



GUD Holdings Limited

ACN 004 400 891

# NOTICE OF ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Tuesday, 25 October 2016 at 10:00am (AEDT) to transact the following business. Registration will commence at 9:30am.

**1. Financial statements and reports**

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the year ended 30 June 2016.

**Ordinary Business**

**2. Election of Director**

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

**2.1 Re-election of Ross Herron**

"That Mr Ross Herron, who retires by rotation in accordance with Rule 34(c) of the Company's Constitution, and, being eligible, offers himself for re-election, be re-elected."

*See the accompanying Explanatory Notes for information about the election of Director.*

**3. Remuneration Report**

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

"That the Remuneration Report for the year ended 30 June 2016 (as set out in the Directors' Report on pages 24 to 37 of the 2016 Annual Report) be adopted."

*A voting exclusion statement in relation to this resolution is set out below, in the "Information for Shareholders" section.*

*(Note: The vote on this resolution is advisory only)*

**Special Business**

**4. Approval of LTI grant to Managing Director**

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

"That approval is given for the grant of 74,509 Performance Rights to the Company's Managing Director, Mr Jonathan Ling, under the Long Term Incentive Equity Plan on the terms summarised in the Explanatory Notes to this Notice of Meeting."

*A voting exclusion statement in relation to this resolution is set out below, in the "Information for Shareholders" section.*

By order of the Board

**Malcolm G Tyler**

Company Secretary

Melbourne

19 September 2016

## Information for shareholders

### Attendance at the meeting

If you are planning to attend the meeting, please bring the Chairman's letter and proxy form with you to facilitate registration.

### Voting

For the purposes of voting at the meeting, the Directors have determined that persons holding shares in GUD Holdings Limited registered as at 10.00am (AEDT) on Sunday 23 October 2016 will be treated as shareholders of the Company.

### Appointment of proxies and corporate representatives

A proxy form accompanies this Notice of Annual General Meeting.

A shareholder entitled to attend and vote is entitled to appoint up to two proxies. A proxy need not be a shareholder and may be either an individual or a body corporate.

If a shareholder is a corporation, it can attend and vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to attend and vote on its behalf.

If a shareholder is a corporation and wishes to appoint a corporate representative, the corporate representative must produce a certificate of appointment prior to admission to the meeting signed in accordance with section 127 of the Corporations Act 2001 (Cth) (**Corporations Act**).

If a shareholder wishes to appoint a body corporate to act as a proxy, the shareholder must specify on the proxy form:

- the full name of the body corporate appointed as proxy; and
- the full name or title of the individual representative of the body corporate at the meeting.

Where a shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting Computershare Investor Services Pty Limited at the address listed below. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies but fails to specify the proportion or number of votes that each may exercise, each person appointed may exercise half the member's votes. Fractions of votes are to be disregarded. If your proxy chooses to vote, they must vote in accordance with your directions. If you have directed your proxy to vote, and they choose not to vote on a poll, then the Chairman of the meeting will vote your proxies as directed by you.

Subject to the voting restrictions set out below, if you do not direct your proxy to vote by marking the relevant box on the proxy form, your proxy may vote as they choose on that item of business.

If your proxy does not attend the meeting, the Chairman will become your proxy by default. The Chairman intends to vote all available proxies in accordance with the Board recommendations set out in the Explanatory Notes accompanying this Notice of Meeting.

Generally, 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 and 4 unless you have directed them how to vote. The circumstances in which KMP will be excluded from voting on Items 3 and 4 are set out below under the heading 'Voting Exclusions'.

The term "closely related party" is defined in the Corporations Act and includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP. If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on Items 3 and 4. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him how to vote on Items 3 and 4 by marking the relevant boxes on the proxy form. However, if the Chairman of the meeting is your proxy and you do not mark any of the boxes opposite Items 3 and 4, he will still be able to exercise your proxy as you will be deemed to have expressly authorised him to do so.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 10.00am (AEDT) on Sunday 23 October 2016.

Vote online:

[www.investorvote.com.au](http://www.investorvote.com.au)

By mail:

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

By hand:

Computershare Investor Services Pty Limited  
452 Johnston Street, Abbotsford  
Victoria 3067

Alternatively you can fax your form to:

(within Australia) 1800 783 447

(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only:

(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

For enquiries call:

(within Australia) 1300 850 505

(outside Australia) +61 3 9415 4000

### **Voting Exclusions**

For all resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (KMP) of the Company (being resolutions in respect of Items 3 and 4), the Corporations Act restricts KMP and their closely related parties from voting in their own right or as proxies in certain circumstances.

