales.com Ltd ABN 91 074 444 018 (hereafter the “**Company**”). The Directors recommend that you read this document prior to the Annual General Meeting.

All capitalised terms used in this Explanatory Memorandum have the meanings set out in the Glossary of Terms located at the end of this document.

Further details relating to each of the resolutions is set out below.

### **Item 1 Financial Report and Directors’ and Auditor’s Reports**

The Corporations Act requires the Financial Report, Directors’ Report and Auditor’s Report of the Group, prepared on a consolidated single entity basis, for the most recent financial year to be laid before the Annual General Meeting. While this item of business does not require a formal resolution to be put to Shareholders, the Chairman will give Shareholders a reasonable opportunity to ask questions and make comments on these reports and on the business, operations and management of the Group.

In accordance with the Corporations Act, the Chairman will also give Shareholders the opportunity to ask the Auditor questions relevant to the Auditor’s Report or conduct of the audit. If a Shareholder wishes to put written questions to the Auditor, a Shareholder is entitled to submit questions relevant to the content of the Auditor’s Report or the conduct of the audit, in writing, to the Company, up to five business days prior to the Annual General Meeting. The Company will pass the questions on to the Auditor prior to the Annual General Meeting. The Auditor may, but is not obligated to, answer any written or oral questions that are put to it by Shareholders.

A copy of the Financial Report, Directors’ Report and Auditor’s Report is available on the Company’s website, <http://shareholders.carsales.com.au>, by clicking “Financial Reports” on the left hand side of the screen. You have the option of receiving, free of charge, a printed copy of these reports. Please contact Computershare on 1300 651 575 (or from overseas +613 9415 4694) if you wish to receive a printed copy of these reports.

### **Item 2 Remuneration Report**

The Remuneration Report (which forms part of the Director’s Report in the 2017 Annual Report) contains information in relation to a number of issues relating to the Company’s remuneration policies and their relationship to the Company’s performance. As required pursuant to the Corporations Act, a resolution will be put to Shareholders to adopt the Remuneration Report. Shareholders should be aware that the vote on this resolution is advisory *only* and is not binding on the Board.

As outlined below, the outcome of the vote on Item 2 may have consequences for the Company.

In 2016, the Company received a “first strike” – this means that at least 25% of the votes cast on the resolution to adopt the 2016 Remuneration Report were cast against that resolution.

Under the “two strikes rule”, if the Company receives a second strike, it is required to put a resolution to the meeting to determine whether the Company’s non-executive directors (who were in office at the time the 2017 Remuneration Report was approved) will need to stand for re-election at a special meeting to be held within 90 days of the AGM. As a result, this Notice of Meeting includes a “conditional” resolution (Item 7). This resolution will be put to the meeting, but even if Item 7 is passed, it will only become effective if, on the basis of the formal results of the poll, it is evident that the Company has received a second strike. Further detail is included in the Explanatory Notes to Item 7.

#### Addressing Shareholder feedback

Feedback from our Shareholders and proxy advisor groups centred around three key areas of concern in the FY16 Remuneration Report being: the previous CEO's package; the Company's incentive plans; and disclosures and transparency.

As a result of this feedback, the Board undertook a comprehensive review of the Company's remuneration practices and disclosures, engaging with various stakeholders and remuneration advisors, and instituted the following changes:

- In designing the remuneration package for the newly appointed CEO, Mr McIntyre, the issues raised by Shareholders in relation to the former CEO's remuneration package were taken into account. Mr McIntyre's package comprises a fixed salary significantly lower than that of the former CEO, Mr Roebuck. Further, the ratio between Mr McIntyre's fixed and variable salary is 35% fixed and 65% variable, which carries a significantly more 'at risk' component than the previous CEO's remuneration package.
- The Board undertook a comprehensive review of the Company's incentive plans and instituted new plans effective from FY18, details of which were provided in the 2017 Remuneration Report and this Notice of AGM. The Board considers that the new plans address Shareholder concerns by simplifying incentive structures, ensuring the performance measures and performance outcomes align with the company's strategy, and significantly increasing transparency of remuneration outcomes.
- Finally, the Company has provided additional commentary regarding matters on which Shareholders indicated a desire for more transparency, including the application of the Board's discretion and details of the maximum payment caps in the STIs.

