



# 2017 Notice of Annual General Meeting

11am, Friday 18 May 2018



## 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.

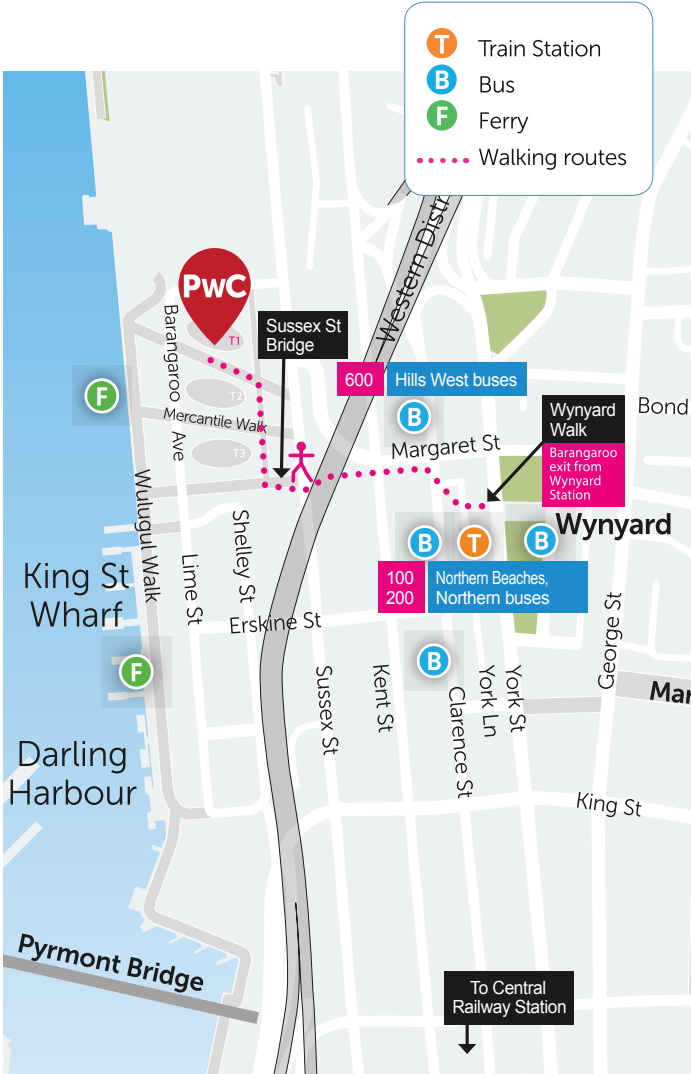
### By Train

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.



## Chairman's message

# Implementing Protect and Grow

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InvoCare is providing the pathway for sustainable double digit EPS growth through the \$200 million Protect and Grow plan.

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Dear Shareholder,  
I am pleased to invite you to InvoCare's 2017 Annual General Meeting (**AGM**) to be held at 11.00am on Friday 18 May 2018 in the offices of PricewaterhouseCoopers, Tower One, International Towers Sydney, Watermans Quay, Barangaroo, Sydney, New South Wales.

The meeting will provide you the opportunity to hear more about the 2017 results, receive an update on the Protect and Grow plan and meet your Directors and the senior executives.

I encourage you to attend and participate by asking questions and by voting on the items of business that will be presented at the meeting. Details about these items of business



are included in the accompanying Notice of Meeting, Voting Information and Explanatory Notes.

InvoCare again delivered a solid financial result in 2017, continuing the trend since the Company's ASX listing in December 2003. In a competitive environment and during a transformative period for the Group, operating earnings after tax grew by 10.6% to \$63.5 million. Reported profit after tax increased by 37.3% to \$97.4 million, enhanced by favourable returns on prepaid funeral funds under management. On behalf of the Board and all shareholders, I express our appreciation to the InvoCare team for delivering on our core customer service values and achieving the good financial results.

The Protect and Grow plan announced in February 2017 is well underway. Initial results from pilot sites are positive. The investment of an estimated \$200 million over the next few years aims to set the business up for continued longer term success.

Since the last AGM, your Board has continued to focus on renewal. Bart Vogel was appointed as a non-executive director from 1 October 2017. After assessing her future commitments in the context of personal family circumstances, Joycelyn Morton who retires by rotation at the conclusion of the AGM has decided not to stand for re-election. On behalf of the Board, I extend our best wishes to Joycelyn and thank her for her positive contributions particularly as Chairman of the Audit, Risk & Compliance Committee as well as to the restructuring and development of the finance group.

