



Codan Limited

ACN 007 590 605

Notice of Annual General Meeting

Explanatory Notes

Date of meeting

31 October 2018

Time of meeting

11.00am

Place of meeting

Codan Limited
Technology Park
2 Second Avenue
MAWSON LAKES SA 5095

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Notice of Annual General Meeting

Codan Limited ACN 007 590 605 (**Company**) will hold an annual general meeting at Codan Limited, Technology Park, 2 Second Avenue, Mawson Lakes SA 5095, on 31 October 2018 at 11.00am (Adelaide time).

The Explanatory Notes that accompany and form part of this notice of annual general meeting (**Notice**) describe the matters to be considered at the meeting.

AGENDA

GENERAL BUSINESS

2018 Financial Statements

To receive, consider and discuss the Company's financial statements and the report of the directors and auditor for the year ended 30 June 2018.

ORDINARY BUSINESS

Resolution 1

Adoption of Remuneration Report

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

"That the remuneration report for the year ended 30 June 2018 be adopted for the purpose of section 250R(2) of the Corporations Act."

Note: Section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**) provides that the vote on this resolution is advisory only and does not bind the directors or the Company.

Voting Restriction

In accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the remuneration report, and any closely related party of such a member. However, the member or any closely related party of such a member may vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution, or by a person who is the chair of the meeting at which the resolution is voted on and the appointment does not specify the way the proxy is to vote and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel; and
- (b) it is not cast on behalf of the member or any closely related party of such a member.

Resolution 2

Re-election of Director – Mr David James Simmons

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

"That Mr David James Simmons, a director retiring by rotation in accordance with the Company's constitution and being eligible for re-election, be re-elected as a director of the Company."

SPECIAL BUSINESS**Resolution 3****Approval of the grant of Performance Rights to Mr Donald McGurk**

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

"That, for the purposes of ASX Listing Rule 10.14, approval is given for the grant of 91,972 performance rights to Mr Donald McGurk under the Codan Limited Performance Rights Plan."

Voting Exclusions and Voting Restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of this resolution by or on behalf of Mr Donald McGurk, who is excluded from voting, or an associate of Mr McGurk. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by a member of the key management personnel, or any closely related party of such a member, acting as proxy, if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any closely related party of such a member may vote if they are the chair of the meeting at which the resolution is voted on and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

VOTING AND THE PROXY

For the purpose of determining the voting entitlements at the meeting, the board has determined that shares in the Company will be taken to be held by the registered holders of those shares at 6.30pm (Adelaide time) on 29 October 2018. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A shareholder who is entitled to attend and cast a vote at the meeting and who wishes to vote on the resolutions contained in this Notice should either attend in person, or appoint a proxy or proxies to attend or vote on the shareholder's behalf. A proxy form is enclosed with this Notice. The proxy or proxies do not need to be a shareholder of the Company. A shareholder that is a body corporate may appoint a representative to attend in accordance with the Corporations Act.

A shareholder entitled to attend and to cast two or more votes is entitled to appoint two proxies. Where two proxies are appointed, each appointment may specify the proportion of the shareholder's voting rights that the proxy may exercise. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes able to be cast by the appointing shareholder.

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 11.00am (Adelaide time) on 29 October 2018 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to the Company's share registrar, Computershare Investor Services Pty Ltd as follows:

By mail: Codan Limited
C/- Computershare Investor Services Pty Ltd
GPO Box 242
MELBOURNE VIC 3001
Australia

By fax: Codan Limited
C/- Computershare Investor Services Pty Ltd
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Online: www.investorvote.com.au

Custodian voting: For Intermediary Online subscribers only: www.intermediaryonline.com

**DATED THIS 26th DAY OF SEPTEMBER 2018
BY ORDER OF THE BOARD**



Michael Barton
Company Secretary

Explanatory Notes

These Explanatory Notes have been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the annual general meeting of the Company.