#### **Directors' Recommendation**

The Directors unanimously recommend Shareholders vote in favour of adopting the Remuneration Report. As stated in the Notice of AGM, each of the KMPs whose remuneration is included in the Remuneration Report and closely related parties of those KMPs are not eligible to vote on this Resolution, except as stated in the Notice of AGM.

**The Chairman intends to vote all available proxies in favour of the adoption of the Remuneration Report.**

#### **Item 3 Re-election of Director: Mr Walter Pisciotta OAM**

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr Walter Pisciotta's position as Director requires confirmation. Accordingly, Mr Pisciotta retires by rotation and being eligible, offers himself for re-election.

Mr Pisciotta has more than 35 years' experience in supplying computer services to the automotive industry and is also the Chair of Pentana Solutions Pty Ltd. Mr Pisciotta holds a Bachelor of Science degree in Business Administration from the University of Alabama (United States) and was the Chair of carsales.com Limited since its inception until August 2015. Mr Pisciotta was recognised with the Medal of the Order of Australia for his services to the Australian Automotive Industry in the 2016 Queen's Birthday Honours.

Mr Pisciotta brings to the Board extensive knowledge of the IT needs of the automotive industry as well as his extensive knowledge of the business, having been a driving force from its inception.

**Directors' Recommendation**

The Directors, other than Mr Pisciotta, recommend that Shareholders vote in favour of resolution 3. Mr Pisciotta makes no recommendation in relation to Item 3.

**The Chairman intends to vote all available proxies in favour of the re-election of Mr Pisciotta.**

**Item 4 Re-election of Director: Mr Richard Collins**

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr Richard Collins' position as Director requires confirmation. Accordingly, Mr Collins retires by rotation and being eligible, offers himself for re-election.

Mr Collins has been a Director of carsales.com Limited since 2000 and currently holds the position of Deputy Chair of the Board. Mr Collins holds a degree in Commerce from Melbourne University, majoring in Economics and Company Law. He spent 10 years with the Ford Motor Company and has over 30 years' experience as a Dealer Principal, currently holding Ford, Toyota, Subaru, Suzuki, Isuzu Ute and Skoda franchises. Mr Collins is also a member of the Board of AADA (Australian Automotive Dealer Association) and the Deputy Chair of Stratton Finance.

Mr Collins has long acted as the voice of the automotive dealer on the Board, providing insight into the Company's largest customer segment with a distinguished career as a dealer principal and a business operator.

**Directors' Recommendation**

The Directors, other than Mr Collins, recommend that Shareholders vote in favour of resolution 3. Mr Collins makes no recommendation in relation to Item 4.

**The Chairman intends to vote all available proxies in favour of the re-election of Mr Collins.**

**Item 5 Re-election of Director: Mr Jeffrey Browne**

In accordance with the Company's constitution and ASX Listing Rules 14.4 and 14.5, Mr Jeffrey Browne's position as Director requires confirmation. Accordingly, Mr Browne retires by rotation and being eligible, offers himself for re-election.

Mr Browne practiced as a commercial lawyer in Sydney and Melbourne for 22 years before joining the Nine television network, initially as Executive Director and later becoming Managing Director, with responsibility for all network operations including the development and addition of digital channels and services. His legal experience saw him involved in a wide range of matters concerning dealers and motor vehicle manufacturers as well as other multi-national OEMs.

Mr Browne is Chair of Holden Special Vehicles where he has been a Director or Chair for over 16 years. Mr Browne is also Chair of listed Investment bank Moelis Australia, where he has gained further exposure to mergers and acquisitions and capital markets.

Mr Browne brings a wealth of automotive industry experience to the Board, as well as legal expertise and his renowned capability as a strategic thinker and astute negotiator.

**Directors' Recommendation**

The Directors, other than Mr Browne, recommend that Shareholders vote in favour of resolution 3. Mr Browne makes no recommendation in relation to Item 5.

