

18 September 2019

Dear Shareholder

**McMillan Shakespeare Limited**  
**2019 Annual General Meeting**

The 2019 Annual General Meeting of McMillan Shakespeare Limited is to be held on 22 October 2019 at 10:00am at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne, Victoria in the Theatre.

Please find enclosed the Notice of Meeting, Explanatory Notes, question form and proxy form for your information.

At the meeting, the Managing Director and I will comment briefly on the Company's performance for the financial year ended 30 June 2019. The items of business set out in the Notice of Meeting will then be considered.

All resolutions to be put to the meeting are discussed in the Explanatory Notes attached to the Notice of Meeting. Directors' voting recommendations are set out in the Notice of Meeting and in the Explanatory Notes.

Please also refer to the 2019 Annual Report which is enclosed if you have previously requested a hard copy be sent or may otherwise be obtained at [www.mmsg.com.au](http://www.mmsg.com.au).

If you plan to attend the meeting in person, please bring your Proxy Form to facilitate your registration. If you are not able to attend the meeting in person, please complete and return the enclosed Proxy Form. The instructions for voting by proxy or in person are set out in the Information for Shareholders section on page 4 of the Notice of Meeting.

If you would like to submit questions for consideration by the Board before the meeting, please complete and return the Shareholder question form that is included with the Notice of Meeting.

I look forward to seeing you at the meeting and invite you to join the Board members for light refreshments at the conclusion of the meeting.

Yours sincerely

Tim Poole  
Chairman

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# Notice of Annual General Meeting

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Notice is given that the Annual General Meeting of McMillan Shakespeare Limited (ABN 74 107 233 983) will be held on 22 October 2019 at 10:00am at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne, Victoria in the Theatre.

The Explanatory Notes that accompany and form part of this Notice describe in more detail the matters to be considered. Please ensure that you read the Explanatory Notes in full.

**Please read this Notice of Meeting carefully and consider directing your proxy on how to vote on each resolution by marking the appropriate box on the proxy form.**

## Ordinary Business

### 1. Financial Reports

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report for the financial year ended 30 June 2019.

### 2. Adoption of the Remuneration Report

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

*That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2019, as contained in the Directors' Report, be adopted.*

Note: This resolution shall be determined as if it were an ordinary resolution, but under section 205R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

A voting restriction applies to this resolution. See the Information for Shareholders section for details.

### 3. Re-election of Mr Tim Poole as a Director

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

*That Mr Tim Poole, a Director retiring from office in accordance with rule 20.2 of the Constitution, being eligible, is re-elected as a Director of the Company.*

### 4. Re-election of Mr Ross Chessari as a Director

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

*That Mr Ross Chessari, a Director retiring from office in accordance with rule 20.2 of the Constitution, being eligible, is re-elected as a Director of the Company.*

**5. Issue of Performance Rights to Managing Director**

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

*That, for the purposes of ASX Listing Rule 10.14 and all other purposes, approval be given for the issue to the Managing Director, Mr Michael Salisbury 69,178 Performance Rights under the Company's Long-Term Incentive Plan (LTIP) for the issue of shares on exercise of those performance rights.*

A voting restriction applies to this resolution. See the Information for Shareholders section for details.

**6. Renewal of proportional takeover provisions of the Constitution**

To consider and, if thought fit, pass the following as a special resolution:

*That, in accordance with sections 136(2) and 648G(4) of the Corporations Act, the Constitution be modified with effect from the date of the meeting, to renew the operation of the proportional takeover provisions contained in rule 13 of the Constitution.*

Mark Blackburn  
Company Secretary

Melbourne, 18 September 2019

# Information for Shareholders

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## Entitlement to attend and vote

For the purposes of Regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth), the Directors have determined that the voting entitlements for the purposes of the Annual General Meeting will be based on the registered holdings as at 10:00am (Melbourne time) on Sunday, 20 October 2019. You may vote by attending the meeting in person, by proxy, attorney or authorised representative.

## Voting by proxy

Each Shareholder has the right to appoint a proxy. A proxy need not be a Shareholder.

A proxy form and a reply-paid envelope have been enclosed for Shareholders with this Notice. If an additional proxy form is required, the Company's share registry, Computershare Investor Services Pty Limited, will supply it on request (telephone: 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia)).

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 no such proportion or number is specified, each proxy may exercise half of your votes. Fractions of votes will be disregarded.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions or under the hand of a duly authorised officer or attorney.

