

14 June 2019

## Notice of Annual General Meeting


Attached are copies of the following documents in relation to the 2019 Annual General Meeting of AusNet Services Ltd to be held on Thursday, 18 July 2019 at 2.00pm (Melbourne time):

- Notice of Annual General Meeting;
- Proxy Form; and
- Questions from Shareholders Form.

**Claire Hamilton**  
Company Secretary



# Notice of Annual General Meeting 2019



**AUSNET SERVICES LTD**  
ABN 45 603 317 559

('AusNet Services')

**THURSDAY, 18 JULY 2019**



The Annual General Meeting of AusNet Services Ltd will be held at **Melbourne Convention and Exhibition Centre Auditorium, Level 2, 2 Clarendon Street, Southbank, Melbourne, Victoria, Australia** on **Thursday, 18 July 2019 at 2.00pm.**

# Business

## 1 FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Company's financial statements and the reports of the Directors and the Auditor for the year ended 31 March 2019.

## 2 ELECTION OF DIRECTORS

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

- (a) *'That Mr Li Lequan, who retires in accordance with clause 10.1(c) of the Company's Constitution, and, being eligible, offers himself for election, be elected.'*
- (b) *'That Mr Tan Chee Meng, who retires in accordance with clause 10.1(d) of the Company's Constitution, and, being eligible, offers himself for re-election, be re-elected.'*
- (c) *'That Mr Peter Mason, who retires in accordance with clause 10.1(d) of the Company's Constitution, and, being eligible, offers himself for re-election, be re-elected.'*

## 3 REMUNERATION REPORT

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

*'That the Remuneration Report of AusNet Services Ltd for the year ended 31 March 2019 be adopted.'*

**Note:** The vote on this resolution is advisory only and does not bind the Directors or the Company.

## 4 GRANT OF EQUITY AWARDS TO THE MANAGING DIRECTORS

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

- (a) *'That for the purposes of Listing Rule 10.14 and all other purposes, to grant equity awards to the Managing Director of AusNet Services, Mr Nino Ficca, under the Company's Long Term and Deferred Short Term Incentive Plans on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting.'*
- (b) *'That for the purposes of Listing Rule 10.14 and all other purposes, to grant equity awards to the incoming Managing Director of AusNet Services, Mr Tony Narvaez, under the Company's Long Term Incentive Plan on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting.'*

## 5 ISSUE OF SHARES – 10% PRO RATA

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

*‘That for the purposes of clause 3.10 of the Constitution of AusNet Services, AusNet Services and the Directors of AusNet Services be given authority to issue new Shares, and to make or grant an offer, agreement or option which would or might require Shares to be issued to a maximum of 10% of issued share capital, where the offer to issue Shares is made pursuant to a pro rata issue (as that term is defined in the ASX Listing Rules) and any underwriting thereof (or any other arrangement to make up the shortfall under a pro rata issue), and otherwise in the circumstances, for the period and on the terms and conditions described in the Explanatory Notes to this Notice.’*

## 6 ISSUE OF SHARES PURSUANT TO DIVIDEND REINVESTMENT PLAN

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

*‘That for the purposes of clause 3.10 of the Constitution of AusNet Services and all other purposes, AusNet Services and the Directors of AusNet Services be given*

*authority to issue new Shares pursuant to a Dividend Reinvestment Plan and any underwriting thereof, for the period and on the terms and conditions described in the Explanatory Notes to this Notice.’*

## 7 ISSUE OF SHARES PURSUANT TO AN EMPLOYEE INCENTIVE SCHEME

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

*‘That for the purposes of clause 3.10 of the Constitution of AusNet Services and all other purposes, AusNet Services and the Directors of AusNet Services be given authority to issue new Shares pursuant to an employee incentive scheme, for the period and on the terms and conditions described in the Explanatory Notes to this Notice.’*

By Order of the Board of AusNet Services Ltd.

**Claire Hamilton**  
Company Secretary

14 June 2019

# Information for Members

The accompanying Explanatory Notes form part of this Notice and should be read in conjunction with it. Unless the context requires otherwise, terms defined in the Glossary to the Explanatory Notes have the same meanings when used elsewhere in this Notice.

## REQUIRED MAJORITY

The resolutions described in items 2, 3, 4, 5, 6 and 7 of the 'Business' section of this Notice are all ordinary resolutions and each will be passed if at least 50% of votes cast by Shareholders entitled to vote on the resolution are cast in favour of the resolution.

## VOTING AND PROXIES

### ELIGIBILITY TO VOTE

For the purposes of determining entitlement to vote at the Meeting, Shares will be taken to be held by those registered as Shareholders at 7.00pm on Tuesday 16 July 2019 (Melbourne time). Transactions registered after that time will be disregarded in determining Shareholders' entitlement to vote at the Meeting.