For the purposes of this item of business, Mr Browne will pass the Chair of the meeting to Mr Richard Collins.

**The Chairman intends to vote all available proxies in favour of the re-election of Mr Browne.**



**Item 6 Chief Executive Remuneration: Grant of deferred short term incentive Performance Rights and long term incentive Options and Performance Rights to the Chief Executive and Managing Director Mr Cameron McIntyre**

Items 6a and 6b set out in the Notice of AGM seek Shareholder approval of the deferred equity portion of the short term incentive ("STI") and long term incentive ("LTI") awards for Mr Cameron McIntyre (being the Managing Director and Chief Executive Officer of the Company) under the rules of the Company's Option Plan for the purpose of ASX Listing Rule 10.14. These resolutions will be put to, and voted on, separately by Shareholders. Further details of these proposed individual grants are noted below. As stated in the Notice of AGM, Mr McIntyre is the only Director entitled to participate in the Option Plan.

There are currently 242,023,588 Shares on issue at the date of the Notice of AGM and the Options and Performance Rights proposed to be granted to Mr McIntyre, if approved by Shareholders, will represent approximately 0.11% of the current issued Shares.

Mr McIntyre currently holds 308,441 Options and Performance Rights issued under the Company's Option Plan and directly and indirectly, through entities associated with him, holds 179,912 Shares. At the date of the Notice of AGM, Mr McIntyre has a relevant interest in 0.07% of the total voting rights of the Company. If Shareholders approve the issue of these Options and Performance Rights to Mr McIntyre and all the currently held Options and Performance Rights issued to him vest and are exercised, Mr McIntyre's relevant interest in the Company will increase by approximately 0.23% to 0.31%, based on the issued capital of the Company as at the date of the Notice of AGM. No loans have been, or will be, granted to Mr McIntyre in relation to his participation in the STI and LTI arrangements and Mr McIntyre is prohibited from entering into hedging transactions or arrangements in respect of these Options and Performance Rights.

As at the date of the Notice of AGM, no other Director or associate of a Director is eligible to participate in the Option Plan and no other person who requires approval to participate in the Option Plan under ASX Listing Rule 10.14 has been, or will be, issued with Options or Performance Rights unless Shareholder approval is obtained.

**Directors' Recommendation**

The Directors, other than Mr McIntyre, considered the nature of Mr McIntyre's position in overseeing the management of the Group's operations and strategy and unanimously recommend that Shareholders vote in favour of Items 6a and 6b.

As stated in the Notice of AGM, Mr McIntyre, his associates and closely related parties, and each other KMP and their respective closely related parties are not eligible to vote on this resolution, except as stated in the Notice of AGM.

**The Chairman intends to vote all available proxies in favour of the grant of Options and Performance Rights to Mr McIntyre.**

**Item 6a Chief Executive Remuneration - Short Term Incentive ("STI")**

The structure of Mr McIntyre's remuneration package includes the following components:

- Base Salary (including superannuation and other allowances) (35% of maximum remuneration)
- STI (cash and Performance Rights based award) (30% of maximum remuneration)
- LTI (Options and Performance Rights based award) (35% of maximum remuneration)

Under the Company's new STI plan, awards will be paid in cash and Performance Rights. Of the award achieved (which is subject to the achievement of performance conditions as set out below), 75% will be paid as a cash payment and the remaining 25% will be awarded in equity, vesting of which will be deferred for an additional 12 months subject to a continued service condition. The performance conditions attached to the STI award are 70% financial and 30% company-wide strategic, personal, and cultural objectives.



Category	Measures	Weighting
Financial	Look through revenue	35%
	Adjusted NPAT	35%
Non-financial	Strategic and personal objectives	20%
	People and culture metrics	10%

### Financial Measures

The 70% financial component of the award will be measured against two separate financial metrics being look-through revenue and adjusted NPAT with each comprising 35% of the total STI award. For each measure there will be a minimum threshold – if this is not achieved, no award will be granted for that portion of the STI.