To be effective, the Company must receive the completed proxy form and, if the form is signed by the Shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority), by no later than 10:00am (Melbourne time) on Sunday, 20 October 2019:

- at its registered office at Level 21, 360 Elizabeth Street, Melbourne, Victoria, Australia 3000;
- on-line by going to [www.investorvote.com.au](http://www.investorvote.com.au) or by scanning the QR Code, found on the enclosed Proxy Form, with your mobile device;
- by facsimile to its registered office on fax number +61 3 9097 3060; or
- at its share registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, Australia 3001 or by facsimile on fax number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Any revocations of proxies must be received at one of these places before commencement of the meeting, or at the registration desk for the meeting at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne, Victoria in the Theatrette.

For more information concerning the appointment of proxies, please refer to the reverse side of the enclosed proxy form.

## Custodian Voting

For Intermediary Online subscribers only (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

## Voting in Person

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the share register and attendees recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

A corporation which is a Shareholder may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with the requirements of section 250D of the

Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's share registry.

## Voting Intentions

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda including Item 2 and Item 5 notwithstanding that these Items are connected with the remuneration of Key Management Personnel (**KMP**).

In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda

In relation to Item 2 and Item 5 if you have not marked the 'For', 'Against' or 'Abstain' boxes, you will be deemed to have expressly authorised the Chairman of the Meeting to vote **in favour** of those Items. If you do not wish to give the Chairman of the Meeting such express authorisation, you should ensure that a box is clearly marked.

## Voting Exclusion Statement

In accordance with section 250R(4) of the Corporations Act, the Company will disregard any votes cast in favour of the resolution in Item 2 by or on behalf of:

- a member of the KMP, details of whose remuneration are included in the Remuneration Report and any Closely Related Party of such a member; or
- a proxy of a member of the KMP or a KMP's Closely Related Party.

The Company will disregard any votes cast in favour of Item 5 by or on behalf of Mr Michael Salisbury or any of his associates.

However, the Company need not disregard any vote by such person excluded from voting on Item 2 and Item 5 if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation on the proxy form.

## Definitions

Words that are defined in the Glossary have the same meaning when used in this Notice unless the context requires, or the definitions in the Glossary provide, otherwise.

## Proxies

Generally:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chairman of the Meeting, who must vote the proxies as directed.

## Proxy vote if appointment specifies way to vote

An appointment of a proxy may specify the way the proxy is to vote on a resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the Chairman of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

- if the Proxy is not the Chairman of the Meeting – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

## Transfer of non-chair proxy to chair in certain circumstances

If:

- an appointment of a proxy specifies the way the proxy is to vote on a resolution at a meeting of the Company's members;
- the appointed proxy is not the Chairman of the meeting;
- at the Meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at that meeting.

# Explanatory Notes on the Items of Business

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## Item 1: Financial reports

Under section 317 of the Corporations Act, the Financial Report, Directors' Report and Independent Audit Report of the Company in respect of the 2019 financial year will be laid before the meeting.

There is no requirement for a formal resolution on this item of business. Shareholders will, however, be given the opportunity to raise questions or comments on the reports at the meeting.

The reports are available on the Company's website, [www.mmsg.com.au](http://www.mmsg.com.au).

## Item 2: Adoption of Remuneration Report

Under section 250R(2) of the Corporations Act, a resolution must be put to the Shareholders that the Remuneration Report be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company. The Board will, however, take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

The Remuneration Report is set out on pages 30 to 47 of the Company's 2019 Annual Report and:

- explains the Board's policies in relation to the nature and level of remuneration paid to KMP;
- discusses the link between the Board's remuneration policies and the Company's performance;
- provides a summary of performance conditions applicable to KMP, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each KMP; and
- makes clear that the basis of remunerating non-executive Directors is distinct from the basis for remunerating Executive KMP, including the Chief Executive Officer.

The Company wishes to advise the 2019 Annual Report contained an inadvertent error on pages 35 and 37, with regards to the description of the allocation methodology of Performance Rights under the Company's Long-Term Incentive Plan (LTIP). In line with previous grants of Performance Rights, the allocation methodology used in FY19 was based on Fair Value, and not Face Value as written in the Annual Report. While LTIP grants for FY20 will continue to be allocated on a Fair Value basis, it is the intention of the Board to issue Performance Rights from FY21 on a Face Value basis.

A reasonable opportunity will be provided to the members to ask questions about or make comments on the Remuneration Report at the meeting.