### VOTING EXCLUSIONS

#### *ITEM 3 – REMUNERATION REPORT*

AusNet Services will disregard any votes cast on item 3:

- > by or on behalf of a member of the KMP whose remuneration is disclosed in the Remuneration Report for the year ended 31 March 2019 or their Closely Related Parties in any capacity; or
- > as a proxy by a person who is a member of the KMP at the date of this Meeting or their Closely Related Parties,

unless the vote is cast as proxy for a person entitled to vote on item 3:

- > in accordance with a direction on the proxy form; or
- > by the Chairman of the Meeting as proxy for a person who is entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

#### *ITEM 4 – GRANT OF EQUITY AWARDS TO THE MANAGING DIRECTORS*

Technically, no voting restriction applies to resolution 4(b) as the incoming Managing Director, Mr Tony Narvaéz will not be a Director or member of the KMP at the date of the Meeting and the ASX Listing Rule approval is not required. However, the Company has decided to voluntarily seek Shareholder approval and therefore, has also decided to voluntarily apply a voting exclusion as if the ASX Listing Rules and Corporations Act apply.

AusNet Services will disregard any votes cast on the resolutions in item 4:

- > in favour of item 4 by or on behalf of the current Managing Director or incoming Managing Director, or any of their Associates, in any capacity; and
- > as a proxy by a person who is a member of the KMP at the date of the Meeting or their Closely Related Parties,

unless the vote is cast as proxy for a person entitled to vote on item 4:

- > in accordance with a direction on the proxy form; or
- > by the Chairman of the Meeting as proxy for a person who is entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

‘KMP’ means key management personnel which has the meaning ascribed in the Corporations Act and the accounting standards.

‘Closely Related Party’ has the meaning ascribed in the Corporations Act and ‘Associate’ has the meaning ascribed in the ASX Listing Rules. Both terms include a spouse and certain other close family members, as well as any related companies controlled by KMP.

## APPOINTING A PROXY

You can appoint a proxy to attend and vote on your behalf. A personalised proxy form accompanies this Notice.

A proxy need not be a Shareholder and may be an individual or a body corporate.

The Shareholder, or the Shareholder’s attorney who has not received any notice of revocation of the authority, must sign the proxy form.

If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes.

If you appoint two proxies to vote, neither proxy may vote on a show of hands if more than one proxy attends. On a poll, each proxy may only exercise votes in respect of those Shares or voting rights the proxy represents.

Please refer to the proxy form for further instructions on how to sign the proxy form.

# Information for Members

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### LODGING YOUR PROXY FORM

Completed and signed proxy forms (together with any power of attorney or other authority under which the appointment was signed or a certified copy of the authority) must be returned no later than **2.00pm on Tuesday, 16 July 2019** (Melbourne time).

You can lodge your completed proxy form, letter of representation or power of attorney:

(a) **in person to:**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, VIC 3067  
Australia

(b) **by mail to:**

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

(A reply paid envelope is enclosed)

(c) **by fax to:**

Computershare Investor Services Pty Limited  
1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

(d) **online at:**

AusNet Services' website at  
[www.investorvote.com.au](http://www.investorvote.com.au).

To use this facility you will need your proxy form as it contains your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is your Personal Identification Number (PIN) to verify the transmission. You will be deemed to have signed your proxy form if you lodge it in accordance with the instructions on the website. (Note: this facility is not available for attorneys.)

Proxy forms may also be delivered or faxed to AusNet Services' registered office at:

Company Secretary  
AusNet Services  
Level 31, 2 Southbank Boulevard  
Southbank, VIC 3006  
Australia

Fax: +61 3 9695 6666

If you appoint a proxy or attorney, you may still attend the Meeting. However, if you vote on a resolution, the proxy or attorney is not entitled to vote as your proxy or attorney on the resolution. Accordingly, you will be asked if you wish to revoke your proxy if you register at the Meeting.

## UNDIRECTED AND DIRECTED PROXIES

You are encouraged to actively direct your proxy how to vote on each item of business by marking the appropriate boxes on the proxy form.

If you appoint a member of the Company's KMP (which includes each of the Directors) or one of their Closely Related Parties as your proxy, they will not be able to cast your votes on Resolutions 3, 4(a) or 4(b), and Associates of Mr Nino Ficca or Mr Tony Narvaez will not be able to vote your proxy in favour of Resolutions 4(a) or 4(b), unless you direct them how to vote or the Chairman of the Meeting is your proxy.

If you appoint the Chairman of the Meeting as your proxy or the Chairman of the Meeting becomes your proxy by default, and you do not mark a voting box for Resolutions 3, 4(a) or 4(b), then by completing and returning the Proxy Form you will be expressly authorising the Chairman of the Meeting to vote in respect of the relevant resolution even though it is connected with the remuneration of the Company's KMP.

The Chairman of the Meeting intends to vote all available proxies in favour of each resolution.

## CORPORATE REPRESENTATIVES

Corporate Shareholders and corporate proxies who wish to appoint a representative to attend

and vote at the Meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as their representative. A form of authorisation may be obtained from Computershare.

## ADMISSION TO MEETING

If you attend the Meeting, please bring your personalised proxy form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the Meeting, but representatives from Computershare will need to verify your identity.

Corporate representatives are requested to bring a copy of the letter of representation pursuant to which they were appointed.

This will also apply where you appoint a body corporate as your proxy. The body corporate will need to ensure that it appoints an individual as its corporate representative to attend and vote for that corporation at the Meeting. Attorneys are requested to bring a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required.

You will be able to register from 1.00pm (Melbourne time) on the day of the Meeting.