**Look through revenue** is defined as ordinary revenue reported for the consolidated Group adjusted for the ownership percentage held for the group of consolidated subsidiaries, and adding in the group's ownership share of the underlying revenue for equity accounted associates.

**Adjusted NPAT** is defined as the Group net profit after tax and non-controlling interests and excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs as determined by the Board, consistent with the adjusted NPAT that is disclosed when reporting the Company's annual results. The Board also retains discretion to alter the adjusted NPAT hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's control that would materially affect adjusted NPAT. The Board believes this metric gives the best reflection of the underlying trading performance of the group and is an appropriate earnings metric to align to Shareholder value.

Both the look through revenue and adjusted NPAT metrics exclude any corporate activity (such as acquisitions) made after the date of this notice, with the exception that should the Group dispose of any group businesses or acquire additional equity stakes in any existing group businesses the CAGR targets for both look through revenue and adjusted NPAT will be altered to maintain the underlying CAGR growth rates targeted for the 2020 financial year. The Board also retains discretion to adjust the CAGR growth rates to include the impact of any strategically important acquisitions made during the performance period such that management is not materially advantaged or disadvantaged from entering into further acquisitions where it is in Shareholders' interests to do so.

### Strategic Measures

The 30% Strategic Objectives portion of the STI will be measured against:

- successful project delivery recognising the importance of strategic projects which may not have an immediate financial impact on the Company;
- individual goals of the executive recognising the unique role each play in the Company's operations; and
- achievement of people and culture targets recognising the vital role the Company's culture plays in its success.

The Board believes that the combination of performance measures for the STI plan are the most effective measures to ensure alignment with the interests of Shareholders and the long term growth of the company.

If Shareholder approval is received, subject to the achievement of the performance criteria set for FY18, the Board will grant up to 25,076 Performance Rights to Mr McIntyre under the deferred equity portion of the STI on the release of the 2018 Annual Report. Each Performance Right will have a \$0 exercise price. The terms on which these Performance Rights will be issued to Mr McIntyre are summarised below.

The number of Performance Rights granted to Mr McIntyre will be based on 25% of the total STI achievement for the FY18 financial year. The maximum value of the award is \$275,000 (being 25% of the STI cap for Mr McIntyre of \$1,100,000).

The Board believes the proposed grant of the Performance Rights to Mr McIntyre is consistent with the Company's remuneration policies and objectives, reflects good market practice in remuneration and effectively aligns the interests of Mr McIntyre with those of the Company and its Shareholders.

The key terms of these Performance Rights award, subject to Shareholder approval, are summarised as follows:

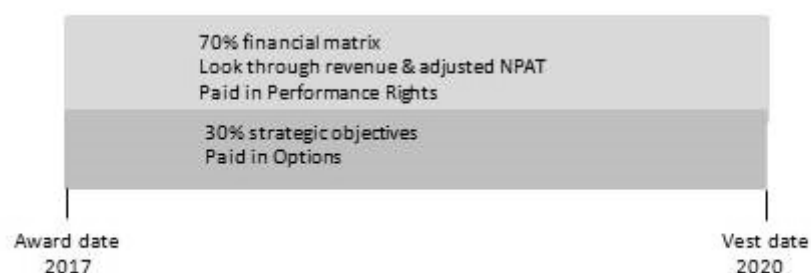
- (a) The Performance Rights will be issued to Mr McIntyre for no cash consideration at the date of the release of the 2018 Annual Report once the achievement of the FY18 STI performance conditions have been determined by the Remuneration Committee (but no later than 12 months after the Annual General Meeting).
- (b) The vesting of the 25,076 Performance Rights is subject to the achievement of the financial year ending 30 June 2018 look through revenue, adjusted NPAT and other strategic and cultural objectives.
- (c) The minimum and maximum performance conditions for the Performance Rights to vest have been set by the Board. In setting the financial targets, the Board has considered the historical earnings performance of the Company, forward looking market consensus earnings expectations, the overall purpose of the award and the long term best interests of the Company. The Board believes that the growth target that has been set is appropriate.
- (d) The Company will publish in the FY18 Annual Report the performance conditions that were applicable to the STI, along with the actual performance against those conditions achieved by the Company.
- (e) Performance Rights will not be granted to Mr McIntyre unless the minimum performance conditions attached to the STI have been achieved.
- (f) The exercise price of a Performance Right is \$0.
- (g) The number of performance rights awarded will be determined by multiplying the notional cash value of the STI award achieved for the FY18 year by 25% and then divided by the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2018.
- (h) Subject to the performance conditions being satisfied, unless otherwise waived by the Board, Performance Rights will vest after the Board releases the 2019 Annual Report to the ASX.
- (i) Performance Rights which have not vested, will, subject to the Board's discretion, automatically lapse if Mr McIntyre ceases to be employed by the Company.
- (j) Any Shares issued on the vesting of these Performance Rights will be held in trust by the trustee of the carsales.com Employee Share Trust ("**Trust**"), CPU Share Plans Pty Limited, on the terms and conditions of the Plan and the trust deed establishing the Trust.
- (k) Shares to be allocated to Mr McIntyre on vesting of any of these Performance Rights may be satisfied by the issue of new Shares or acquired on market. All new Shares issued will rank, in all respects, equally with all other Shares and the Company will apply for quotation of the new Shares on ASX.
- (l) If there is a reorganisation of the Company's capital, the Performance Right terms will be adjusted, pursuant to the ASX Listing Rules, to the extent necessary to reflect the effects of the reorganisation.
- (m) The STI financial performance metrics exclude any corporate activity associated with mergers and acquisitions, corporate or capital reorganisations completed after the issue of this notice.

**Item 6b Chief Executive Remuneration - Long Term Incentive ("LTI")**

If Shareholder approval is received, the Board will grant up to 144,458 Options and 89,567 Performance Rights to Mr McIntyre.

Under the new FY18 LTI plan, 70% of the award will be determined by a matrix comprising look through revenue and adjusted NPAT and will be awarded in Performance Rights. The Board believes that the matrix recognises both the importance of growing revenue at all controlled companies and equity accounted associates throughout the Group and also the level of influence over each of those businesses where they are not 100% owned by the Group.

The remaining 30% of the award will be determined by reference to achievement of clearly identified strategic milestones and will be awarded in Options. The performance period for the LTI remains at three years.

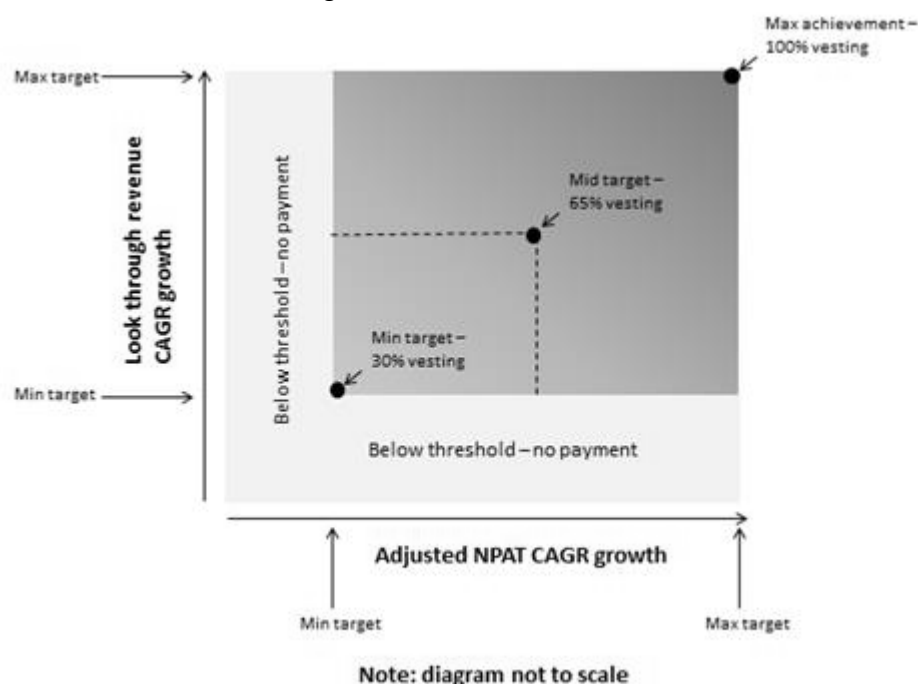


The key general terms of these Options and Performance Rights, subject to Shareholder approval, are summarised as follows:

- The performance conditions applying to the Options and Performance Rights will be tested at 30 June 2020.
- The exercise price of each vested Option is \$11.41 being the volume weighted average price of the Company's Shares for the 20 trading days prior to 1 July 2017. The exercise price of each Performance Right is \$0.
- Subject to the performance conditions being satisfied, Options and Performance Rights may, unless otherwise waived by the Board, be exercised after the Board releases the 2020 Annual Report to the ASX.
- Vested and unexercised Options, and Options and Performance Rights which have not vested will, subject to the Board's discretion, automatically lapse if Mr McIntyre ceases to be employed by the Company.
- Any Shares issued on the vesting and exercise of these Options and Performance Rights will be held in trust by the trustee of the Trust, CPU Share Plans Pty Limited, on the terms and conditions of the Option Plan and the trust deed establishing the Trust.
- Shares to be allocated to Mr McIntyre on vesting and exercise of any Options and Performance Rights may be satisfied by the issue of new Shares, Shares acquired on market or in specific circumstances in cash. All new Shares issued will rank, in all respects, equally with all other Shares and the Company will apply for quotation of the new Shares on ASX.
- If there is a reorganisation of the Company's capital, the Options and Performance Rights terms will be adjusted, pursuant to the ASX Listing Rules, to the extent necessary to reflect the effects of the reorganisation.
- The Options and Performance Rights will be issued to Mr McIntyre for no cash consideration as soon as possible after the Annual General Meeting (but no later than 12 months after the Annual General Meeting).
- The Options have an expiry date of 15 years after vesting.

## Financial Measures for Performance Rights Award

The 70% of the LTI award to be satisfied through Performance Rights is subject to a look through revenue and adjusted NPAT matrix. A minimum 'gate' threshold for both these metrics must be achieved in the performance period prior to any Performance Rights vesting, which ensures that Senior Executives are incentivised to grow both earnings and revenue, and not sacrifice one over the other. Similarly, it aligns the objectives of the Senior Executives with those of the Company's Shareholders. Therefore if the minimum target for either look through revenue or adjusted NPAT is not achieved then no Performance Rights will vest.



The matrix is based on achieving a Cumulative Annual Growth Rate (CAGR) for each of look through revenue and adjusted NPAT over the 3 year period to 30 June 2020 which is set by the Board.

Please see explanation of look through revenue and adjusted NPAT under Item 6a.

The value of the Options and Performance Rights are calculated using the Black-Scholes option pricing model which takes into account certain facts and makes certain assumptions as explained on page 109 of the 2017 Annual Report. The assumption inputs used in the Black-Scholes model are reviewed annually by an independent external consultant. The maximum value of this award is \$875,000.

The key terms of this measure are summarised as follows:

- The vesting of up to 89,567 Performance Rights is subject to the achievement of the look through revenue CAGR target and the adjusted NPAT CAGR target.
- The minimum and maximum CAGR targets for both look-through revenue and adjusted NPAT in order for Performance Rights to vest have been set by the Board. In determining the targets, the Board has considered the historical revenue and earnings performance of the Company, forward looking market consensus revenue and earnings expectations, the overall purpose of the award and the long term best interests of the Company. The Board believes that the growth targets that have been set are appropriate in all the circumstances.
- The Company will publish in the 2020 Annual Report the minimum and maximum CAGR targets for look through revenue and adjusted NPAT that was applicable to the grant, along with the actual look through revenue and adjusted NPAT achieved by the Company in that relevant year.
- Performance Rights will not be capable of exercise if at the testing date (referred to below) the minimum CAGR targets have not been achieved for both look through revenue CAGR and adjusted NPAT CAGR.