If at least 25% of the votes cast on the resolution to adopt the Remuneration Report are against adoption of the report, then:

- if comments are made on the report at the Annual General Meeting, the Company's Remuneration Report for FY20 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at the Company's 2020 Annual General Meeting, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors of the Company (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2020 Annual General Meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all the Directors (other than any Managing Director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

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

### **Item 3: Re-election of Director retiring by rotation under the Constitution of the Company**

Rule 20.2 of the Constitution requires one third of the Directors to retire from office at each Annual General Meeting. The Directors that have been in office the longest since their last election must retire and are eligible for re-election to the Board at the meeting. Mr Tim Poole is retiring by rotation at this meeting and, in accordance with the Constitution, is offering himself for re-election.

#### **Tim Poole B Com**

Mr Poole is currently Chairman of Aurizon Holdings Limited and a Non-Executive Director of Reece Limited. Previously, Mr Poole was an executive of Hastings Funds Management (1995 to 2007), and he was appointed the Managing Director in 2005. He was formerly a Non-Executive Director of Lifestyle Communities Limited, Newcrest Mining Limited and Japara Healthcare Limited. Mr Poole is considered an independent director under the Company's definition of independence.

The Directors (excluding Mr Poole) unanimously recommend that the Shareholders vote in favour of this resolution.

### **Item 4: Re-election of Director retiring by rotation under the Constitution of the Company**

Mr Ross Chessari is also retiring by rotation under rule 20.2 of the Constitution at this meeting and, in accordance with the Constitution, is offering himself for re-election.

#### **Ross Chessari LLB, M Tax**

Mr Chessari is a founder and director of the investment manager, SciVentures Investments Pty Limited (SciVentures). Prior to founding SciVentures, Mr Chessari was the Managing Director of ANZ Asset Management and the General Manager of ANZ Trustees.

The Directors (excluding Mr Chessari) unanimously recommend that the Shareholders vote in favour of this resolution.



## Item 5: Issue of Performance Rights to Managing Director

### Background

During FY19, the Board's Remuneration and Nomination Committee (RNC) conducted a review of the market competitiveness of Total Annual Target Remuneration for the Company's senior executives, including Michael Salisbury, the Company's Managing Director and Chief Executive Officer. Following the cessation of the Short Term Incentive Plan from FY18, the intention of the review was to ensure that Mr Salisbury's Total Annual Target Remuneration, consisting of Fixed Remuneration and Variable Reward (delivered through the LTIP) remained competitive in line with the Company's remuneration principles.

The RNC reviewed the competitive positioning of each element of Total Annual Target Remuneration with regard to external benchmarking against a comparator group of companies (taking into account revenue, employee numbers and market capitalisation).

In addition, the RNC considered improvements to the existing program to place greater emphasis on strategic outcomes and to improve staff retention. Following this process, the Board has determined that the proposed FY20 LTIP grant will consist of five tranches of Performance Rights over a three-year period, one of which will be based on strategic outcomes. Performance will be assessed by the RNC post the finalisation of the Annual Report each financial year with any rights that qualify deferred until the finalisation of the Annual Report in 2022.

Following an annual performance review of Mr Salisbury, and taking the review of market competitiveness into account, the Company proposes to issue 69,178 Performance Rights to Mr Salisbury as long-term incentive based remuneration on the terms set out below.

The total value of the Performance Rights (of \$704,444) represents 43% of Mr Salisbury's total annual target remuneration (of \$1,643,703). The Performance Rights will have a deemed fair value of \$10.183 on the date of the grant.

The Performance Rights will be issued under and subject to the rules of the Company's Long-Term Incentive Plan approved by Shareholders in 2017.

If Item 5 is approved by Shareholders, the Board intends to issue the Performance Rights to Mr Salisbury as soon as reasonably practicable following the Annual General Meeting and in any event, not later than one month from the date of the meeting.

### Approval of acquisition of Performance Rights under ASX Listing Rule 10.14

As Mr Salisbury is a Director, the approval of Shareholders is required for him to participate in the LTIP. In particular, ASX Listing Rule 10.14 requires Shareholder approval for Mr Salisbury to participate in an employee share plan under which he acquires, or may acquire, equity securities in the Company.

Accordingly, the Company seeks the approval of Shareholders in respect of the proposed issue of the Performance Rights (and the issue of new shares or acquisition of shares on market on vesting of the Performance Rights) to Mr Salisbury on the terms and conditions set out below.