As previously announced, I intend stepping down as Chairman later this year. The independent Board review recently conducted has provided us with an opportunity to carefully reflect on a desirable mix of skill and experience for the Board and will assist our efforts to recruit additional and replacement non-executive directors.

This year, we are pleased to offer shareholders attending the meeting a new way to lodge their vote using their mobile phone or tablet device. Shareholders can download the LinkVote App from the Apple App Store or Google Play prior to the meeting and use the app during the meeting to lodge their vote. There will be share registry and InvoCare staff available at the meeting to assist shareholders with any questions about using the app. Paper voting cards will also be available at the meeting for shareholders who would prefer not to use the app.

My fellow Directors and I look forward to your participation at the AGM and in the future success of InvoCare.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Fisher', written in a cursive style.

Richard Fisher AM  
Chairman



# Performance highlights

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Continued focus on operational efficiency delivered strong performance in the first year of implementing the Protect and Grow plan, operating earnings after tax have increased by 10.6% despite the temporary closure of a number of our locations for renovations.

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Operating earnings after tax

10.6% ▲

Operating earnings after tax increased to \$63.5 million

Dividends

8.2% ▲

Dividends for the year increased to 46 cents per share

Operating EBITDA

7.8% ▲

Operating EBITDA increased to \$124 million

Cash conversion ratio

91%

Strong cash conversion ratio with 91% of operating EBITDA converted to cash

## Operating sales revenue

(\$ million)



## Operating EBITDA

(\$ million)



## Operating earnings after tax

(\$ million)



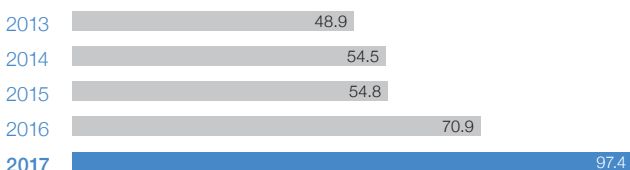
## Ordinary dividends per share

(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: Friday, 18 May 2018

Time: 11.00am (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 2017.

**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 2017 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 member.



However, such a person 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 Gary Stead, who retires by rotation in accordance with the Company’s Constitution, be re-elected as a director of the Company.”*

*Resolution 3: “That Bart Vogel, 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 2018**

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

*Resolution 4: “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 2018 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 4*

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: Approval of potential termination benefits**

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

*Resolution 5: "That for a period of approximately three years commencing from the date this resolution is passed approval be given for all purposes, including Sections 200B and 200E of the Corporations Act 2001 (Cth), for the giving of benefits to any person who holds a managerial or executive office in the Company or a related body corporate, in connection with that person ceasing to hold that office or position, on the terms set out in the Explanatory Notes accompanying this Notice of Annual General Meeting."*

#### *Voting exclusion statement for Resolution 5*

A vote must not be cast on the resolution proposed:

- a. (in any capacity) by or on behalf of any person who may be entitled to receive a benefit in connection with that person's retirement from office or position of employment, the subject of Resolution 5, or an associate of such a person; or
- b. as a proxy by a Relevant Executive, or closely related party of a Relevant Executive,

unless the vote is cast as proxy for a person entitled to vote on Resolution 5:

- c. in accordance with a direction in the Proxy Form; or
- d. by the Chairman of the meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution 5 is connected directly or indirectly with the remuneration of a Relevant Executive.

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 AGM 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

**Phillip Friery**  
**Company Secretary**

16 April 2018

## 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 Wednesday 16 May 2018 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.

### LinkVote App

This year we are pleased to offer shareholders attending the meeting in person a new way to lodge their vote using their mobile phone or tablet device. Shareholders can download the LinkVote App from the Apple App Store\* or Google Play\* prior to the meeting and use the app during the meeting to lodge a vote. Paper voting cards will also be available at the Meeting for shareholders who would prefer not to use the app.

\* App Store is a service mark of Apple Inc and Google Play is a trademark of Google Inc

## 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 Wednesday, 16 May 2018 at 11.00am (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 Friday, 18 May 2018.

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 and 5 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 32 to 43 inclusive of the 2017 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 Gary Stead*

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

### *Qualifications of Gary Stead BCom LLB MBA*

Gary Stead was appointed a non-executive director of InvoCare Limited on 1 September 2014. Gary is Chair of the Finance, Capital and Investment Committee and a member of the Audit, Risk and Compliance Committee and the Nomination Committee.