# Information for Members

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### WEBCAST, QUESTIONS AND YOUR PRIVACY

If you are unable to attend in person a live audio webcast of the Meeting will be available on AusNet Services' website at [www.ausnetservices.com.au](http://www.ausnetservices.com.au). In addition, you can submit a question prior to the Meeting through the online voting site described above ([www.investorvote.com.au](http://www.investorvote.com.au)) or by completing the Shareholder Question Form enclosed with this notice and returning it with your proxy form.

The Chairman of the Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Meeting.

However, there may not be sufficient time available at the Meeting to address all of the questions raised. Please note that individual responses will not be sent to Shareholders.

Attendees at the Meeting may be video recorded and the tapes may be viewed at the discretion of AusNet Services for security purposes.

# Explanatory Notes

These Explanatory Notes have been prepared to assist Shareholders to understand the items of business to be considered at the Meeting. These Explanatory Notes are important and should be read carefully by all Shareholders.

## ITEM 1 FINANCIAL STATEMENTS AND REPORTS

Whilst Shareholders are not required to vote on the financial statements and reports, Shareholders will be given a reasonable opportunity at the Meeting to raise questions on the financial statements and reports. Shareholders will also be able to ask the Auditor questions relevant to the audit of the financial statements and reports. The financial statements and reports for the year ended 31 March 2019 are available on the Investor Centre page on the AusNet Services website ([ausnetservices.com.au](http://ausnetservices.com.au)).

## ITEM 2 ELECTION OF DIRECTORS

Three Directors are standing for election or re-election at the Meeting.

Clause 10.1(c) of the Company's Constitution requires a Director who was appointed during the year to retire at the next Annual General Meeting following their appointment. Mr Li Lequan was appointed since the 2018 Annual General Meeting and accordingly will retire, and being eligible, offers himself for election by Shareholders at this Meeting. As a new Director, Mr Li underwent background and probity checks prior to his appointment in October 2018.

Clause 10.1(d) of the Company's Constitution requires that a Director may not hold office beyond the third Annual General Meeting following the Director's last election or re-election without submitting for re-election. In accordance with this clause, Mr Tan Chee Meng and Mr Peter Mason retire, and being eligible, offer themselves for re-election by Shareholders at this Meeting.

Details of the experience and qualifications of the Directors seeking election or re-election, as applicable, are below:

# Explanatory Notes

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### ITEM 2(A) MR LI LEQUAN

*Bachelor of Atmospheric Physics and Atmospheric Environment, Master of Atmospheric Physics and Atmospheric Environment, MBA*

**Appointed to the Board in October 2018. Member of the Remuneration Committee and the Nomination Committee.**

Mr Li began his career with the China Electricity Council in 1988 and has been in the power industry for approximately 30 years. Since 2009, Mr Li has worked in State Grid International Development Corporation Limited (SGID) and been in charge of the mergers and acquisitions of overseas power transmission and distribution assets.

Mr Li is Senior Vice President and General Counsel of SGID. He also serves as a Non-executive Director of Redes Energéticas

Nacionais, SGPS, S.A. in Portugal. He was previously a Director of ElectraNet Pty Ltd.

Mr Li was nominated by State Grid International Australia Development Company Limited, one of AusNet Services' substantial Shareholders, and is considered by the Board to be a non-independent Non-executive Director.

### Recommendation:

*The Board (with Mr Li abstaining) unanimously recommends that Shareholders vote in favour of the election of Mr Li Lequan.*



### ITEM 2(B) MR TAN CHEE MENG

*BEng (Hons), LLB (Hons), LLM (First Class)*

**Appointed to the Board in May 2016. Member of the Audit and Risk Management Committee and the Nomination Committee.**

Mr Tan has dual qualifications in engineering and law and has over 30 years' experience in

the legal industry, practising in the areas of general civil litigation, construction and engineering dispute resolution, criminal law, insurance, professional indemnity and disciplinary proceedings.

Mr Tan is a Director of Singapore Power Limited and Chairman of that company's Nominating Committee and a member of its Executive and Audit Committees. He also sits on the boards of Singapore Urban Redevelopment Authority and St Gabriel's Foundation. He is the Chairman of the School Management Committee of Assumption English School and a member of the Singapore Land Transport Authority's Kuala Lumpur-Singapore High Speed Rail Advisory Board.

Mr Tan spent his earlier career as a civil engineer before becoming a qualified legal practitioner holding offices of Deputy Senior State Counsel and Deputy Public Prosecutor in both the civil and criminal divisions of the Attorney-General's Chambers, and Deputy Director of the Commercial Affairs Department in Singapore. Mr Tan joined private practice in 1993 and was appointed Senior Counsel in 2006. He is currently the Deputy Chairman of WongPartnership LLP.

Mr Tan was nominated to the Board by Singapore Power, one of AusNet Services' substantial Shareholders, and is considered

by the Board to be a non-independent Non-executive Director.

**Recommendation:**

*The Board (with Mr Tan abstaining) unanimously recommends that Shareholders vote in favour of the re-election of Mr Tan Chee Meng.*



**ITEM 2(C) MR PETER MASON AM**

*BCom (Hons), MBA, Honary Doctorate (UNSW)*

**Appointed to the Board in March 2016.  
Chairman of the Board and Chairman of  
the Nomination Committee.**

Mr Mason has over 40 years' experience in investment banking, including with JP Morgan and Schroders and brings to the Board a wealth of business experience. In addition to his investment banking career, Mr Mason has

# Explanatory Notes

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extensive experience as both a Chairman and a Non-executive Director of listed companies including Chairman of AMP Limited and Chairman of David Jones Limited.