- (e) The look through revenue CAGR and adjusted NPAT CAGR each make up 50% of the targets for the Performance Rights to vest. The Performance Rights will be capable of vesting and exercise if at the testing date the look through revenue and adjusted NPAT CAGR targets have been achieved or exceeded as follows:
- If either the look through revenue or adjusted NPAT CAGR minimum targets are not achieved, then no Performance Rights will be capable of exercise.
  - If the minimum target is achieved for both measures, 30% of the Performance Rights will vest.
  - If the maximum target is achieved or exceeded for both measures, 100% of the Performance Rights will vest.
  - Provided the minimum of both targets are met, then there will be a pro-rata allocation of Performance Rights between the minimum of 30% and the maximum of 100% according to the results achieved for each target.

#### **Strategic Milestone Measures for Options Award**

The inclusion of strategic milestones recognises that there are important projects the Company is undertaking to promote future sustainability and growth, and these should not be sacrificed for short term return. The fact that the award for the successful completion of the strategic milestones will be paid in Options aligns with the expected long term benefit of these projects.

The milestones include objectives in the following areas:

- International revenue growth, reflecting the strategic importance of this to the long term success of the Group;
  - Growth in Australian non-classified automotive products and services revenues, reflecting the importance of the diversification of the revenue base from the group's traditional product set; and
  - Successful development and deployment of the Group's technology into the core business and leveraging this into adjacent market and international businesses.
- (a) Each objective above will make up 10% of the overall value of the LTI (30% in total). The options for each objective will be capable of vesting and exercise if at the testing date the objectives have been achieved or exceeded as follows:
- If the objective is not achieved, then no Options will be capable of exercise.
  - If the objective is partly achieved, then 50% of the Options for that objective will be capable of exercise (5% of the total LTI value); and
  - If the objective is fully achieved, then 100% of the Options for that objective will be capable of exercise (10% of the total LTI value).
- (b) The achievement of the objectives is determined by the Board.

The value of the Options are calculated using the Black-Scholes option pricing model which takes into account certain facts and makes certain assumptions as explained on page 109 of the 2017 Annual Report. The assumption inputs used in the Black-Scholes model are reviewed annually by an independent external consultant. The maximum value of this award is \$375,000.

#### **Item 7 Conditional Spill Resolution**

This resolution is a 'conditional' resolution.

Shareholders will only be asked to vote on this resolution if the outcome of Resolution 2 is such that 25% or more of the votes cast on item 2 are against the resolution to adopt the Remuneration Report i.e. if the Company receives a "second strike".

If this resolution is put to Shareholders and is passed, then it will be necessary for the Board to convene another general meeting of the Company's Shareholders (Spill Meeting) within 90 days of the date of the 2017 Annual General Meeting in order to consider the composition of the Board. If a Spill Meeting is required, the date of the meeting will be notified to Shareholders in due course.

If a Spill Meeting is held, the following directors will automatically vacate office at the conclusion of the Spill Meeting unless they are willing to stand for re-election and are re-elected at that meeting:

- Jeffrey Browne;
- Richard Collins;
- Wal Pisciotta;
- Kim Anderson;
- Pat O'Sullivan; and
- Edwina Gilbert.

Even if Mr Browne, Mr Collins and Mr Pisciotta are re-elected at the 2017 Annual General Meeting, they will still need to be re-elected at the Spill Meeting to remain in office following the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as directors is approved will be the Directors of the Company. If a Director is re-appointed at the Spill Meeting, the appointment continues as if the cessation and re-appointment had not happened.

The Corporations Act includes a mechanism to ensure that the Company will have at least three directors (including the Managing Director and Chief Executive) after the Spill Meeting, as is required for a public company. If at the Spill Meeting at least two non-executive directors are not appointed by ordinary resolution, those persons with the highest percentage of votes favouring their appointment will be taken to be appointed (even if less than half of the votes cast on the resolution were in favour of their appointment).