Gary is currently Managing Director of HPS Investment Partners, LLC based in Sydney, Australia. Prior to his current role, Gary was the Managing Director and Co-Head of Olympus Capital Asia Credit and Chief Executive of Fortress Investment Group Australia, where he established its Australian operations in 2004. Gary's prior experience included 13 years at Merrill Lynch, where he held various leadership positions, including Co-Head of Investment Banking in Japan, Vice Chairman of Investment Banking in Australia, and Head of Mergers and Acquisitions in Australia, Asia-Pacific and Japan, following earlier roles at both Schroders in Australia and Salomon Brothers in New York.

After starting his working career as a solicitor with degrees in law and commerce from the University of New South Wales, he subsequently completed an MBA at Wharton Graduate School of Business at the University of Pennsylvania before commencing a 30 year investment banking and principal investment career.



The Board considers Gary Stead to be an independent director.

### *Recommendation*

The Board has benefited from Gary Stead's mergers and acquisitions and investment banking experience, particularly as the Company continues to pursue growth by acquisition and refreshed its debt facilities to meet the funding requirements of the Protect and Grow Plan.

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

### *Resolution 3 – Election of Bart Vogel*

Bart Vogel 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 Bart Vogel BCom FCA GAICD*

Bart Vogel was appointed a non-executive director of InvoCare Limited with effect from 1 October 2017. He is a member of the Audit, Risk and Compliance Committee, the Finance, Capital and Investment Committee and the Nomination Committee.

Bart's career includes 20 years in the management consulting industry, as a partner with Deloitte Consulting, A.T. Kearney and Bain & Company, focussed on the technology and services sectors. In his consulting roles, Bart has spent extensive time working in global markets with multinational corporates and government bodies. He also spent 13 years in senior executive roles at Asurion Australia, Spherion Limited and as the Asia Pacific leader of Lucent Technologies.

Present ASX listed non-executive director roles include Infomedia Ltd (where he serves as Chairman), Salmat Limited and Macquarie Telecom Limited, with past a role on Sedgman Limited. In addition to his listed company directorships, Bart is a director of BAI Communications and of the Children's Cancer Institute Australia.

Bart holds a Bachelor of Commerce (Honours) from the University of Witwatersrand, South Africa.

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

The Board considers Bart Vogel to be an independent director.

### *Recommendation*

The Board has benefited from Bart Vogel's consulting and business experience, particularly in telecommunications and

information technology sectors, particularly as the Company embarks on its next phase of growth and implements the Protect and Grow Plan.

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

## **Item E: Approval of the grant of securities to Martin Earp for 2018**

### *Resolution 4 - Approval of the grant of securities to Martin Earp for 2018*

Resolution 4 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 2018 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 2018*

Mr Earp was appointed as Chief Executive Officer and Managing Director of the Company on 1 May 2015. His remuneration package for the 2018 financial year has been set by the Board and its People, Culture & Remuneration Committee 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 2018 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 32 to 43 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 2018 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 2018 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 \$13.91, 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 by an independent actuary using a Black Scholes valuation methodology as \$2.78. Dividing the total Option value entitlement (ie. \$567,069) by the value of an individual Option (ie. \$2.78) will result in Mr Earp receiving 203,981 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 \$13.91, determined by the VWAP of InvoCare shares traded in the first 10 business days of the trading window immediately following the release of InvoCare's full year results on 19 February 2018. Dividing the total Performance Rights entitlement (ie. \$189,023) by the value of an individual Performance Right (ie. \$13.91) will result in Mr Earp receiving 13,589 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 4 years from February 2018 until February 2022.

Subject to achieving the vesting conditions, 50% of Options and Performance Rights may vest in February 2021, following release of InvoCare's financial results for the preceding 2020 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 2022, again following release of InvoCare's financial results for the preceding 2021 financial year.

After the final testing in February 2022, 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 2028, 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 \$13.91 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 \$13.91.

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 maybe 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 2017 grant in respect of the last AGM held on 19 May 2017, Mr Earp received 133,283 Options at an issue price of \$2.93 and 9,258 Performance Rights at an issue price of \$14.06. These options and rights were issued to Mr Earp for no consideration. He has been issued no other securities since that time.