Mr Mason is currently a Director of Singapore Telecommunications Ltd (SingTel), a Senior Advisor to UBS, a Director of The Centre for Independent Studies and Chairman of the UBS Australia Foundation.

Mr Mason was a Trustee of the Sydney Opera House Trust for six years and a member of the Council of the University of New South Wales for 13 years. For 12 years he was a Director of the Children's Hospital in Sydney and Chairman of the Children's Hospital Fund for eight years. Mr Mason was appointed a Member of the Order of Australia for his contribution to the Children's Hospital.

Mr Mason is considered by the Board to be an independent Non-executive Director.

### **Recommendation:**

*The Board (with Mr Mason abstaining) unanimously recommends that Shareholders vote in favour of the re-election of Mr Peter Mason.*

### **ITEM 3 REMUNERATION REPORT**

The Remuneration Report for year ended 31 March 2019 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act and its regulations. The report details the remuneration arrangements for Key Management Personnel which includes Non-executive Directors, the Managing Director and key senior executives. The report is set out in the *2019 Annual Report* which is also available on AusNet Services' website at [www.ausnetservices.com.au](http://www.ausnetservices.com.au).

The Board is committed to ensuring that the remuneration structure for senior executives is closely aligned to the strategy and business objectives of the Company, with a focus on driving a performance culture and delivering results that are acceptable to Shareholders. It is the Board's objective to deliver a Remuneration Report which explains the way in which financial rewards for senior executives have driven the Company's short-term and long-term performance.

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

The vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors of AusNet Services. However, the Directors will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of AusNet Services.

A voting exclusion statement applies to this resolution, as set out in this Notice of Meeting.

**Recommendation:**

*The Board unanimously recommends that Shareholders vote in favour of Resolution 3.*

## **ITEM 4 GRANT OF EQUITY AWARDS TO THE MANAGING DIRECTOR**

### **ITEM 4(A) GRANT OF EQUITY AWARDS TO MR NINO FICCA**

Shareholder approval is being sought to award to the Managing Director of AusNet Services, Mr Nino Ficca:

- i. 164,881 Performance Rights under AusNet Services' 2019 Long Term Incentive Plan (LTIP) as his long-term incentive award, which seeks to align the interests of executives with Shareholders over a three-year period; and
- ii. 185,492 Deferred Rights under AusNet Services' Deferred Short Term Incentive Plan (STIP) as the deferred portion of any short-term incentive award for FY2019.

The deferral period is two years. The STIP rewards achievement against agreed financial and non-financial targets and seeks to align the executive reward with Shareholder outcomes.

### **Retirement of Managing Director and grant of equity awards on a pro rata basis**

On 30 April 2019, AusNet Services announced that the Company's Managing Director, Mr Nino Ficca, intended to retire at the end of 2019 after more than 37 years in the industry, and since listing, the last 14 as Managing Director of AusNet Services. As further announced on 24 May 2019, Mr Ficca will continue to serve the Company as Managing Director until his replacement, Mr Tony Narvaez, takes over the role of Managing Director on 1 November 2019. Accordingly, Mr Ficca is entitled to his short-term and long-term incentive awards until that date. Therefore, if approved by Shareholders, Mr Ficca will be awarded 164,881 Performance Rights, representing a pro rata portion of his LTI opportunity (reflecting the portion of the three-year performance period he will serve).

**Recommendation:**

*The Board (with Mr Ficca abstaining) unanimously recommends that Shareholders vote in favour of Resolution 4(a).*

# Explanatory Notes

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### ITEM 4(B) GRANT OF EQUITY AWARDS TO MR TONY NARVAEZ

Shareholder approval is being sought to award to the incoming Managing Director of AusNet Services, Mr Tony Narvaez, 260,459 Performance Rights under AusNet Services' 2019 Long Term Incentive Plan (LTIP) as his long-term incentive award, which seeks to align the interests of executives with Shareholders over a three-year period.

#### Incoming Managing Director and grant of equity awards on a pro rata basis

On 24 May 2019, AusNet Services announced that it had appointed Mr Tony Narvaez as the Company's new Managing Director. Mr Narvaez's appointment will take effect on 1 November 2019. Accordingly, Mr Narvaez is entitled to his short-term and long-term incentive awards from that date. Therefore, if approved by Shareholders, Mr Narvaez will be awarded 260,459 Performance Rights, representing a pro rata portion of his LTI opportunity (reflecting the portion of the FY2020 financial year he will serve as Managing Director).

#### Recommendation:

*The Board unanimously recommends that Shareholders vote in favour of Resolution 4(b).*

### WHY IS MEMBER APPROVAL BEING SOUGHT?

ASX Listing Rule 10.14 states that a listed company must not permit a director to acquire shares under an employee incentive scheme without the prior approval of members by an ordinary resolution. The Board intends to source any Shares allocated to Mr Ficca or Mr Narvaez on vesting of their equity awards through on-market purchases, which are excluded from the operation of ASX Listing Rule 10.14. However, the Board is seeking this Shareholder approval to preserve flexibility in case, for any reason, it is ultimately considered in the Company's best interests to issue shares rather than source them on-market.