As set out above, closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, a voting restriction applies in respect of Item 4 under the ASX Listing Rules.

### **Item 3 – Remuneration Report**

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the KMP named in the Remuneration Report or that KMP's closely related party (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP at the date of the Annual General Meeting or their closely related party,

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 where he has been expressly authorised to exercise the proxy as the chairman thinks fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP).

### **Item 4 – Approval of LTI grant to Managing Director**

The Company will disregard any votes cast on Item 4 in any capacity by or on behalf of the Managing Director (being the only Director entitled to participate in an employee incentive scheme) and any of his associates.

In addition, the Company will disregard any votes cast on Item 4 by the KMP of the Company at the date of the Annual General Meeting and 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 where he has been expressly authorised to exercise the proxy as the chairman thinks fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP).

### **Reviewing the Annual Report**

If you have not received a copy of the Annual Report with this Notice of Meeting you may view the 2016 GUD Annual Report online at the Company's website [www.gud.com.au](http://www.gud.com.au).

### **Share Registry**

Computershare Investor Services Pty Limited

GPO Box 242

Melbourne Victoria 3001 Australia

Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3067 Australia

Enquiries within Australia – 1300 850 505

Enquiries outside Australia – +61 3 9415 4000

Website – [www.investorcentre.com](http://www.investorcentre.com)

## EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Meeting and provide shareholders with information to assess the merits of the proposed resolutions in the Notice of Meeting.

### **Item 1 – Financial statements and reports**

The financial statements of the Company and its controlled entities for the year ended 30 June 2016 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2016.

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders to approve these Reports.

This item is intended to provide an opportunity for shareholders to raise questions on the Reports and on the performance of the Company generally. In addition, a reasonable opportunity will be given to members of the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

### **Item 2 – Election of Director**

#### **2.1 Re-election of Mr Ross Herron**

##### **R M Herron \* FCA FAICD**

Appointed Non-Executive Director on 17 June 2004. Appointed Chairman on 1 January 2012.

Mr Herron has been a Chartered Accountant since 1973. He is a former Deputy Chairman of Coopers & Lybrand (now PricewaterhouseCoopers) and retired as a partner of PricewaterhouseCoopers in December 2002.

He is also a Non-Executive Director of Select Harvests Limited (since January 2005), Insurance Manufacturers Australia Ltd and Kinetic Superannuation Fund. Mr Herron is Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

The Board has undertaken a review of the performance of the Director standing for re-election and the contribution he has made to the Board and to Board Committees. The Board has also considered the skills and expertise the Director brings to the Board.

The Board considers Mr Herron to be independent.

##### **Board Recommendation**

The Board (excluding Mr Herron because of his interest) unanimously recommends that shareholders vote in favour of the resolution to re-elect Mr Herron as a Director.

### **Item 3 – Remuneration Report**

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is set out on pages 30 to 43 of the GUD Holdings Limited Annual Directors' Report for the year ended 30 June 2016 lodged with the ASX on 28 July 2016, and is also available from the Company's website ([www.gud.com.au](http://www.gud.com.au)).

In accordance with the Corporations Act, the shareholder vote on this resolution is advisory only and does not bind the Directors of the Company. However, the outcome of the vote could have consequences for the Board. In any event, the Board will take the discussion on this resolution and the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

The Remuneration Report provides information about:

- remuneration governance;
- executive remuneration strategy and structure;
- details of the remuneration for the Managing Director and senior executives; and
- the link between performance and remuneration outcomes.

As outlined in the Remuneration Report, the Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced directors and senior executives and to ensure that the Company is well positioned to deliver reasonable and market competitive rewards in a way that supports a clear performance focus and is aligned with the long-term goals of the Company.

In brief, the Company's executive remuneration framework provides a mix of fixed and variable remuneration and has the following components:

- fixed remuneration;
- short-term incentives (**STI**);
- long-term incentives (**LTI**);
- special incentives.

Our approach is to set the 'at risk' components of executives' remuneration relative to fixed remuneration, at around 40% of total remuneration 'at risk' (i.e. comprised of STI and LTI).

Members will be given a reasonable opportunity at the AGM to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

The Board believes that the Company's remuneration arrangements, as set out in the 2016 Remuneration Report, are fair, reasonable and appropriate and support the strategic direction of the Company.

The voting exclusion statement for this resolution is set out on page 3 of this Notice of Meeting. Please refer to the Information for Shareholders in relation to important information relating to voting on this item.

#### **Board Recommendation**

The Board unanimously recommends that shareholders vote in favour of this resolution.