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: Approval of potential termination benefits**

### *Resolution 5 - Approval of Potential Termination Benefits*

#### *Why is shareholder approval being sought?*

The Board is seeking shareholder approval under sections 200B and 200E of the Corporations Act 2001 (*Cth*) (**Corporations Act**) so that benefits that may be paid or provided, without breach of the restrictions contained in the Corporations Act, to any current or future director or employee who, at the time of cessation from office or employment, or at any time during the last three years before cessation from office or employment, held a managerial or executive office in a company in the InvoCare Group (**Relevant Executives**).

The approval is intended to enable InvoCare to operate its remuneration programmes to support the InvoCare Group's strategy, as described in the Remuneration Report. The termination entitlements of the InvoCare Group's Key Management Personnel (**KMP**) are described in the Remuneration Report.

At last year's AGM the members approved a resolution enabling the Company to give benefits, including securities in the form of Shares, Options and Performance Rights, to any person who holds a managerial or executive office or position in the Company or a related body corporate of the Company, in connection with that person ceasing to hold that office or position, on the terms set out in the Company's LTI Plans and the Explanatory Notes accompanying the Notice of that Annual General Meeting.

Since the last AGM, the Board has resolved to amend the employee LTI benefits for Relevant Executives so that benefits are not connected in any way to retirement or loss of position.



The revised terms are described in these Explanatory Notes. Accordingly, whilst **the Board believes shareholder approval is not necessary for the LTI benefits (because the LTI benefits are not to be connected in any way with any Relevant Executive's retirement or loss of any position), it is sought for abundant caution** (in case it is found or an interpretation is given that there is some connection between the benefits and retirement of any Relevant Executive) and to give shareholders an opportunity to consider the proposed benefits to be provided.

#### *Type of benefits which are or may apply*

The shareholder approval sought will cover the following benefits which Relevant Executives may potentially receive under their contracts of employment with InvoCare companies:

- a. payment in lieu of notice of termination under individual executive contracts of employment;
- b. the cash component of STI awards;
- c. any Securities a Relevant Executive may be entitled to in accordance with the LTI Plan, including allowing LTI Plan equity awards to remain on foot and be subject to performance conditions set out in the letter of offer and the LTI Plan; and
- d. superannuation benefits.

#### *No increase in benefits sought*

Shareholders are not being asked to approve any increase in the remuneration or benefits for Relevant Executives or any variations to the existing discretions of the Board and its Committees. No approval to change to the underlying employment arrangements or individual entitlements is being proposed.

#### *Impact of Corporations Act on termination benefits*

Under section 200B of the Corporations Act, the Company must not give a person a benefit in connection with the person's retirement from an office, or position of employment, in a company or related body corporate if:

- the office or position is a managerial or executive office; or
- the person has, at any time during the last three years before his or her retirement, held a managerial or executive office in the company or related body corporate,

unless shareholder approval is obtained under section 200E of the Corporations Act for the giving of the benefit (or unless a specified exception applies).

A “benefit” is defined broadly in the Corporations Act to include a payment or other valuable consideration. It also includes the accelerated or automatic vesting of share-based payments on or as a result of retirement from an office or position, a payment made in lieu of giving of notice of termination and a payment that is made as part of a restrictive covenant, restraint-of-trade clause or non-compete clause.

There are exceptions for the provision of certain kinds of benefits, such as statutory entitlements to accrued annual and long service leave and certain benefits within a monetary cap. This monetary cap is, in broad terms, equivalent to one year’s annual average base salary of the relevant person over the period during which that person held a managerial or executive office (up to a period of three years).

If a termination benefit is given in excess of what is permitted under the Corporations Act, a breach of the Corporations Act can occur even if the person receiving the benefit is entitled to the benefit under his or her contractual arrangements.

The Company does not pay retirement benefits to non-executive directors other than in accordance with the Company’s statutory superannuation obligations. Accordingly this approval does not apply to non-executive directors.

#### *Who does the approval relate to?*

Approval is being sought in respect of any current or future Relevant Executive. These include members of the Company’s KMP, direct reports to the Chief Executive Officer and directors of the Company’s subsidiaries.

