



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

2018 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Supply Network Limited will be held at 2.00 pm on Tuesday 20 November 2018 at 2 Turnbull Close, Pemulwuy NSW 2145.

BUSINESS

1. **Financial Reports**

To receive and consider the Financial Statements and the Reports of Directors and Auditors for the year ended 30 June 2018.

2. **Remuneration Report**

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

“To adopt the Remuneration Report for the year ended 30 June 2018.”

The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this item of business (see the Voting Exclusions on page 3).

3. **Election of Director**

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

“To re-elect Mr P W McKenzie as a Director who retires by rotation in accordance with the Company’s Constitution and, being eligible for re-election, has offered himself for re-election.”

Biographical information on Mr McKenzie is set out in the explanatory notes to this notice.

4. **Approval of Employee Incentive Plan**

To consider and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

“That, the Employee Incentive Plan (**EIP**), which is summarised in the attached Explanatory Notes to Notice of Annual General Meeting, be approved and that for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, the issue of securities under the **EIP** within three years from the date of this resolution be an exception to Listing Rules 7.1 and 7.1A.”

An explanation is set out in the explanatory notes to this notice. A voting exclusion statement applies to this item of business (see the Voting Exclusions on page 3).



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2018 NOTICE OF ANNUAL GENERAL MEETING (continued)

5. **Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP**

To consider and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

“That, subject to the passing of Resolution 4, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue to Mr Geoffrey David Huston Stewart (or his nominee) Shares in the Company pursuant to the **EIP** on the terms and conditions set out in the Explanatory Notes to Notice of Annual General Meeting.”

An explanation is set out in the explanatory notes to this notice. A voting exclusion statement applies to this item of business (see the Voting Exclusions on page 3).

By order of the Directors

Peter Gill
20 September 2018

Voting Online

If you are unable to attend the meeting we encourage you to submit your vote online at www.investorvote.com.au.

For intermediary online subscribers only (custodians) www.intermediaryonline.com.

Proxies

A shareholder entitled to vote is entitled to appoint a proxy to attend and vote instead of the shareholder. A suitable proxy form accompanies this Notice of Annual General Meeting. The person appointed a proxy need not be a shareholder of the Company.

Where the shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To be effective, the instrument appointing a proxy (and the power of attorney or other authority, if any, under which it is signed or a certified copy of the power or authority) must be returned to Computershare Investor Services Pty Limited, either:

- by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- by post to GPO Box 242, Melbourne, VIC 3001; or
- by delivery to Level 4, 60 Carrington Street, Sydney.

not less than 48 hours prior to the meeting.



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2018 NOTICE OF ANNUAL GENERAL MEETING (continued)

Voting Exclusions

Item 2 - Remuneration Report

The Company will disregard any votes cast in favour of this resolution by, or on behalf of:

- a member of the Key Management Personnel (KMP), as disclosed in the Remuneration Report; or
- an associate of those persons;

unless the vote is cast:

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

Item 4 - Approval of Employee Incentive Plan

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a member of key management personnel who is not a non-executive director of the Company;
- or

- an associate of those persons;

unless the vote is cast:

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

Item 5 - Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- Mr Geoffrey David Huston Stewart;

or

- an associate of that person;

unless the vote is cast:

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



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING

BUSINESS

Item 1: Financial Reports

The business of the meeting will include receipt and consideration of the Financial Statements of the Company and the reports of the Directors and Auditors for the year ended 30 June 2018. Shareholders are not required to vote on these reports but will be given an opportunity to raise questions on the Reports at the meeting. The Auditors will be available at the meeting to answer any questions in relation to the Auditor's Report.

Item 2: Remuneration Report

The Board submits its Remuneration Report to shareholders for consideration and adoption by way of a non-binding ordinary resolution. The Remuneration Report is set out on pages 11-14 of the Company's 2018 Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

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

Subject to the Voting Exclusion statement contained in this Notice, the Chairman of the Meeting intends to vote all undirected proxies in favour of the adoption of the Remuneration Report.