The directors recommend shareholders read these Explanatory Notes in full before making any decision in relation to the resolutions. The directors also recommend shareholders read the instructions on the proxy form in full if they intend to vote by proxy.

GENERAL BUSINESS

Receiving financial statements and reports

The Corporations Act requires that shareholders consider the annual consolidated financial statements and reports of the directors and auditor every year.

Shareholders attending the annual general meeting will be given a reasonable opportunity:

- (a) to ask questions about or make comments on the management of the Company; and
- (b) to ask the Company's auditor or the auditor's representative questions relevant to:
 - (1) the conduct of the audit;
 - (2) the preparation and content of the auditor's report;
 - (3) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (4) the independence of the auditor in relation to the conduct of the audit.

A shareholder of the Company who is entitled to cast a vote at the annual general meeting may submit a written question to the auditor if the question is relevant to:

- (a) the content of the auditor's report to be considered at the annual general meeting; or
- (b) the conduct of the audit of the annual financial report to be considered at the annual general meeting.

A written question may be submitted by giving the question to the Company no later than 24 October 2018, being the fifth business day before the day on which the annual general meeting is to be held, and the Company will then, as soon as practicable after the question has been received, pass the question on to the auditor. At the annual general meeting the Company will allow a reasonable opportunity for the auditor or the auditor's representative to answer such written questions submitted to the auditor.

The Company will make copies of the question list reasonably available to shareholders attending the annual general meeting.

No resolution is required to be moved in respect of this item of General Business.

ORDINARY BUSINESS

Resolution 1 – Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2018 is contained in the 2018 Annual Report, which either accompanies this Notice or is available on the Company's website: <http://codan.com.au/investor-centre/annual-reports>. The Annual Report is also available on the following website: www.investorvote.com.au.

Section 300A of the Corporations Act requires the directors to include a remuneration report in their report for the financial year. Section 250R(2) requires the remuneration report be put to a vote at the Company's annual general meeting. The vote on the resolution is advisory only and does not bind the directors or the Company.

Directors' Recommendation

The directors recommend that the shareholders vote in favour of Resolution 1.

Resolution 2 – Re-election of Director – Mr David James Simmons

Mr Simmons was appointed by the board as Chairman in February 2015 and has been a director of the Company since May 2008. He worked in the manufacturing industry throughout his career and has extensive financial and general management experience. Mr Simmons joined Hills Industries Limited in 1984, where he was appointed Finance Director in 1987 and Managing Director in 1992. He retired from Hills Industries Limited in June 2008.

In accordance with clause 9.3 of the Company's constitution, Mr Simmons is required to retire, and being eligible, has offered himself for re-election at this annual general meeting.

Accordingly, Resolution 2 provides for the re-election of Mr Simmons as a director of the Company.

Directors' Recommendation

Other than Mr Simmons (who is standing for re-election), the directors recommend that the shareholders vote in favour of Resolution 2.

SPECIAL BUSINESS

Resolution 3 – Approval of the grant of Performance Rights to Mr Donald McGurk

Background

At the 2004 AGM, shareholders approved the establishment of a plan called the Performance Rights Plan (**Plan**) as part of the overall remuneration strategy of the Company. The Plan provides for the issue of performance rights (**Performance Rights**) to executives of the Company invited by the board to participate in the Plan. The exercise of Performance Rights results in the issue of fully paid ordinary shares in the Company (**Shares**). A copy of the Plan Rules is available on the Company's website www.codan.com.au. A brief summary of the Plan Rules is set out below.

The Plan is designed to provide the Company's executives with an incentive to maximise the return to shareholders over the long term, and to assist in the attraction and retention of key executives. Details of the Company's executive remuneration philosophy and objectives can be found in the 2018 Annual Report.

At the 2017 AGM, approval was obtained from the Company's shareholders for the issue to Mr Donald McGurk, Managing Director and Chief Executive Officer, of 124,524 Performance Rights for no consideration and at nil exercise price in accordance with the Plan. Since that approval, 124,524 Performance Rights were issued to Mr Donald McGurk for no consideration and at nil exercise price on the terms as approved.