As at the date of this Explanatory Statement, the Relevant Executives include:

- the current KMPs of the Company are:
  - Martin Earp, Managing Director and Chief Executive Officer;
  - Josée Lemoine, Chief Financial Officer;
  - Damien MacRae, Chief Operating Officer Australia and New Zealand from 5 February 2018;
  - Graeme Rhind, Chairman of New Zealand; and
  - Wee Leng Goh, Chief Executive Officer Singapore.
- former KMP Phillip Friery (Chief Financial Officer until 8 September 2016 and Company Secretary) and Greg Bisset (Chief Operating Officer Australia until 30 September 2017), who therefore have held a “managerial or executive office” in the Company at some time during the last three years; and

- other executives who hold, or have held at some time in the last three years, a “managerial or executive office” in the Company or a related body corporate. Executives who fall into this category include those who are not KMPs but who hold a management position, primarily those executives reporting directly to the Chief Executive Officer and also those who serve as a director of one or more of the Company’s subsidiaries. There are approximately eight persons currently falling within this category, but there could be a different number in the future.

Although the number will vary from time to time, the Company estimates that there are currently approximately fifteen Relevant Executives for the purposes of this approval.

### *Remuneration framework*

This section describes the key features of InvoCare’s current remuneration framework to provide background for the retirement benefits which may be received by Relevant Executives.

InvoCare’s remuneration structure has three components:

- TFR comprising base salary and benefits, including annual leave, superannuation and other incidental benefits;
- STI in the form of annual cash bonuses based on achievement of pre-determined financial and non-financial targets; and
- LTI in the form of equity awards of Shares, rights or options, granted under LTI Plans. The awards granted will ordinarily vest or lapse based on performance and/or service hurdles over a period of four but potentially up to five, years from the grant date.

Further details of InvoCare’s remuneration framework are provided in the Remuneration Report.

### *Approval is sought for a three-year period*

If shareholder approval is obtained for this resolution, it will be effective for a period of approximately three years from the date the resolution is passed.

That is, shareholder approval will be effective:

- in relation to any equity granted under the LTI Plans; or
- if the Board (or its delegates) exercise certain discretions under the rules of the LTI Plan; or
- if a Relevant Executive ceases employment, during the period beginning at the conclusion of the Company’s AGM on 18 May 2018 and expiring at the conclusion of the

Company's AGM in 2021. If considered appropriate, the Board will seek a new approval from shareholders at the Company's AGM in 2021.

### *Employment Agreements change from time to time*

It can be reasonably anticipated that aspects of relevant employment agreements and STI and LTI incentive plans will be amended from time to time in line with market practice, changing governance standards and to continue to encourage and reward performance that delivers continued success for InvoCare. Where relevant, these changes will be reported in the Company's future remuneration reports, forming part of the Company's future annual reports. However, it is intended that, despite any such amendments, this approval will remain valid for as long as these agreements and plans provide for the treatment on cessation of employment set out in this Notice of Meeting.

### *Details of termination benefits*

This section describes the manner in which the amount or value of the potential termination benefits of Relevant Executives who hold a managerial or executive office are to be calculated and the matters, events or circumstances that will, or are likely to, affect the calculation of the value of that benefit.

#### *a) Payment in lieu of notice of termination*

Notice of termination is a contractual entitlement provided for in each executive's employment contract. The required notice period for:

- the CEO is six months;
- KMPs other than the CEO from three to six months; and
- other executives vary between one and six months.

Where an executive is terminated as a consequence of misconduct or serious or persistent breach of contract (termination for cause), InvoCare may terminate employment immediately without notice or any payment in lieu of notice.

Notice of termination may be given by either the executive or InvoCare at any time. Regardless of which party gives notice, InvoCare has discretion to make a payment in lieu of all or part of the executive's notice period.

Payment will only be made in lieu of notice in appropriate circumstances. The amount of the payment in lieu of notice, if any, will be calculated on the Relevant Executive's TFR as at the termination date for any part of the notice period the executive is not required to continue to be employed by InvoCare. The amount of these payments can only be determined once notice

is given. Accordingly, the amount of any payment in lieu of notice cannot be ascertained as at the date of the Notice of Meeting as neither the period nor the executive's TFR at the termination date are currently known. However, in all cases the notice period will not exceed the contractual periods described above.

Key matters, events or circumstances which will, or are likely to, affect the calculation of the payment in lieu of notice include:

- the executive's TFR at the time of termination which will be set on an annual basis following the executive's remuneration review and will be in accordance with InvoCare's remuneration policy (pay details for the KMP are disclosed in InvoCare's Remuneration Report);
- the length of the notice period for which payment is being made;
- who gave the notice of termination and the executive's future employment plans – for instance, an executive who presents a business risk by working through his or her notice period will most likely receive payment in lieu of notice; and
- whether InvoCare's operational requirements at the time notice is given require the executive to work through part or all of his or her notice period.

#### *b) STI payments*

As set out above, executives are entitled to receive an STI payment where they meet certain KPI criteria.

If the Relevant Executive engages in Proscribed Conduct before the date that any STI entitlement is payable, the Relevant Executive will not be eligible to be paid that STI entitlement, on a pro-rata basis or otherwise.

The entitlements are forfeited if the executive resigns (not being retirement) or is dismissed for cause before the payment for the current or previous year falls due (normally in February after finalising InvoCare's financial statements for the previous year ending 31 December).

If an executive's employment is terminated for any reason other than resignation (not being retirement) or for cause (for example due to retirement, death, total and permanent disablement, and bona fide redundancy), at the discretion of the Board, a pro-rated portion of the executive's STI incentive opportunity may be paid, based on the portion of the performance year served and the bonus paid or payable in respect of the immediately preceding financial year.

Key matters, events or circumstances which will, or are likely, to affect the calculation of the STI payment include:

- the Relevant Executive’s TFR at the time of termination which will be set on an annual basis following the Relevant Executive’s remuneration review and will be in accordance with InvoCare’s remuneration policy (pay details for the KMP are disclosed in InvoCare’s Remuneration Report);
- the Relevant Executive’s seniority level, role, responsibilities and performance;
- the circumstances in which the Relevant Executive leaves InvoCare;
- the achievement by the Relevant Executive of KPIs which will be set each year by the Board in accordance with InvoCare’s remuneration policy; and
- the proportion of the financial year served by the Relevant Executive.

*c) LTI payments*

InvoCare grants equity rewards to its Relevant Executives. Under the current PLTIP, these grants comprise performance rights or options. Previously under the InvoCare Deferred Employee Share Plan (**DESP**) the awards were in Shares or, in the case of overseas based Relevant Executives, Share appreciation rights. Further details are provided in InvoCare’s Remuneration Report.

The aggregate value of equity rights or options granted to each Relevant Executive is set by reference to TFR and is currently as follows:

LTI amount as % of TFR	
CEO	85
Direct reports to the CEO	Average 40
Other Relevant Executives	Average 20

The Board may adjust Relevant Executive’s LTI amounts in the future having regard to other adjustments to LTI, STI and TFR

The Board has recently approved amendments to the PLTIP rules. The changes are summarised in the Remuneration Report. In particular, LTI benefits are not in any way connected to retirement or loss of position. Providing a participant has at least three years employment with InvoCare and has not engaged in Proscribed Conduct, the Board will allow unvested awards to continue on foot and vest subject to the

original terms and performance conditions attaching to the relevant grants, regardless of whether or not the participant is employed by InvoCare at the relevant time. In the unlikely event the arrangements are found or interpreted to evidence some connection between the LTI benefits and retirement of any Relevant Executive and thus give rise to a termination benefit to which the Termination Benefit Provisions of the Corporations Act apply, this resolution seeks to ensure appropriate approvals are obtained.

The value of the benefit will depend on:

- the number of unvested Shares, rights or options held by the Relevant Executive under LTI Plans;
- the number of unvested Shares, rights or options held by the Relevant Executive which will vest either upon cessation of employment or over future years (which in turn will depend on factors which may include the participant's performance, the length of time that has elapsed since granting of the awards, whether the Relevant Executive engaged in Proscribed Conduct and the extent to which the performance conditions are satisfied);
- the return on invested capital achieved by InvoCare;
- the annual earnings per Share; and
- the market price of Shares.

Key matters, events or circumstances which will, or are likely, to affect the calculation of the value of any LTI related retirement benefit include:

- the financial performance of InvoCare;
- the personal performance of the Relevant Executive each year; and
- the circumstances in which the Relevant Executive leaves InvoCare.

It is possible that a Relevant Executive may have participated, or be a current participant, in the DESP or the InvoCare Exempt Employee Share Plan (**EESP**). Under the DESP, upon cessation of employment unvested Shares are forfeited, unless the Board exercises discretion permitted under the plan rules to immediately vest or leave on foot unvested entitlements. Under the EESP, an employee may receive up to \$1,000 of Shares which are automatically released from the EESP on the earlier of three years from the date of acquisition or termination of employment for any reason.