#### **Directors' Recommendation**

The Directors unanimously recommend Shareholders vote against this item if it is put to the meeting. As stated in the Notice of AGM, each of the KMPs whose remuneration is included in the Remuneration Report and closely related parties of those KMPs are not eligible to vote on this Resolution, except as stated in the Notice of AGM.

**The Chairman intends to vote all available proxies in favour of the adoption of the Remuneration Report.**

## Glossary of Terms

<b>Annual General Meeting</b>	means the Annual General Meeting of the Company to be held at 1.00p.m. ( <b>Melbourne time</b> ), Friday, 27 October, 2017 and " <b>AGM</b> " has the same meaning.
<b>ASX Listing Rules</b>	means the listing rules of the ASX Limited ACN 008 624 691 (also referred to as " <b>ASX</b> "), as amended from time to time.
<b>Auditor</b>	means PricewaterhouseCoopers.
<b>Auditor's Report</b>	means the report of the Auditor regarding its audit of the Group which accompanies the Financial Report.
<b>Board</b>	means the board of Directors of the Company.
<b>Chairman</b>	means the individual acting as chairman of the AGM.
<b>Company</b>	means carsales.com Limited (ABN 91 074 444 018).
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Directors' Report</b>	means the report of the Directors of the Company accompanying the Notice of AGM.
<b>Effective Times</b>	means 7:00pm (Melbourne time) on Wednesday, 25 October 2017.
<b>Explanatory Memorandum</b>	means this memorandum which provides details of the business to be heard at the Annual General Meeting.
<b>Financial Report</b>	means the annual financial report of the Group for the year ending on 30 June 2017.
<b>Group</b>	means the Company and its controlled entities.
<b>KMP</b>	has the meaning given to that term in the Financial Report.
<b>Notice of AGM</b>	means the notice of the Annual General Meeting of the Company accompanying this Explanatory Memorandum (and the term "Notice" has the same meaning).
<b>Option Plan</b>	means the option plan of the Company.
<b>Option</b>	means the right to acquire an Ordinary Share, subject to satisfaction of performance hurdles and other vesting conditions as determined by the Board, in accordance with the terms of the Option Plan.
<b>Ordinary Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Performance Right</b>	means the right to acquire an Ordinary Share, subject to satisfaction of performance hurdles and other vesting conditions as determined by the Board, in accordance with the terms of the Option Plan.
<b>Remuneration Report</b>	means the remuneration report of the Group that forms part of the Directors' Report accompanying the Notice of AGM.
<b>Shareholder</b>	means a holder of one or more Shares.
<b>Shares</b>	means fully paid ordinary shares in the capital of the Company.





**Lodge your vote:****Online:**[www.investorvote.com.au](http://www.investorvote.com.au)**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**

(within Australia) 1300 651 575  
(outside Australia) +61 (3) 9415 4694

## Proxy Form

**Vote and view the annual report online**

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

**Your access information that you will need to vote:****Control Number: 189825****SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 1:00 p.m (Melbourne time) on Wednesday, 25 October 2017**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of carsales.com Limited hereby appoint

☐ the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of carsales.com Limited to be held in the La Trobe Ballroom, Level 1, Sofitel Melbourne on Collins at 25 Collins Street, Melbourne on Friday, 27 October 2017 at 1:00 p.m (Melbourne time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 6a, 6b & 7 (except where I/we have indicated a different voting intention below) even though Items 2, 6a, 6b & 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Item 7 where the Chairman of the Meeting intends to vote against.**

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 6a, 6b & 7 by marking the appropriate box in step 2 below.

### STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Director: Mr Walter Pisciotta OAM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Re-election of Director: Mr Richard Collins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Re-election of Director: Mr Jeffrey Browne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6a	Grant of deferred short term incentive Performance Rights to the Managing Director Mr Cameron McIntyre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6b	Grant of long term incentive Options and Performance Rights to the Managing Director Mr Cameron McIntyre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	Conditional Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Item 7 where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

**Signature of Securityholder(s)** *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / \_\_\_\_ / \_\_\_\_

Date