Mr McGurk has again been invited by the Board, and is entitled, to participate in the Plan and to be issued with Performance Rights if approved by shareholders at this AGM. No other directors have been invited by the Board to participate in the Plan.

Reason for Shareholder Approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a director. Accordingly shareholder approval is sought for the issue to Mr McGurk of 91,972 Performance Rights under the Plan. If approval is given under listing rule 10.14, approval is not required under listing rule 7.1.

The Performance Rights to be granted to Mr McGurk are in effect conditional entitlements, which may vest subject to the satisfaction of performance hurdles, details of which are summarised below.

Issue of Performance Rights

The Company proposes to issue 91,972 Performance Rights to Mr McGurk no later than 1 month after the date of the AGM. As no other Performance Rights are being offered to the Company's directors (or other related parties), this is the maximum number of Performance Rights that may be acquired by all persons for whom approval is required.

The number of Performance Rights has been calculated in accordance with the following formula:

$$0.5 \quad \times \quad \frac{\text{Fixed Pay}}{\$3.1675}$$

- Where Fixed Pay equates to Mr McGurk's annual remuneration package as Managing Director which is \$582,643; and
- \$3.1675 is the volume weighted average of the market prices at which the Company's shares were traded on ASX for the five trading days following the release of the Company's FY18 results, commencing on 27 August 2018 and ending on 31 August 2018.

Rights attaching to Performance Rights

A Performance Right is a right to acquire one Share which can be exercised once the Performance Right has become exercisable and provided it has not lapsed.

A Performance Right does not give the holder a legal or beneficial right to Shares and does not enable the participating executive, in this case Mr McGurk, to receive dividends or any other shareholder benefit by virtue of the issue of these rights unless and until that Performance Right has been exercised and the Share issued.

Exercise of Performance Rights

Performance Rights are exercisable if:

- the Company meets the performance hurdle during the performance period;
- an event occurs such as a takeover bid for, or the winding up of, the Company; or
- the Board allows early exercise on the cessation of employment in certain circumstances.

Performance Period

The performance period is the period commencing on 1 July 2018 and ending on 30 June 2021 (**Performance Period**).

Performance Hurdle

The Performance Rights will vest and become exercisable if the Performance Hurdle is satisfied over the Performance Period in the following circumstances:

- the Performance Hurdle will be met if the Company exceeds the aggregate threshold earnings per share (**eps**) over the Performance Period as set out in the table below;
- all of the Performance Rights will vest and be exercisable if the Company equals or exceeds the aggregate range eps as set out in the table below;

- if the Company achieves an aggregate eps greater than the threshold eps but less than the range eps, the number of Performance Rights that will vest and be exercisable will be calculated on a pro rata basis in accordance with the following formula:
 - $A = (B-C)/D \times E$
 - Where:
 - A = the number of Performance Rights that will vest and become exercisable (rounded down to the nearest whole number)
 - B = the aggregate actual eps over the Performance Period
 - C = the aggregate threshold eps
 - D = the aggregate range eps less the aggregate threshold eps
 - E = the number of Performance Rights issued as set out above.

Year ended	Threshold eps	Range eps
30 June 2018 *(base eps)	15.60	15.60
30 June 2019	16.38	17.94
30 June 2020	17.20	20.63
30 June 2021	18.06	23.73
Aggregate – 3 years to 30 June 2021	51.64	62.30

**Base eps of 15.6 cents has been calculated using a net profit after tax of \$27.72m as determined by the board for the purpose of the long term incentive plan.*

The Performance Hurdle eps figures have been set on the basis of cumulative annual compounding growth in eps.

The Performance Hurdle threshold is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 5% per annum in respect of eps for the Performance Period.

The Performance Hurdle range is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 15% per annum in respect of eps for the Performance Period.