A voting exclusion statement applies to these resolutions, as set out in this Notice of Meeting.

### (A) PERFORMANCE RIGHTS UNDER AUSNET SERVICES' LONG TERM INCENTIVE PLAN (LTIP)

#### DETAILS OF THE PROPOSED 2019 LTIP GRANTS

The proposed 2019 grants to Mr Ficca and Mr Narvaez (as described above) under the LTIP is for a combined maximum of 425,340 Performance Rights. The grants represent the long-term incentive component of each Managing Director's remuneration package. The total number of Performance Rights which Mr Ficca may apply for has been determined by dividing \$1,560,000, being 120% of Mr Ficca's

fixed annual remuneration, by a share price of \$1.8397 and then prorating that number to reflect the portion of the three-year performance period Mr Ficca will serve as Managing Director. The total number of Performance Rights which Mr Narvaez may apply for has been determined by dividing \$1,150,000, being 100% of Mr Narvaez's fixed annual remuneration, by a share price of \$1.8397 and then prorating that number to reflect the portion of the FY2020 financial year Mr Narvaez will serve as Managing Director.

The share price has been calculated based on the volume weighted average price (VWAP) over the 5 trading day period commencing on the date AusNet Services released its FY2019 Financial Results. Vesting of the rights will be subject to the LTIP Rules and satisfaction of the performance measures described below.

Each Performance Right represents a right to receive one Share, subject to the achievement of the performance measures, as set out below. The Performance Rights are non-transferable, except in limited circumstances or with the consent of the Board.

The Performance Rights will be granted to Mr Ficca as soon as practicable after the Meeting and in any event within 12 months after the Meeting. Performance Rights will be granted to Mr Narvaez shortly after he commences his role as Managing Director

and in any event, within 12 months after the Meeting.

### **PERFORMANCE MEASURES**

Performance Rights granted to each Managing Director will be subject to three separate performance measures over a three-year performance period commencing on 1 April 2019 (Performance Period), as follows:

#### **(1) RELATIVE TOTAL SHAREHOLDER RETURN**

50% of Performance Rights will be subject to a performance hurdle relating to relative total shareholder return (TSR), which compares the TSR of AusNet Services over the Performance Period with the TSR of companies in the S&P/ASX 100 index at the commencement of the Performance Period. Vesting is determined by the Company's relative TSR performance percentile ranking as follows:

<b>Relative TSR ranking</b>	<b>Percentage of performance rights subject to TSR that vest</b>
Below 50.1 percentile	0%
At 50.1 percentile	35%
Between 50.1 and 75th percentile	Straight-line vesting between 35% and 100%
At or above 75th percentile	100%



# Explanatory Notes

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### (2) EARNINGS PER SHARE GROWTH

25% of Performance Rights will be subject to a performance hurdle relating to earnings per share growth (EPS Growth). The Board has set a threshold of 2.5% EPS Growth over the Performance Period and a maximum of 7.5% per annum Compound Annual Growth Rate (CAGR). The EPS Growth Vesting Schedule is as follows:

Actual EPS growth performance	Percentage of performance rights subject to EPS that vest
Less than 2.5% CAGR	0%
Between 2.5% CAGR and 7.5% CAGR	Straight-line vesting between 0% and 100%
Greater than 7.5% CAGR	100%

### (3) RETURN ON INVESTED CAPITAL

25% of Performance Rights will be subject to a performance hurdle relating to Return On Invested Capital (ROIC). The Board has set a three-year average ROIC threshold of 4.42% for the Performance Period and a maximum 4.62%. The ROIC Vesting Schedule is as follows:

ROIC performance	Percentage of performance rights subject to ROIC that vest
Less than 4.42%	0%
Between 4.42% and 4.62%	Straight-line vesting between 0% and 100%
Greater than 4.62%	100%

### *ALLOCATION OF SHARES UPON VESTING OF PERFORMANCE RIGHTS*

If the Board determines that the vesting conditions are satisfied, Performance Rights will automatically vest. Following testing of the applicable performance conditions and determination of the level of vesting of Performance Rights, one Share will be allocated in relation to each Performance Right which vests. The Board may settle the Performance Rights by issuing new Shares or acquiring existing Shares on market. AusNet Services will cause to be transferred to the Managing Director the number of Shares to which he is entitled. Alternatively, the Board may determine to settle the performance rights with a cash equivalent amount. The Shares, or a cash equivalent amount as determined by the Board, will then be allocated or paid to the Managing Director as soon as practicable following vesting of the Performance Rights. Any Performance Rights that do not vest

following testing of the performance hurdles at the end of the Performance Period will lapse.

### ***TRADING RESTRICTIONS***

Shares allocated on vesting of Performance Rights will not be subject to any further trading restrictions, subject to compliance with AusNet Services' Guidelines for Dealing in Securities.

### ***PRICE PAYABLE FOR SHARES***

No amount will be payable in respect of the grant of Performance Rights, or in respect of any Shares allocated upon vesting of the Performance Rights.