#### **Item 4 - Approval of LTI grant to Managing Director**

In accordance with ASX Listing Rule 10.14, shareholder approval is being sought for the proposed grant of 74,509 Performance Rights to the Managing Director, Mr Jonathan Ling under the Long Term Incentive Equity Plan ('Plan') and on the terms set out below.

##### **Details of proposed grant**

The proposed grant of Performance Rights to the Managing Director is part of his LTI opportunity for the 2016/2017 financial year and is intended to align Mr Ling's interests with the interests of shareholders and encourage the achievement of the Company's performance goals and growth of the Company's business. The Performance Rights will be subject to a three year performance period and will vest only if the performance conditions are fulfilled.

A brief overview of the details of the proposed grant is set out below. A summary of the operation of the Plan is set out in the Remuneration Report on page 27 of the Annual Report. Subject to shareholder approval, Mr Ling will be granted a maximum of 74,509 Performance Rights. This number was calculated by applying the formula:

# = BS x 60% / VWAP, where

BS is the Base Salary of the Managing Director to be received in FY17, namely \$1,100,000.

VWAP is the volume weighted average price of GUD shares calculated over the 21 trading days in June 2016, in this case \$8.8580, immediately prior to the commencement of the three year performance measurement period.

A Performance Right is a right to receive a fully paid ordinary share in the Company. If the applicable vesting conditions attaching to the Performance Rights are satisfied, Mr Ling will be able to exercise the Performance Rights and will be allocated fully paid ordinary shares in the Company. Performance Rights do not carry any dividend or voting rights prior to vesting and exercise. Any Performance Rights which do not vest at the end of the applicable performance period will lapse.

As the Performance Rights form part of the Managing Director's remuneration package, they will be granted at no cost to him. No exercise price will be payable by the Managing Director upon exercise of any vested Performance Rights. Further details of the Managing Director's remuneration package are set out in the 2016 Remuneration Report.

If approved, the Performance Rights will be granted shortly following this Annual General Meeting (and, in any event, no later than 12 months after the meeting or any adjournment of the meeting).

##### **Performance conditions**

The performance conditions will be measured over a three year period commencing at the beginning of the relevant financial year (ie 1 July 2016). Vesting will be determined by measuring the Company's Total Shareholder Return (**TSR**) relative to a comparator group following 30 June 2019.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. In order for any of the Performance Rights to vest, GUD's TSR must be equal to or greater than the median TSR performance of the comparator group.

The comparator group is the Standard and Poor's ASX Small Ordinaries index, of which the Company forms part, modified to exclude stocks in mining, materials and resources industries. It was chosen on the basis that it is the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of companies that compete with the Company for capital and employees. The Company retains the discretion to modify the comparator group in certain circumstances.

The proportion of the grant of Performance Rights that vests will be as follows:

<b>TSR performance</b>	<b>% of LTI that vests</b>
TSR below 50th percentile	Nil
TSR at 50th percentile	50
TSR between 50th and 75th percentile	Progressive vesting from 50 to 100
TSR at 75th percentile and above	100

**Trading restrictions**

Unless otherwise requested, any shares allocated following satisfaction of the performance conditions will not be subject to any trading restrictions other than those imposed by the Company's securities trading policy.

**Cessation of employment**

If Mr Ling ceases employment with the Company prior to satisfaction of the performance hurdles applicable to the Performance Rights, then any continued entitlement he may have to the Performance Rights will depend on the circumstances of the cessation. All rights will lapse in the event of termination for cause.

In accordance with the Plan, in circumstances including death, disability, resignation, retirement, redundancy or termination by the Company for convenience, Mr Ling may become entitled to a pro rata number of rights reflecting that part of the performance period elapsed at the time of ceasing employment and the extent to which the applicable performance hurdles are satisfied at the end of the performance period.

**Other information relating to the LTI grant required by the ASX Listing Rules**

- Mr Ling is the only Director of the Company entitled to participate in the Plan. No associate of any of the Directors is entitled to participate in the Plan.
- There is no loan scheme in relation to the Plan.
- Following shareholder approval at the 2015 AGM, in October 2015, Mr Ling received a grant of 62,762 Performance Rights under the Plan at no cost to him. Aside from that grant, no securities have been received by any Director or any associate of a Director under the Plan.
- If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

The voting exclusion statement for this resolution is set out on page 3 of this Notice of Meeting. Please refer to the Information for Shareholders in relation to important information relating to voting on this item.

**Board Recommendation**

The Board (with Mr Ling abstaining) unanimously recommends that shareholders vote in favour of this resolution.