Item 3: Election of Director

Mr P W McKenzie retires by rotation in accordance with clause 10.4 of the Company's Constitution and, being eligible for re-election, offers himself for re-election.

Mr McKenzie was appointed to the Board on 1 July 2006 as Non-executive Director. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. Mr McKenzie holds a Masters Degree in Business Administration, has over 20 years' experience in the transport industry and operates a consultancy practice providing advice to public authorities and private clients in the transport industry.

The Board (excluding Mr McKenzie who has abstained) recommends that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote all undirected proxies in favour of the re-election of Mr McKenzie.



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Item 4 - Approval of Employee Incentive Plan

Introduction

The Company proposes to adopt an employee incentive plan (**EIP**) pursuant to which issued capital of the Company may be made available to executive directors, senior management and staff as a form of longer term equity incentive. Non-executive directors are not entitled to participate in the **EIP**.

If this resolution is passed, the **EIP** will enable the Company to issue Shares to employees and officers of the Company (**Plan Shares**). In the case of an executive director, no **Plan Shares** may be issued to the director without express shareholder approval of the numbers and terms of the **Plan Shares**.

ASX Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

An exception to Listing Rule 7.1 is set out in Listing Rule 7.2 (Exception 9) which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the three years before the date of issue, shareholders have approved this issue as an exception to Listing Rule 7.1.

Shareholder approval is sought to adopt the **EIP** in accordance with Listing Rule 7.2 (Exception 9) and to enable the Company to subsequently grant **Plan Shares** under the **EIP** without having to obtain shareholder approval each time the Company wishes to issue securities which exceed the 15% limit contained in Listing Rule 7.1 and do not otherwise fall within one of the nominated Listing Rule exemptions.

The maximum number of **Plan Shares** that can be issued under the **EIP** (and any other equity incentive plan of the Company) is not to be in excess of 2% of the total number of Shares on issue.

Material terms of the EIP

A summary of the **EIP** is set out in Schedule 1 to this Notice of Annual General Meeting. A copy of the full terms of the **EIP** may be obtained upon request to the Company Secretary.

Specific Information required by Listing Rule 7.2

- (a) The material terms of the **EIP** are summarised in Schedule 1.
- (b) This is the first approval sought under Listing Rule 7.2 (Exception 9) with respect to the **EIP**.
- (c) No securities have previously been issued under the **EIP**. Resolution 5 seeks approval to issue securities to Mr Geoffrey David Huston Stewart under the **EIP**.
- (d) A voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution because they consider that the issue of securities under the EIP will constitute an effective incentive to eligible participants to improve the performance of the Company. Additionally, the Directors believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue securities that is afforded to it by Listing Rule 7.1.

The Chairman of the Meeting intends to vote all undirected proxies in favour of this resolution.



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Item 5 - Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP

Introduction

This resolution seeks Shareholder approval in accordance with Listing Rule 10.14 for the grant Shares under the **EIP** to Mr Geoffrey David Huston Stewart (or his nominees). The maximum number of ordinary shares that Mr Stewart may apply for in respect of each of the 2018, 2019 and 2020 financial years will be determined in accordance with the following formula:

$$N = \frac{S \times 20\%}{P}$$

Where:

- (a) **N** is, in respect of a financial year, the number of shares that may be applied for.
- (b) **S** is, in respect of a financial year, Mr Stewart's fixed compensation package (comprising salary, superannuation and non-monetary benefits) but excluding any bonuses or shares issued pursuant to the Rules, as at 30 June in that financial year. Details about Mr Stewart's remuneration are set out below.
- (c) **P** is, in respect of a financial year, the volume weighted average market price of the ordinary shares of the Company on the ASX for the five-trading day period ending at market close on 30 August in the following financial year (or, if not a business day, on the following business day).