### ***CESSATION OF EMPLOYMENT***

The LTIP Rules provide that all unvested Performance Rights will lapse in the event that the Managing Director resigns or his employment with AusNet Services is terminated for cause. In all other circumstances (including retirement) unvested Performance Rights will remain on foot subject to the original performance measures and will be tested at the original testing date. As Mr Ficca is retiring, his Performance Rights will remain on foot when he ceases to be Managing Director, subject to the terms of grant.

### ***CHANGE OF CONTROL***

In the event of a change of control event (as described in the LTIP Rules) the Board has

absolute discretion to determine the manner in which any or all of the Managing Director's Performance Rights will be dealt with.

### ***CLAWBACK***

In the event of fraud, dishonesty or breach of obligations (including legal and statutory non-compliance) the Board may take any actions to ensure that no unfair benefit is obtained.

### ***OTHER INFORMATION***

The LTIP is an equity-based long-term incentive plan. There is no loan scheme in relation to the grant of Performance Rights.

The Managing Director is the only Director of AusNet Services eligible to participate in the LTIP. Following Shareholder approval at the 2018 Annual General Meeting, Mr Ficca was granted 927,412 Performance Rights as his 2018 LTIP Grant. No amount was payable by Mr Ficca in respect of that grant.

As stated above, if resolutions 4(a) and 4(b) are approved, the maximum number of 2019 Performance Rights that may be granted to Mr Ficca is 164,881 and the maximum number of 2019 Performance Rights that may be granted to Mr Narvaez is 260,459.

Mr Ficca and Mr Narvaez are prohibited from hedging the share price exposure in respect of

# Explanatory Notes

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Performance Rights during the Performance Period applicable to those Performance Rights.

### **(B) DEFERRED RIGHTS UNDER AUSNET SERVICES' DEFERRED SHORT TERM INCENTIVE PLAN (STIP)**

#### **OVERVIEW**

Following a review in 2017 of the Company's Short Term Incentive (STI) Framework, the Board introduced a deferred component for STI awards, comprising 'Deferred Rights'. The Board believes that deferring STI will strengthen alignment between payment of STI awards, the financial performance of the Company and Shareholder outcomes. An award of STI is dependent on a satisfactory level of Company performance and Mr Ficca's achievement against performance measures as determined by the Board.

Under this framework

- > two-thirds of Mr Ficca's earned STI award for FY2019 is delivered in cash; and
- > one-third is provided as Deferred Rights for a period of two years from the date of grant.

A Deferred Right is a right to acquire one share (or a cash equivalent amount in respect of the Deferred Rights that vest) subject to service-based conditions.

The Deferred Rights will be granted to Mr Ficca as soon as practicable after the Meeting and in

any event within 12 months of the Meeting. Mr Narvaez will not receive Deferred Rights under the STIP for FY2019 as he was appointed as Managing Director with effect from 1 November 2019.

#### **PERFORMANCE MEASURES**

The performance measures are a combination of key Company and individual performance objectives. For FY2019, the Board has evaluated Mr Ficca's performance against these performance measures and determined that Mr Ficca has earned a STI award at 72.4% of his maximum performance in FY2019, which equates to a total value of \$1,023,750.

Further details regarding the basis on which Mr Ficca's STI outcome was determined for FY2019 are set out in the Remuneration Report.

#### **QUANTUM OF SHARES**

For FY2019, two-thirds of the STI award earned by Mr Ficca (\$682,500) is delivered to him in cash. Subject to Shareholder approval, it is intended that the remaining one-third of the award (\$341,250) will be provided to him as Deferred Rights. It is proposed that the number of Deferred Rights to be granted to Mr Ficca will be 185,492. The number of Deferred Rights was determined by dividing \$341,250, being one-third of Mr Ficca's STI outcome, by a share price of \$1.8397. The Share price has been calculated based on the VWAP

over the 5 trading day period commencing on the date AusNet Services released its FY2019 Financial Results. As the Deferred Rights represent the deferred portion of Mr Ficca's STI award earned in the last financial year, Mr Ficca's decision to retire will not affect his allocation of Deferred Rights.

#### ***VESTING CONDITIONS AND ALLOCATION OF SHARES UPON VESTING***

The Deferred Rights granted to Mr Ficca will vest at the end of the two-year deferral period.

Shortly after vesting of Performance Rights, the Board may settle the Deferred Rights by issuing new shares or acquiring existing shares on market. Alternatively, the Board may determine to settle the Deferred Rights with a cash equivalent amount. The Shares, or a cash equivalent amount as determined by the Board, will then be allocated or paid to Mr Ficca as soon as practicable following vesting of the Deferred Rights.

#### ***CESSATION OF EMPLOYMENT***

The rules of the STIP provide that all unvested Deferred Rights will lapse in the event that Mr Ficca's employment with AusNet Services is terminated for cause, unless the Board decides otherwise. In all other circumstances, including retirement, unvested Deferred Rights will remain on foot and subject to their original

deferral terms, subject to the Board's discretion to determine otherwise.

#### ***PRICE PAYABLE FOR SHARES***

No amount will be payable in respect of the grant of Deferred Rights, or in respect of any Shares allocated upon vesting of the Deferred Rights.

#### ***CLAWBACK***

In the event of fraud, dishonesty or breach of obligations (including legal and statutory non-compliance) the Board may take any actions to ensure that no unfair benefit is obtained.