#### *d) Superannuation*

InvoCare makes compulsory superannuation contributions required by law (currently 9.5% of ordinary time earnings, subject to the maximum contribution base which is indexed annually) on behalf of Relevant Executives into complying funds, plus additional contributions by way of salary sacrifice as instructed by any Relevant Executive. Currently InvoCare does not contribute more than the statutory contribution of a Relevant Executive's base salary as an employer contribution, although Relevant Executives may choose to salary sacrifice additional employer contributions.

The payment of superannuation benefits to a Relevant Executive may be regarded as a retirement benefit payable in connection with the Relevant Executive ceasing to hold an office or position of employment in InvoCare, and thus the payment of those superannuation benefits may be subject to the approval requirements under the Termination Benefit Provisions of the Corporations Act.

The value of a Relevant Executive's superannuation benefit on retirement (at least to the extent these are referable to InvoCare) will be equal to the superannuation contributions made by InvoCare to the Relevant Executive's nominated superannuation fund plus, in relation to these contributions, any earnings and any capital growth or loss, less taxes and fees. The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting.

Key matters, events or circumstances which will, or are likely to affect the value of superannuation benefits include:

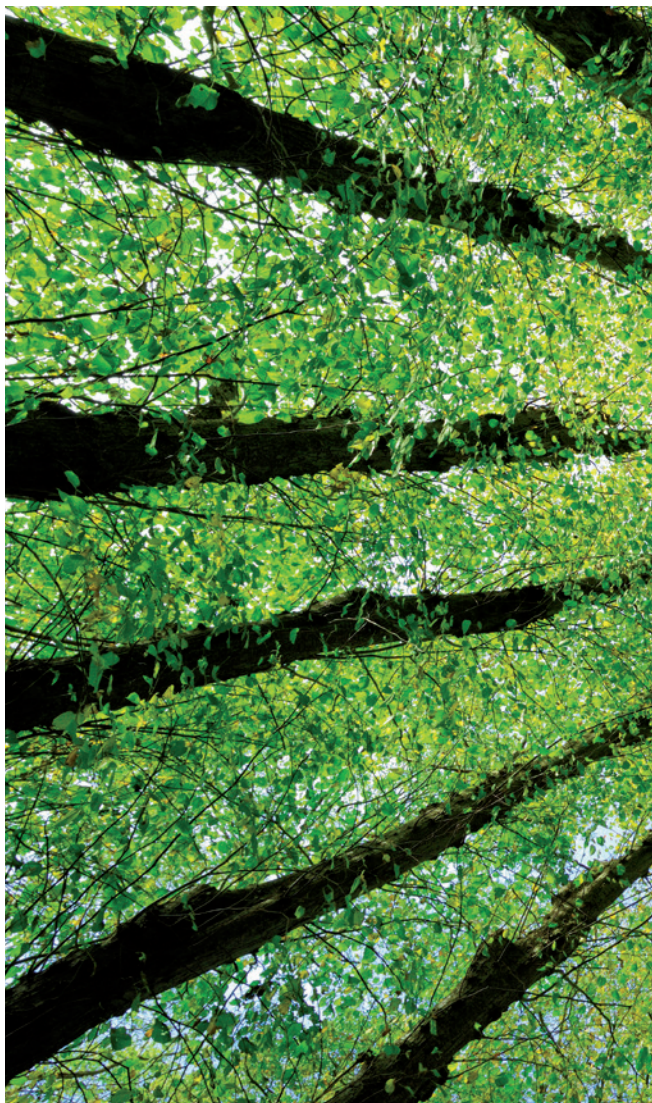
- legal requirements regarding the minimum compulsory superannuation contributions which may increase over time;
- the Relevant Executive's TFR which will be set on an annual basis following the Relevant Executive's remuneration review and will be in accordance with InvoCare's remuneration policy;
- any voluntary salary sacrifice contributions made by the Relevant Executive; and
- any earnings and capital growth or loss, less taxes and fees, on InvoCare's compulsory superannuation contributions.

### *If Resolution 5 is not passed*

The Company will seek, as required under the Corporations Act, shareholder approval on a case by case basis for termination benefits if Resolution 5 is not passed.

### *Recommendation*

The Directors, with Mr Earp abstaining as he has an interest in the resolution, recommend that shareholders vote in favour of this resolution.



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