The **Plan Shares** do not vest unless the following vesting conditions are met:

(a) **Annual Performance Condition**

Vesting of the **Plan Shares** will be subject to the Company achieving a year-on-year (**YOY**) increase in its consolidated profit before tax (**PBT**) over the relevant financial year as identified in the Company's financial accounts:

Financial Year	YOY increase in PBT	No. of Plan Shares which may be applied for
2018	Less than 8.00%	Nil
	Between 8.00% - 18.00%	10% of S; plus 1% of S for each percentile the YOY increase in PBT is above 8.00%.
	18.00% or more	20% of S
2019	Less than 8.00%	Nil
	Between 8.00% - 18.00%	10% of S; plus 1% of S for each percentile the YOY increase in PBT is above 8.00%.
	18.00% or more	20% of S



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Item 5 - Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP (continued)

Financial Year	YOY increase in PBT	No. of Plan Shares which may be applied for
2020	Less than 8.00%	Nil
	Between 8.00% - 18.00%	10% of S; plus 1% of S for each percentile the YOY increase in PBT is above 8.00%.
	18.00% or more	20% of S

(b) Service Condition

Mr Stewart must maintain continuous employment with the Company until 1 September 2020.

Any **Plan Shares** which do not vest by 1 September 2020 will lapse.

Please refer to Schedule 1 for a summary of the key terms the **EIP** and to, the extent applicable, a summary of the terms and conditions of the **Plan Shares**.

In determining the remuneration package for Mr Stewart, including the proposed issue of **Plan Shares** under the **EIP**, the Board considered the role, the business challenges facing the Company and market practice for the remuneration of officers in positions of similar responsibility.

Listing Rule 10.14

In accordance with Listing Rule 10.14, the Company must not permit a Director and any of their associates to acquire securities under an employee incentive scheme unless it obtains Shareholder approval.

Specific information required by Listing Rule 10.15

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval:

- (a) Mr Stewart is a related party of the Company by virtue of being a Director.
- (b) The maximum number of **Plan Shares** to be issued to Mr Stewart is as set out in the Introduction above.
- (c) The **Plan Shares** will be granted for nil cash consideration, accordingly no funds will be raised on issue.
- (d) As the **EIP** is proposed to be adopted for the first time, pursuant to Resolution 5, no securities have been issued under the **EIP** to date.
- (e) The persons referred to in Listing Rule 10.14 who are entitled to participate in the plan are all executive Directors, being, as at the date of the Notice, Mr Stewart and Mr Gill.
- (f) A voting exclusion statement is included in the Notice.
- (g) No loans are being provided in respect of the issue of **Plan Shares** to Mr Stewart.
- (h) The Company will issue the **Plan Shares** to Mr Stewart no later than 12 months after the date of the Meeting or such longer period of time as ASX allows.



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Item 5 - Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP (continued)

- (i) Save as set out in the introduction above, the terms and conditions of the **Plan Shares** are set out in Schedule 1.
- (j) Mr Stewart currently is deemed to have a relevant interest in 1,396,833 Shares. If the proposed **Plan Shares** are issued pursuant to Resolution 5, Mr Stewart will be deemed to have a relevant interest in 1,418,581 Shares.
- (k) If the proposed **Plan Shares** are issued pursuant to Resolution 5, a maximum of 21,748 Shares would be issued. This will increase the number of Shares on issue (on a fully diluted basis) from 40,761,484 Shares to 40,783,232 Shares (assuming no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.05%.
- (l) Under the accounting standard AASB 2 (Share Based Payments), the Company will recognise an expense in the income statement based on the fair value of the **Plan Shares** over the period from the date of issue to the vesting date. The total of the fair value of the **Plan Shares** issued is \$93,000 at the date of the Notice
- (m) Based on the Remuneration Report disclosed in the 2018 Annual Report, Mr Stewart's remuneration when added to the fair value of the **Plan Shares** is as follows:

Salary, Fees and Leave	\$473,539
Superannuation	\$ 25,000
Short Term Incentive Payable	\$186,000
Long Service Leave	\$ 31,242
Value of Plan Shares to be Issued for FY2018 Based on 20% of 2018 fixed compensation package	\$ 93,000
Total	\$808,781
Value of Plan shares for FY 2019 and 2020 - Assuming maximum incentive achieved and based on 2018 fixed compensation package	
Value of Plan Shares to be Issued for FY2019	\$ 93,000
Value of Plan Shares to be Issued for FY2020	\$ 93,000