#### ***DIVIDENDS***

No dividends will apply in respect of Deferred Rights. However, unless the Board determines otherwise, Mr Ficca will receive a cash payment at the end of the vesting period equivalent to the amount of dividends he would have received if he had held a number of Shares equal to the number of the Deferred Rights that have vested. This payment will be calculated based on the amount of dividends foregone over the relevant vesting period, not including any adjustment for franking.

#### ***CHANGE OF CONTROL***

In the event of a change of control event (as described in the rules of the STIP) the Deferred

# Explanatory Notes

## continued

Rights granted to Mr Ficca will vest subject to the discretion of the Board to determine a different treatment.

### *OTHER INFORMATION*

The STIP is an equity-based incentive plan. There is no loan scheme in relation to the grant of Deferred Rights.

The Managing Director is the only Director of AusNet Services eligible to participate in the STIP. Following Shareholder approval at the 2018 Annual General Meeting, Mr Ficca was granted 212,532 Deferred Rights as his 2018 STIP Grant. No amount was payable by Mr Ficca in respect of that grant.

As stated above, if this resolution is approved, the maximum number of Deferred Rights that may be granted to the Managing Director is 185,492.

Mr Ficca is prohibited from hedging the share price exposure in respect of Deferred Rights during the vesting period applicable to those Deferred Rights.

## **ITEMS 5, 6 AND 7 ISSUE OF SHARES – ANNUAL APPROVAL**

### **(A) WHY IS MEMBER APPROVAL BEING SOUGHT?**

Clause 3.10 of AusNet Services' Constitution provides that Directors must not exercise any power to issue Shares, or to make or grant an offer, agreement or option which would or might require Shares to be issued, without prior Shareholder approval in a General Meeting. Such approval must be obtained no more than 18 months before the issue of any Shares, or the making or granting of an offer, agreement or option.

This provision was included in AusNet Services' Constitution to preserve the rights of security holders of the Stapled Group that existed under certain Singapore securities regulations prior to the implementation of the corporate restructure in June 2015. ASX Listing Rule 7.1 limits the number of Shares that AusNet Services may issue in any 12-month period (without Shareholder approval) to 15% of its issued capital. ASX Listing Rule 7.2 provides various exceptions to ASX Listing Rule 7.1 which, if satisfied, allow the issue of new shares without prior Shareholder approval. The effect of Clause 3.10 of the Constitution is that prior Shareholder approval is required to issue new Shares, despite the ASX Listing Rules outlined above.

Therefore, each year, AusNet Services seeks Shareholder approval so that it has the ability to issue Shares for the following 18 months in the ordinary course of its business within the limits permitted under the ASX Listing Rules. This includes:

- > Item 5: The ability to issue Shares valued up to 10% of the capital of the Company;
- > Item 6: The ability to issue Shares pursuant to a Dividend Reinvestment Plan (DRP); and
- > Item 7: The ability to issue Shares pursuant to an Employee Incentive Scheme.

An issue of Shares under each item is independent of, and does not include, any Shares issued under another item. The authority conferred by items 5, 6 and 7 will remain in force for a period of 18 months, unless and until revoked or varied at a subsequent Annual General Meeting of AusNet Services.

**The approvals sought for these items are separate and independent of each other.**

### **(B) 10% PRO RATA ISSUE**

The terms of the approval sought under item 5 allow the Company to issue shares (or to make or grant an offer, agreement or option which would or might require Shares to be issued) to a maximum of 10% of its issued share capital,

where the offer to issue shares is made under a pro rata issue (as that term is defined in the ASX Listing Rules). The 10% maximum will be calculated based on the total number of Shares on issue as at the date that a pro rata issue is first offered.

Item 5 seeks Shareholder approval to give authority to AusNet Services to:

- (a) issue Shares by way of rights issue, bonus issue or otherwise; and
- (b) make or grant offers, agreements or options that might or would require Shares to be issued (including issuing Shares under offers, agreements or options that were made pursuant to Shareholder approvals at previous Annual General Meetings),

providing that these actions are permitted under the ASX Listing Rules or otherwise permitted by the ASX, and the offer is made pursuant to a pro rata issue of shares of no more than 10% of the issued share capital of the Company. The approval extends to any underwriting (or any sub-underwriting) of the pro rata issue or any other arrangement to make up a shortfall under a pro rata issue. AusNet Services is not currently proposing any issue of new Shares.

# Explanatory Notes

## continued

### **(C) ISSUE OF SHARES UNDER A DRP**

Item 6 gives the Board the ability to issue new Shares under Clause 3.10 of the Constitution for a period of 18 months, under a DRP or any underwriting thereof. Any such issue of Shares will remain subject to the ASX Listing Rules and the Corporations Act, and will not be counted in any determination of the number of Shares issued pursuant to item 5.

The Company's DRP is considered a beneficial way for Shareholders to reinvest dividends. While AusNet Services is not currently proposing to conduct an underwritten DRP, approval for underwriting of the DRP is sought to give AusNet Services the flexibility to do so if considered desirable.

### **(D) ISSUE OF SHARES UNDER AN EMPLOYEE INCENTIVE SCHEME**

Item 7 gives the Company the ability to issue Shares to senior executives under an employee incentive scheme. AusNet Services does not currently operate an employee incentive scheme which involves the issue of new Shares (currently, Shares for employee incentive schemes are sourced on market). However, the Board considers it prudent to have the flexibility to issue Shares should it be considered appropriate.

#### **Recommendation:**

*The Board unanimously recommends that Shareholders vote in favour of Items 5, 6 and 7.*

# Glossary

In these Explanatory Notes, and in the Notice, the following expressions have the following meanings unless stated otherwise or the context requires otherwise:

**ASX** means ASX Limited.

**ASX Listing Rules** means the listing rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Auditor** means KPMG.

**AusNet Services** means AusNet Services Ltd (ABN 45 603 317 559).

**Company** means AusNet Services.

**Computershare** means Computershare Investor Services Pty Limited.

**Constitution** means the constitution of AusNet Services.

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

**Director** means a person appointed to perform the duties of a director of AusNet Services.

**DRP** means a Dividend Reinvestment Plan of AusNet Services.

**Explanatory Notes** means the notes attached to this Notice of Meeting.

**LTIP** means AusNet Services' Long Term Incentive Plan.

**LTIP Rules** means the AusNet Services' Long Term Incentive Plan Rules.

**Meeting** means the Annual General Meeting of AusNet Services to be held on Thursday, 18 July 2019 at 2.00pm.

**Share** means a share in AusNet Services.

**Shareholder** means a holder of Shares in AusNet Services.

**Stapled Group** means AusNet Services (Distribution) Pty Ltd (ABN 37 108 788 245), AusNet Services (Transmission) Pty Ltd (ABN 48 116 124 362), and AusNet Services Finance Trust, the responsible entity of which is AusNet Services (RE) Pty Ltd (ABN 46 109 977 371).

**STIP** means the AusNet Services' Deferred Short Term Incentive Plan.





## AUSNET SERVICES

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**SRN/HIN: I9999999999 PIN: 99999**

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

 **For your vote to be effective it must be received by 2.00pm (Melbourne time) on Tuesday, 16 July 2019**

**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 shares 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 shares 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 shares for each in Step 1 overleaf.

**A proxy need not be a member of AusNet Services.**

**Proxy voting by key management personnel:** The key management personnel (KMP) of the Company (which includes each of the directors) and their closely related parties will not be able to vote your proxy on items 3, 4(a) or 4(b) and associates of Mr Nino Ficca or Mr Tony Narvaez will not be able to vote your proxy in favour of items 4(a) and 4(b), unless you direct them how to vote or the Chairman of the Meeting is your proxy. If you intend to appoint such a person as your proxy, please ensure that you direct them how to vote on items 3, 4(a) and 4(b) by marking the voting boxes in Step 2 of the proxy form.

**Signing Instructions for Proxy Forms**

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

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

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

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

**Attending the Meeting**

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

**Comments & Questions:** If you have any comments or questions for AusNet Services, please write them on the included Questions from Shareholders form and return with this form.

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

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

IND

# 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 AusNet Services Ltd 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 AusNet Services Ltd to be held at **Melbourne Convention and Exhibition Centre Auditorium, Level 2, 2 Clarendon Street, Southbank, Melbourne, Victoria, Australia on Thursday, 18 July 2019 at 2.00pm** (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), by submitting this proxy form I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4(a) and 4(b) (except where I/we have indicated a different voting intention below) even though Items 3, 4(a) and 4(b) 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 3, 4(a) and 4(b) by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

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

	For	Against	Abstain
Item 2(a) Election of Mr Li Lequan as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(b) Re-election of Mr Tan Chee Meng as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(c) Re-election of Mr Peter Mason as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4(a) Grant of Equity Awards to the Managing Director - Mr Nino Ficca	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4(b) Grant of Equity Awards to the Managing Director - Mr Tony Narvaez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Issue of Shares – 10% Pro Rata	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Issue of Shares pursuant to Dividend Reinvestment Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Issue of Shares pursuant to an Employee Incentive Scheme	<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.

## SIGN Signature of Member(s)

*This section must be completed.*

Individual or Member 1

Sole Director and Sole Company Secretary

Member 2

Director

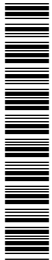
Member 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_



## Questions from Shareholders

The Annual General Meeting (AGM) of AusNet Services Ltd will be held at Melbourne Convention and Exhibition Centre Auditorium, Level 2, 2 Clarendon Street, Southbank, Melbourne, Victoria, Australia on Thursday, 18 July 2019 at 2.00pm (Melbourne time). Shareholders are invited to register questions in advance of the AGM.

Your questions are important to us. Please use this form to submit any questions concerning the Company that you would like us to respond to at the AGM and return it with your Proxy Form in the envelope provided or by either email or fax:

Email: [investor.enquiries@ausnetservices.com.au](mailto:investor.enquiries@ausnetservices.com.au)

Fax: +61 3 9695 6666

We will respond to as many of the frequently asked questions as possible at the AGM in addition to any other questions which may be raised at the AGM.

If your question is directed to the Company's Auditor, you must submit this form to the Company no later than the fifth business day before the date of the AGM, being Thursday, 11 July 2019.

Shareholder's Name

SRN/HIN

Question/s

Please tick  if it is a question directed to the Auditor

1.

2.

3.

4.

5.