### *Vesting Conditions for Performance Rights*

The Performance Rights offer to be made to Mr Salisbury will be subject to certain vesting conditions. In addition to a condition of on-going employment:

- (a) **Tranche 1:** 17.5% of the Performance Rights offered will be subject to the Company's Underlying Earnings Per Share (**EPS**) achieving a certain Compound Annual Growth Rate (**CAGR**) for the three financial years FY20 to FY22; and
- (b) **Tranche 2:** 17.5% of the Performance Rights offered will be subject to average Return on Capital Employed (**ROCE**) targets for the three financial years FY20 to FY22; and
- (c) **Tranche 3:** 17.5% of the Performance Rights offered will be subject to the Company's Underlying Earnings Per Share (**EPS**) achieving a certain Compound Annual Growth Rate (**CAGR**) for the two

financial years FY20 to FY21. Once performance targets have been met, these Performance Rights will remain subject to the condition of on-going employment until the end of FY22; and

- (d) **Tranche 4:** 17.5% of the Performance Rights offered will be subject to average Return on Capital Employed (**ROCE**) targets for the two financial years FY20 to FY21. Once performance targets have been met, these Performance Rights will remain subject to the condition of on-going employment until the end of FY22; and
- (e) **Tranche 5:** 30% of the Performance Rights will be subject to the achievement of strategic objectives for the financial year FY20. Once performance targets have been met, these Performance Rights will remain subject to the condition of on-going employment until the end of FY22.

Only once all of the performance criteria and the on-going employment condition has been met can the Performance Rights be exercised into shares. This will mean no Performance Rights can be exercised until the Company's financial accounts for FY22 have been completed, audited and reported to the ASX.

The relevant performance targets are set out in the sections below.

### **Performance Rights**

The Company proposes to issue 69,178 Performance Rights for nil consideration that vest after three years on the terms as set out in the table below:

<b>Vesting Date</b>	<b>Performance Rights and Vesting Conditions</b>
Upon the lodgement of the Company's financial statements with ASX for FY22.	Tranche 1: 12,106 Performance Rights are subject to an Underlying EPS CAGR target of 10.5% the period FY20, FY21 and FY22 (inclusive).
	Tranche 2: 12,106 Performance Rights are subject to average ROCE of 24.0% in the period FY20 to FY22 (inclusive).
	Tranche 3: 12,106 Performance Rights are subject to an Underlying EPS CAGR target of 10.5% the period FY20 and FY21 (inclusive) and the condition of on-going employment until the end of FY22.
	Tranche 4: 12,106 Performance Rights are subject to average ROCE of 23.0% in the period FY20 to FY21 (inclusive) and the condition of on-going employment until the end of FY22.
	Tranche 5: 20,754 Performance Rights will be subject to the achievement of strategic objectives in FY20 and the condition of on-going employment until the end of FY22.

Conversion of Performance Rights is subject to Mr Salisbury's continued employment with the Company as at the date of lodgement of the Company's financial statements with ASX for FY22.

In addition to meeting the employment condition, partial vesting of the first four tranches of Performance Rights can occur (pro rata on a straight-line basis) as follows:

<b>Metric</b>	<b>0% Vesting</b>	<b>50% - 100% Vesting</b>
Tranche 1: Underlying EPS CAGR	<6.0%	Between 6.0% and 10.5%
Tranche 2: Average ROCE	<21.5%	Between 21.5% and 24.0%
Tranche 3: Underlying EPS CAGR	<6.0%	Between 6.0% and 10.5%
Tranche 4: Average ROCE	<21.5%	Between 21.5% and 23.0%

Partial vesting of **Tranche 5** relating to strategic objectives will be determined at the discretion of the Board, following an annual performance review of Mr Salisbury. Targets will be set for Mr Salisbury across three strategic areas listed below. Targets will be calibrated with regard to expected levels of performance required to achieve threshold (0%) and full (100%) vesting:

- (a) Capital management (including, amongst other things, a focus on achieving target levels of principal and agency funding);
- (b) Productivity (including, amongst other things, a focus on achieving Beyond 2020 targets); and
- (c) Growth (including, amongst other things, a focus on accelerating value creation from Plan Partners).

In the event that Mr Salisbury takes unpaid leave for a period exceeding three months during FY20, FY21 or FY22 the vesting criteria outlined above with respect to the financial performance of the Company and Mr Salisbury's continued employment will be deemed on a pro-rata basis to reflect the period of continuous service during the relevant financial year, unless the Board in its discretion determines otherwise.

Calculation of CAGR shall be based on the cumulative Underlying EPS results for the relevant financial years using the Underlying EPS results for the FY19 as the base year. EPS Targets assume a successful completion of the \$80 million Share Buy Back announced on August 21 2019. In the event the Share Buy Back is withdrawn the EPS targets will be adjusted accordingly.

The ROCE performance condition is based on the Company's average ROCE over the performance period. The Board considers that a ROCE target is best aligned with the Company's focus on both earnings and capital optimisation.

The Board considers that the Underlying EPS CAGR and average ROCE targets are realistic but challenging. The Board retains discretion to adjust the Company's ROCE target in determining the extent to which the ROCE performance condition has been satisfied.

#### **Other Information required under LR 10.15**

- The Company will not apply to the ASX for official quotation of the Performance Rights granted under the LTIP.
- The Managing Director is the only current Director of the Company entitled to participate in the LTIP. The Managing Director is the only person referred to in LR 10.14 who has received securities under the LTIP to date issued on:
  - 24 October 2017 as follows:

- 71,141 Performance Options vesting on lodgement of the Company's financial statements for FY19 with a fair value of \$3.13 each at date of grant;
- 17,860 Performance Rights vesting on lodgement of the Company's financial statements for FY19 with a fair value of \$13.92 each at date of grant;
- 66,027 Performance Options vesting on lodgement of the Company's financial statements for FY20 with a fair value of \$3.20 each at date of grant; and
- 18,814 Performance Rights vesting on lodgement of the Company's financial statements for FY20 with a fair value of \$13.29 each at date of grant;

All Options and Rights issued on 24 October 2017 have failed to meet minimum vesting criteria.

o 23 October 2018 as follows:

- 105,272 Performance Options vesting on lodgement of the Company's financial statements for FY21 with a fair value of \$2.54 each at date of grant; and
- 18,937 Performance Rights vesting on lodgement of the Company's financial statements for FY21 with a fair value of \$14.12 each at date of grant.

All Options and Rights issued on 23 October 2018 are expected to fail to meet minimum vesting criteria.

- Shares issued pursuant to the vesting of Performance Rights will rank equally with Shares then on issue.
- The Company has the flexibility to issue new shares or to purchase shares on-market for allocation to Mr Salisbury on vesting of Performance Rights.
- There is no proposed loan scheme in relation to the Performance Rights or the LTIP.
- Any dealing in Shares is subject to the constraints of Australian insider trading laws and the Company's Securities Trading Policy. Participants are specifically prohibited from hedging their Company share price exposure in respect of their Performance Rights during the vesting period.
- Any funds raised on the exercise of Performance Options will be applied to the Company's working capital.
- Details of the Performance Securities granted to Mr Salisbury will be provided in the Remuneration Report for FY20, FY21 and FY22.

The Board believes that it is in shareholders' best interests to provide the Managing Director with an equity-based long-term incentive to ensure there is significant alignment between satisfactory returns for shareholders and the rewards for the Managing Director by linking an appropriate part of his remuneration to the generation of long term returns for shareholders.

The Directors (excluding Mr Salisbury, who has an interest in the matter) recommend that Shareholders vote in favour of Item 5.

## **Item 6: Renewal of proportional takeover provisions of Constitution**

### **Summary of the proposal**

It is proposed that the Constitution be amended to refresh the operation of the proportional takeover provisions in Rule 13.

The Constitution includes proportional takeover approval provisions which enables the Company to refuse to register Shares acquired under a proportional takeover bid unless a resolution was passed by Shareholders in a general meeting approving the offer. In accordance with section 648G(1) of the Corporations Act, Rule 13 will cease to have effect on the third anniversary of the date of its adoption, being 25 October 2016.

The Company seeks Shareholder approval to renew these provisions in the Constitution again. As a consequence, the Corporations Act required the Company to provide Shareholders with an explanation of the proposed proportional takeover approval provisions as set out below so that Shareholders may make an informed decision on whether to support or oppose the resolution.

The Corporations Act requires that such a resolution be passed as a special resolution and, accordingly, it requires at least 75% of the votes cast by Shareholders entitled to vote on the resolution to be in favour.

### **What is a proportional takeover bid and why do we need the proportional takeover provisions?**

A proportional takeover bid is a takeover offer sent to all Shareholders, but only in respect of a specified proportion of each Shareholder's Shares. Accordingly, if a Shareholder accepts in full the offer under a proportional takeover bid, the Shareholder will dispose of the specified proportion of their Shares in the Company and retain the balance of the Shares.

As a proportional takeover bid involves an offer for only a proportion of each Shareholder's Shares, a bidder may acquire control of the Company:

- without Shareholders having a chance to sell all their Shares, leaving them as part of a minority interest in the Company; and
- without payment of an adequate control premium.

Proportional takeover provisions are designed to assist Shareholders to receive proper value for their Shares if a proportional takeover bid is made for the Company. They reduce the risk that a bidder will obtain control without adequately compensating Shareholders to decide collectively whether a proportional takeover bid is acceptable and appropriately priced.

### **Effect of proportional takeover provisions**

Rule 13 of the Constitution requires that, if a proportional takeover bid is made, the Directors must convene a meeting of Shareholders to vote on a resolution to approve the bid more than 14 days before the bid period closes. Rule 13 does not apply to full takeover offers.

Rule 13 provides that the vote is decided on a simple majority of votes at the meeting, excluding votes by the bidder and its associates. If no resolution to approve the bid has been voted on in accordance with

Rule 13 as at the end of the 14<sup>th</sup> day before the bid period closes, a resolution approving the bid will be deemed by the Corporations Act to have been passed, thereby allowing the bid to proceed.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts are taken to be withdrawn.

If the resolution is approved, the relevant transfers of Shares will be registered, provided they comply with the other provisions of the Constitution and otherwise with the Corporations Act.

### **Reasons for proposing renewal of Rule 13**

The Directors consider that Shareholders should have the opportunity to vote on a proposed proportional takeover bid. A proportional takeover bid for the Company may enable control of the Company to be acquired by a party holding less than a majority interest and without Shareholders having the opportunity to dispose of all of their Shares. This may mean that Shareholders could be at risk of being left as part of a minority interest in the Company. Rule 13, if renewed, would enable Shareholders to decide collectively whether a proportional takeover bid should be permitted to proceed.

### **Present acquisition proposals**

At the date of this Explanatory Statement, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### **Potential advantages and disadvantages of renewal of Rule 13**

The Directors consider that there are no such advantages or disadvantages for them as they remain free to make a recommendation on whether a proportional takeover bid should be accepted. The renewal of the rule will ensure that all Shareholders continue to have opportunity to study a proportional takeover bid, if made, and then attend or be represented by proxy at a meeting called specifically to vote on the proposal.

A majority of Shares voted at the meeting, excluding the Shares of the bidder and its associates, will be required for the resolution to be passed, following which Shareholders will be able to decide whether to accept the bid which may result in a change of control of the Company. This will enable Shareholders to prevent a proportional takeover bid proceeding if they believe that control of the Company should not be permitted to pass under the bid and, accordingly, the terms of any future proportional takeover bid are likely to be structured in a manner that is attractive to a majority of Shareholders.

It may be argued that the refreshing of Rule 13 reduces the possibility of a successful proportional takeover bid and that, as a result, proportional takeover bids for the Company will be discouraged. This, in turn, may reduce opportunities that Shareholders may have to sell some of their Shares at an attractive price to persons seeking control of the Company and may reduce any 'takeover speculation' element in the Company's share price. It may also be said that the provisions constitute an additional restriction on the ability of individual Shareholders to deal freely with their Shares.

### **Recommendation**

The Directors consider that refreshing the operation of Rule 13 is in the interests of Shareholders as it allows the majority of Shareholders to determine whether a proportional takeover bid should proceed. The Directors unanimously recommend that the Shareholders vote in favour of this resolution.

## Glossary

In this Notice and the Explanatory Notes:

**Adjusted EBIT** means EBIT adjusted to exclude one-off payments in relation to transaction costs incurred in acquisitions and the amortisation of acquisition intangibles;

**Annual General Meeting** means the annual general meeting of the Company to be held on 22 October 2019 at 10:00am at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne, Victoria in the Theatre;

**ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it;

**ASX Listing Rules** means the listing rules of the ASX;

**Board** means the board of Directors of the Company;

**Chairman** means Mr Tim Poole.

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

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

**Company** means McMillan Shakespeare Limited ACN 107 233 983;

**Constitution** means the constitution of the Company;

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

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

**EBIT** means earnings before interest and tax;

**Executive KMP** means KMP excluding Non-Executive Directors;

**EPS** means earnings per share;

**FY19** means the financial year ending 30 June 2019;

**FY20** means the financial year ending 30 June 2020;

**FY21** means the financial year ending 30 June 2021;

**FY22** means the financial year ending 30 June 2022;

**Glossary** means this glossary;

**Item** or **Resolution** means a proposed resolution to be put to a vote of Shareholders at the meeting, as set out in the Notice of Meeting;

**KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its Directors and certain senior executives;

**LTI** means a long-term incentive used in an employee's remuneration structure;

**LTIP** means the Long Term Incentive Plan, as described in the 2017 Annual General Meeting explanatory notes;

**Meeting** means the annual general meeting of the members of the Company convened by this Notice;

**Notice of Meeting** or **Notice** means this notice of meeting and the explanatory notes;

**Performance Option** means an option that may be exercised into a Share subject to the achievement of certain vesting conditions and payment of an exercise price;

**Performance Right** means a right that may convert into a Share subject to the achievement of certain vesting conditions;

**Performance Securities** means the Performance Options and the Performance Rights;

**ROCE** means return on capital employed calculated using Adjusted EBIT as the profit measure;

**Share** means a fully paid ordinary share in the Company;

**Shareholder** means a holder of at least one Share;

**Underlying EPS** means underlying earnings per share calculated using UNPATA as the profit measure; and

**UNPATA** means statutory net profit after tax adjusted to exclude one-off payments in relation to transaction costs incurred in acquisitions and amortisation of acquisition intangibles.



MMS

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



## Need assistance?



**Phone:**  
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00 am (Melbourne time) Sunday 20 October 2019**.

# Proxy Form

## 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

**If you are attending in person, please bring this form with you to assist registration.**

#### Corporate Representative

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

## Lodge your Proxy Form:

**XX**

### Online:

Use your computer or smartphone to appoint your proxy and vote at [www.investorvote.com.au](http://www.investorvote.com.au) or scan your personalised QR code below using your smartphone.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I9999999999**  
**PIN: 99999**

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

### By Mail:

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

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



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

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**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.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

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

XX

I/We being a member/s of McMillan Shakespeare 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 McMillan Shakespeare Limited to be held at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne VIC 3000 on Tuesday, 22 October 2019 at 10:00 am (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 and 5** (except where I/we have indicated a different voting intention in step 2) even though **Items 2 and 5** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**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 and 5** by marking the appropriate box in step 2.

## 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 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Mr Tim Poole as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Re-election of Mr Ross Chessari as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Issue of Performance Rights to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Renewal of proportional takeover provisions of the Constitution	<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. 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.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address  By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically





## SHAREHOLDER QUESTION FORM

### YOU MAY SUBMIT QUESTIONS TO THE AGM BEFORE THE MEETING DATE

Your questions regarding the Company that are relevant to the Annual General Meeting are important to us. We invite you to use this form to submit any questions that you may have on the:

- financial statements or the business, operations or management of the Company;
- conduct of the audit;
- preparation and content of the audit report;
- accounting policies adopted by the Company for the preparation of the financial statements;
- independence of the Auditor in relation to the conduct of the audit; or
- other agenda items.

You may return this form by emailing it to [investorrelations@mmsg.com.au](mailto:investorrelations@mmsg.com.au) or by post marking it to the attention of the Company Secretary, Locked Bag 18 Collins Street East, Melbourne, Vic, 8003. All questions must be received by 17 October 2019. We will attempt to respond to as many of the frequently asked questions as possible at the AGM.

The Chairman will also permit the Auditor to answer written questions submitted to the Auditor.

Shareholder's name
<input type="text"/>
Shareholder's address
<input type="text"/>
<input type="text"/>
Shareholder's email address
<input type="text"/>
Shareholder Reference Number or Holder Identification Number
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Please tick the relevant box: My question/s is/are for the
<input type="checkbox"/> Chairman <input type="checkbox"/> Auditor <input type="checkbox"/> CEO
Question
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

McMillan Shakespeare Limited collects this information in order to confirm that you are a Shareholder. The information is also provided to Computershare Investor Services Pty Ltd which holds McMillan Shakespeare Limited's share registry. If you do not provide the information we will be unable to submit your question to the Chairman, Auditor or CEO.



MMSRM

MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SUBURB  
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in McMillan Shakespeare Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

**McMillan Shakespeare Limited**