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Item 5 - Approval for Issue of Shares to Geoffrey David Huston Stewart under the EIP (continued)

- (n) The trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows: at the time of preparing this Notice of Annual General Meeting, the closing price of the Company's shares on the ASX was \$4.10. The price of the Company's shares quoted on the ASX over the past 12 months has ranged from a high of \$5.20 on 02/08/2018 to a low of \$2.72 on 18/09/2017;
- (o) The primary purpose of the grant of the **Plan Shares** to Mr Stewart is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of Mr Stewart as Director;

The Directors, other than Mr Stewart, recommend that Shareholders vote in favour of this resolution because they consider the issue of securities to Mr Stewart under the EIP to be a cost effective and efficient reward and would incentivise Mr Stewart's continued performance.

Mr Stewart declines to make a recommendation to Shareholders in relation to this resolution due to his material personal interest in its outcome on the basis that Mr Stewart is to be granted Plan Shares in the Company should this Resolution be passed.

The Chairman of the Meeting intends to vote all undirected proxies in favour of this resolution.



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Schedule 1 – Summary of Material Terms of Employee Incentive Plan

The key terms of the **EIP** are summarised below:

1. The **EIP** is to extend to eligible persons of the Company or an associated body corporate of the Company as determined by the Board at its sole discretion.
2. The total number of Shares which may be offered by the Company under the **EIP** shall not at any time exceed 2% of the Company's total issued Shares when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous three-year period under:
 - (a) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. Shares are to be issued at such price and subject to such Vesting Conditions as determined by the Board at its sole discretion.
4. If an Acceleration Event occurs, the Board may in its absolute discretion determine to reduce, vary or waive any Vesting Condition that has not been satisfied as at the date of the Acceleration Event so that the Shares subject to Vesting Conditions may vest, or pay an amount for those Shares.
5. Eligibility to participate is determined by the Board. Eligibility is restricted to eligible persons of the Company or an associated body corporate of the Company. The Board is entitled to determine:
 - (a) subject to paragraph 2 above, the total number of Shares to be offered in any one year to eligible persons;
 - (b) the eligible persons to whom offers will be made; and
 - (c) the terms and conditions of any Shares granted, subject to the **EIP**.
6. The Board has the right to vary the entitlements of participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
7. The Board may impose as a condition of any offer of Shares under the **EIP** any restrictions on the transfer or encumbrance of such Shares as it determines.
8. The Board may vary the **EIP**.
9. The **EIP** is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an eligible person under the terms of their employment or arrangement.



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EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING (continued)

Schedule 1 – Summary of Material Terms of Employee Incentive Plan (continued)

10. At any time from the date of an offer until the acceptance date of that offer, the Board undertakes that it shall provide information as to:
 - (a) the current market price of the Shares; and
 - (b) the acquisition price of the Shares offered where this is calculated by reference to a formula, as at the date of the offer, to any participant within three Business Days of a written request to the Company from that participant to do so.
11. Any offer made pursuant to this **EIP** will specify whether any tax payable by a participant under an offer will be deferred to the applicable deferred taxing point.

In this Schedule 1:

Acceleration Event means any one or more of the following events:

- the Company resolves to sell, transfer or dispose of all or substantially all of the Company's assets, whether in a single transaction or a series of related transactions;
- a change in the identity of the person who is able to exercise control (as that word is defined in section 50AA of the Corporations Act) directly or indirectly (including by its ability to remove or appoint all or a majority of directors of that company) in relation to the Company;
- an insolvency event occurs in relation to the Company; or
- any other event determined by the Board to be an Acceleration Event.

Vesting Condition means a condition prescribed as having to be satisfied before the Participant can exercise certain rights or entitlements in respect of a Plan Share.