If an eps figure for a particular year is not achieved, the threshold eps or range eps will still be met if the aggregate eps in the Performance Period is equal to or exceeds the amounts set out in the table above.

For the purposes of assessing satisfaction of the Performance Hurdle, the board may adjust the Company's eps over the Performance Period for extraordinary, significant or non-recurring items.

Issue Price and Exercise Price

Each Performance Right will be issued to Mr McGurk for no consideration and will have a nil exercise price. As such, there are no loans in relation to this acquisition. If the Performance Right vests it would allow Mr McGurk (or his nominee) to exercise the Performance Right and be issued with a Share.

Exercise Period

Once the Performance Rights have become exercisable, Mr McGurk will need to exercise those rights within 12 months from the date on which they vest and become exercisable, or they will lapse and there will be no further entitlement to any Shares. This period may be shortened if Mr McGurk ceases to be employed under certain circumstances and the Performance Rights have not lapsed.

Bonus issue and capital reconstruction of the Company

The number of Shares to which Mr McGurk will become entitled on exercise of the Performance Rights will be adjusted to take account of any bonus issues, rights issues or reconstructions which the Company undertakes between the date of allocation of the Performance Rights and the exercise of those rights.

Cessation of employment

Performance Rights lapse immediately if Mr McGurk's employment with the Company is terminated for misconduct or any other reason justifying termination without notice.

In the case of Mr McGurk's employment ceasing due to death or permanent disablement, redundancy, retirement, agreement between the Company and Mr McGurk or from a sale of all or substantially all of the shares or assets of the Company:

- Performance Rights which have otherwise become exercisable remain exercisable up until the end of the exercise period; and
- the Board has a discretion to treat the remaining Performance Rights as exercisable and to set the exercise period for them.

In all other cases where employment ceases, Performance Rights that have not vested and become exercisable will lapse immediately, and Performance Rights that have vested and are exercisable will lapse at the end of 30 days.

Restriction on the disposal of Shares

The Plan provides that 90% of the Shares issued on exercise of the Performance Rights will be restricted from disposal for a period of five years from the date of issue of the Performance Rights. The remaining 10% of the Shares issued on exercise of the Performance Rights will be restricted from disposal until 12 months after cessation of Mr McGurk's employment with the Company.

Forfeiture of Shares

Shares issued to Mr McGurk on exercise of his Performance Rights may be forfeited if he perpetrates fraud against the Company or any of its subsidiaries (**Codan group**), acts dishonestly or breaches his obligations to any member of the Codan group, including any of those obligations that survive cessation of employment.


The right of the Company to cause the Shares, which have been issued on exercise of the Performance Rights, to be forfeited, expires at the end of the relevant restriction period.

Directors' Recommendation

Other than Mr McGurk (to whom the Performance Rights are to be issued), the directors unanimously recommend that shareholders approve the grant of the Performance Rights contemplated by Resolution 3.

Lodge your vote:

 **Online:**
www.investorvote.com.au



 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

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

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

 <p>Vote and view the annual report online</p> <ul style="list-style-type: none"> • Go to www.investorvote.com.au or scan the QR Code with your mobile device. • Follow the instructions on the secure website to vote. 	
<p>Your access information that you will need to vote:</p> <p>Control Number:</p> <p>SRN/HIN:</p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>	

 **For your vote to be effective it must be received by 11:00am (Adelaide time) Monday 29 October 2018**

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Codan 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 or abstain from voting 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 Codan Limited to be held at Codan Limited, Technology Park, 2 Second Avenue, Mawson Lakes SA 5095 on Wednesday 31 October 2018 at 11:00am (Adelaide 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 1 & 3** (except where I/we have indicated a different voting intention below) even though **Items 1 & 3** 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 1 & 3** 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.

ORDINARY BUSINESS

	For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director - Mr David James Simmons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

3 Approval of the grant of Performance Rights to Mr Donald McGurk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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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 Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /
