



4/100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

22 October 2021

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

NOTICE OF 2021 ANNUAL GENERAL MEETING

Please see attached AFG's Notice of 2021 Annual General Meeting (AGM), including sample Proxy form.

This document will be sent to shareholders today.

The 2021 AGM is scheduled for Friday, 26 November 2021 from 9:00am Western Standard Time at Level 4, 100 Havelock Street, West Perth, Western Australia.

Authorised for disclosure by:

Lisa Bevan
Company Secretary

CONTACT DETAILS

Alison Clarke, AFG Head of Corporate Communications
David Bailey, CEO

Mob 0402 781 367
Tel (08) 9420 7888



NOTICE OF

2021

ANNUAL GENERAL MEETING

AND EXPLANATORY NOTES TO SHAREHOLDERS

A PROXY FORM IS ENCLOSED

PLEASE READ THE NOTICE AND EXPLANATORY NOTES CAREFULLY. IF YOU ARE UNABLE TO ATTEND THE MEETING PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY FORM IN ACCORDANCE WITH THE SPECIFIED INSTRUCTIONS.

For personal use only

Notice of Meeting

Notice is given to the shareholders of Australian Finance Group Ltd (**AFG or the Company**) that the Annual General Meeting of shareholders of the Company will be held at 9am Western Standard Time on Friday, 26 November 2021 at Level 4, 100 Havelock Street, West Perth, Western Australia 6005 (**AGM or Meeting**). The Explanatory Notes form part of this Notice of Meeting.

Important Information Regarding COVID-19

As a national company headquartered in Western Australia the Company is closely monitoring the impact of the COVID-19 pandemic and is seeking to follow guidance from the Federal and State Governments to facilitate a physical AGM in West Perth.

The Company is taking precautions to ensure the Meeting is conducted in accordance with current COVID-19 restrictions. Given existing COVID-19 travel restrictions imposed by the Western Australian Government, east coast-based directors Chair Tony Gill, Non-Executive Director Greg Medcraft and Executive Director Malcolm Watkins, will be not be in physical attendance at the Meeting but will attend via audio conference facilities.

As the situation with COVID-19 is constantly changing, to ensure the safety and health of both shareholders and our staff and advisers at this year's AGM we have put in place certain measures to ensure we comply with social distancing requirements. This will mean we must limit the number of attendees at the Meeting, including non-shareholder visitors. Food and refreshments will not be served and all attendees are kindly requested to leave the venue immediately on conclusion of the Meeting. The results of the poll will be announced on the ASX platform as soon as available after the conclusion of the Meeting.

Shareholders who do not attend in person are encouraged to submit any questions prior to the Meeting electronically via the Company's share registry by visiting www.linkmarketservices.com.au, as they will not be able to ask questions or vote on the resolutions during the Meeting.

If you choose to attend in person, to assist us in ensuring compliance with social distancing requirements and other COVID-19 restrictions, you must register your intention to attend with the Company Secretary at least 48 hours before the Meeting (email: lisa.bevan@afgonline.com.au). Space at the Meeting may be limited to ensure compliance with social distancing requirements.

If it is your preference not to attend in person, we strongly encourage you to vote by completing and returning the separately enclosed Proxy Form in accordance with its instructions and listen to the proceedings of the Meeting via an audio webcast.

The audio webcast facility can be accessed online at <https://webcast.openbriefing.com/8049/>.

The Australian government is implementing a wide range of measures to contain or delay the spread of COVID-19. If it becomes necessary or appropriate to make alternate arrangements to those set out in this Notice of Meeting, the Company will notify shareholders accordingly via the Company's ASX Announcement Platform at asx.com.au (ASX: AFG) and our website at <https://investors.afgonline.com.au/Investor/>. Any shareholders who plan to physically attend the Meeting should closely monitor these platforms for any updates by the Company in regard to attending the Meeting in person and any alternative arrangements.

A PROXY FORM IS ENCLOSED AND YOU ARE ENCOURAGED TO COMPLETE AND RETURN IT IN ACCORDANCE WITH THE SPECIFIED DIRECTIONS.

Items of Business

1. Financial Reports

To receive and consider the Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2021.

2. Re-election of Malcolm Watkins as a Director

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

"That Malcolm Watkins, who retires as a Director of the Company in accordance with rule 8.1(e) of the Company's constitution, and being eligible, be re-elected as a Director of the Company."

3. Re-election of Craig Carter as a Director

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

"That Craig Carter, who retires as a Director of the Company in accordance with rule 8.1(e) of the Company's constitution, and being eligible, be re-elected as a Director of the Company."

4. Election of Greg Medcraft as a Director

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

"That Greg Medcraft, who retires as a Director of the Company in accordance with rule 8.1(d) of the Company's constitution, and being eligible, be elected as a Director of the Company."

5. Remuneration Report

To consider and, if thought fit, to pass the following in accordance with section 250R(2) of the Corporations Act 2001 (Cth):

"That the Remuneration Report for the Company for the year ended 30 June 2021 be adopted."

6. Grant of 2022 LTI Award to Executive Director – Malcolm Watkins

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

"That approval be given, for the purposes of ASX Listing Rule 10.14 and sections 200B and 200E of the Corporations Act 2001 (Cth) and for all other purposes, to grant 11,017 Performance Rights to Executive Director, Malcolm Watkins, under the Company's Long Term Incentive Plan as set out in the Explanatory Notes accompanying this Notice of Meeting."

7. Increase in the Non-Executive Director Fee Pool

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

"That for the purposes of ASX Listing Rule 10.17 and rule 8.3(a) of the Company's constitution, the maximum aggregate amount of Directors' fees that may be paid to the Company's Non-Executive Directors per annum is increased by \$250,000, from \$1,000,000 per annum to \$1,250,000 per annum."

8. Proportional Takeover Approval Provisions

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

"That the proportional takeover approval provisions contained in rule 6 of the constitution of the Company (as last approved by shareholders) be reinserted for a further period of three (3) years from the date of the Meeting convened by this Notice of Meeting."

Voting exclusion statement for Items 5, 6 & 7

Item 5 (Remuneration Report):

The Company will disregard any votes cast (in any capacity) on the resolution in Item 5:

- by or on behalf of a member of the Company's key management personnel (**KMP**) named in the remuneration report for the year ended 30 June 2021, or their closely related parties, 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 AGM or their closely related parties.

However, this does not apply to a vote cast in favour of Item 5 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution in Item 5, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution pursuant to an express authority to vote undirected proxies as the Chairman decides (see Note 4 on page 14 below).

Item 6 (Grant of Performance Rights to Malcolm Watkins):

The Company will disregard any votes cast on the resolution in Item 6:

- in favour of the resolution by or on behalf of Malcolm Watkins, or his associates, regardless of the capacity in which the vote is cast; and
- as a proxy by a member of the KMP at the date of the AGM or their closely related parties.

However, this does not apply to a vote cast in favour of Item 6 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution in Item 6, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution pursuant to an express authority to vote undirected proxies as the Chairman decides (see Note 4 on page 14 below); or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - » the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting, on the resolution; and
 - » the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

Item 7 (Increase in Non-Executive Director Fee Pool):

The Company will disregard any votes cast in favour of Item 7:

- by or on behalf of a Director of the Company or an associate of that person.

However, this does not apply to a vote cast in favour of Item 7 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution in Item 7, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution pursuant to an express authority to vote undirected proxies as the Chairman decides (see Note 5 on page 14 below); or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - » the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting, on the resolution; and
 - » the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

By order of the Board



Lisa Bevan

Company Secretary

22 October 2021

Explanatory Notes

1. Financial Reports

The Corporations Act 2001 (Cth) (**Corporations Act**) requires that the Company's Financial Report (which includes the Financial Statements and the Directors' Declaration), the Directors' Report and the Auditor's Report for the year ended 30 June 2021 be laid before the AGM.

There is no requirement in the Corporations Act or the Company's constitution that shareholders vote on, approve or adopt the reports. However, shareholders will be given a reasonable opportunity at the AGM to ask questions about those reports.

Shareholders will also have a reasonable opportunity to ask the auditor questions in relation 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 of the Company, and the independence of the auditor in relation to the conduct of the audit.

The Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2021 form part of the Company's 2021 Annual Report, a copy of which is available at: <https://investors.afgonline.com.au/investor/?page=annual-reports>.

Shareholders may also elect to receive, free of charge, a printed copy of the Company's Annual Report for each financial year by contacting the Company's share registry on 1300 554 474. A printed copy of the Company's 2021 Annual Report has been sent to shareholders who have previously made this election.

2. Election of Directors

In accordance with the Company's constitution, a Director must retire from office no later than the longer of the third annual general meeting and 3 years following that Director's last election or appointment. Retiring Directors are eligible for re-election. Directors Malcolm Watkins and Craig Carter were last elected as a Director at the 2018 annual general meeting. Mr Watkins therefore retires and, being eligible, offers himself for re-election to the board of the Company (**Board**). Mr Carter also retires and, being eligible, offers himself for re-election to the Board.

Greg Medcraft was appointed as a Director by the Board on 15 September 2021 to fill a casual vacancy. In accordance with the Company's constitution, Mr Medcraft will hold office until the conclusion of the 2021 AGM and, being eligible, offer himself for election to the Board.

The Board has in place policies and procedures designed to identify and update criteria for current and potential Directors in response to the changing environment and monitor the skills and experience of existing Directors to ensure that the Board operates efficiently and effectively.

The Board undertakes an annual review of its performance, policies and practices. This review includes an assessment of the performance of each Director individually and the results are considered by the Board in determining its endorsement of the Directors to stand for election or re-election at the annual general meeting. The Board has undertaken a review of the performance of the Directors standing for election and re-election and the contribution they have made to the Board. The Board has also considered the skills and expertise that each Director brings to the Board.

Profiles of the Directors standing for election and re-election (as applicable) are set out below. The Board considers each of Mr Carter and Mr Medcraft to be independent.

The profile of Malcolm Watkins is set out below.

Malcolm Watkins	Executive Director
	Founding Director, appointed to the Board on 8 December 1997 Last stood for re-election at 2018 annual general meeting
	Current responsibilities <ul style="list-style-type: none">Responsibility for the Company’s strategic investment in Think Tank Group Pty LtdDevelopment and maintenance of key strategic commercial relationships on Australia’s east coast (as the Executive Director located in Queensland)
	Experience <ul style="list-style-type: none">One of the four founders of the CompanyOver 28 years’ experience working in the finance industryPreviously responsible for the Company’s technology development programs, electronic delivery systems and national marketing operations
	Current Directorships <ul style="list-style-type: none">Director of Think Tank Group Pty Ltd (since April 2018)Director of Ability Homes Australia
	Former Directorships <ul style="list-style-type: none">Former director of the Mortgage & Finance Association of Australia (MFAA)

Director Recommendation

The Board (with Malcolm Watkins abstaining) recommends that shareholders vote **in favour** of the re-election of Malcolm Watkins.

The profile of Craig Carter is set out below.

Craig Carter	Non-Executive Director
	Appointed to the Board on 25 March 2015 Last stood for re-election at 2018 annual general meeting
	Experience <ul style="list-style-type: none">Previously was admitted as a natural person member of the Australian Stock ExchangePreviously founding partner of Porter Western Ltd which Macquarie Group acquired in 1999Prior to AFG was an Executive Director at Macquarie Group Ltd
	Current Directorships <ul style="list-style-type: none">Vice President of the Fremantle Football Club (director since 2015)Managing Director Carter Group Investments Pty LtdOcean Racing Western Australia IncPurple Hands Foundation Ltd

Director Recommendation

The Board (with Craig Carter abstaining) recommends that shareholders vote **in favour** of the re-election of Craig Carter.

The profile of Greg Medcraft is set out below.

Greg Medcraft	Non-Executive Director
	Appointed as a Director on 15 September 2021
	Experience <ul style="list-style-type: none">Former Head of the Directorate of Financial and Enterprise Affairs of the Organization for Economic Co-Operation and Development in Paris (OECD)Former Chairman and CEO and Commissioner of the Australian Securities and Investments Commission (ASIC)Former Chairman of the International Organization of Securities Organizations (IOSCO)Former Chief Executive of the Australian Securitisation Forum (ASF)Previously Global Head – Securitisation at Société GénéraleG20 Financial Stability Board
	Current Directorships <ul style="list-style-type: none">Salzburg Global Forum Inc (a not-for-profit entity located in the USA)
	Former Directorships <ul style="list-style-type: none">Former director of the American Australian Association Ltd and the American Australian Association Inc

Director Recommendation

The Board (with Greg Medcraft abstaining) recommends that shareholders vote **in favour** of the election of Greg Medcraft.

3. Remuneration Report

The Remuneration Report for the Company is part of the Directors’ Report for the year ended 30 June 2021 and is set out on pages 27-41 of the 2021 Annual Report (a copy of which is available at: <https://investors.afgonline.com.au/investor/?page=annual-reports>).

The Remuneration Report:

- Demonstrates the links between the Company’s remuneration policies and the Company’s performance; and
- Provides the required remuneration details for each of the Directors and other KMP.

Under section 250R(3) of the Corporations Act, the vote on the resolution in Item 5 is advisory only and does not bind the Directors of the Company or the Company. However, the Company respects the views of its shareholders and will take the outcome of the vote into account when considering remuneration policy in the future.

Director Recommendation

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

4. Grant of 2021 LTI Award to Malcolm Watkins, Executive Director

The Company is seeking shareholder approval to award performance rights over ordinary shares in the Company (**Performance Rights**) to Executive Director, Malcolm Watkins (**the Executive Director**). The Performance Rights will be awarded in accordance with the Company’s long term incentive plan (**LTI Plan**) that has been established to assist in the motivation, retention and reward of senior executives (**2022 LTI Award**).

Why is shareholder approval sought?

The Company is seeking approval for the proposed award of Performance Rights to the Executive Director pursuant to ASX Listing Rule 10.14, which requires the Company to obtain shareholder approval in order to issue securities (which includes the issue of Performance Rights) to a Director under an employee incentive scheme. Any required or appropriate shareholder approval for future equity awards to be made to the Executive Director will be sought at future annual general meetings.

In addition, approval is sought under sections 200B and 200E of the Corporations Act for the pro-rata vesting of Performance Rights to the Executive Director in the event of cessation of his employment in limited circumstances under the terms of the LTI Plan.

LTI Plan and 2022 LTI Award

The key terms of the LTI Plan and 2022 LTI Award are summarised in the table below:

Term	Description
Grant date and timing of offer	If shareholder approval is obtained, it is intended that the 2022 LTI Award will be granted to the Executive Director in November 2021, and in any case within 12 months of the Meeting.
Grant of Performance Rights to the Executive Director	The proposed 2022 LTI Award will comprise Performance Rights and will be issued to the Executive Director for nil consideration.
Quantum of Performance Rights	<p>The proposed 2022 LTI Award to the Executive Director is 11,017 Performance Rights. The number of Performance Rights have been calculated in the following manner:</p> <ul style="list-style-type: none">• The Executive Director receives an annual LTI monetary entitlement determined by the Board.• 35% of this annual entitlement is allocated to long term compound annual growth rate earnings per share (CAGR EPS) targets (EPS Entitlement) and 65% of this annual entitlement is allocated to long term total shareholder return (TSR) targets (TSR Entitlement).• The EPS Entitlement is divided by \$2.75, being the 20-day VWAP value of the Company's shares leading up to 30 June 2021, to produce the number of EPS performance rights (EPS Performance Rights).• The TSR Entitlement is then equally split into two, with one set of entitlements subject to the S&P/ASX 200 Small Industrials Index (TSR SI Entitlement) and the other set subject to the S&P/ASX 200 Diversified Financials (Industry Group) Index (TSR DF Entitlement).• The TSR SI Entitlement and the TSR DF Entitlement are divided by \$1.91 and \$1.77 respectively, being the value of the rights associated with these specific entitlements determined by an independent consultant at 30 June 2021, to produce the number of TSR performance rights (TSR Performance Rights).• The total quantum of the Performance Rights is calculated by adding the value of the EPS Entitlement (\$8,050) and the value of the TSR Entitlement (\$14,950) for a total value of \$23,000.
Performance and Service Period	1 July 2021 to 30 June 2024 (Performance Period).

Term	Description
	<p>Performance Rights will vest subject to the satisfaction of performance conditions.</p> <p>TSR Performance Rights</p> <p>50% of the TSR Performance Rights will be measured against the S&P/ ASX 200 Diversified Financials (Industry Group) Index and the other 50% will be measured against the S&P/ASX 200 Small Industrials Index.</p> <p>The TSR Performance Rights will vest at the end of the Performance Period in accordance with the following schedule:</p> <p>If the Company's TSR over the Performance Period equals the:</p> <ul style="list-style-type: none">• 50th Percentile - 50% vesting;• 75th Percentile - 100 % vesting;• 85th Percentile - 125% vesting (stretch target); and• 90th Percentile - 150% vesting (stretch target). <p>Vesting of Performance Rights is granted on a straight-line basis for the Company's TSR performance between the 50th Percentile and the 99th Percentile.</p> <p>EPS Performance Rights</p> <p>The EPS Performance Rights will vest at the end of the Performance Period in accordance with the following schedule:</p> <p>If the Company's CAGR EPS over the Performance Period equals:</p> <ul style="list-style-type: none">• 2.5% - 50% vesting;• 5% - 100% vesting; and• 7.5% - 150% vesting (stretch target). <p>Vesting of Performance Rights is granted on a pro-rata basis for the Company's CAGR EPS performance between 2.5% and 7.5%.</p>
Link between performance and reward	<p>TSR Target</p> <p>TSR encapsulates performance across the underlying key performance measures throughout the business aimed at achieving targeted business outcomes that will result in increased shareholder wealth through share price growth and dividends.</p> <p>Stretch targets are available giving the Executive Director the opportunity to increase the number of shares that vest at the end of the Performance Period by up to 50% for exceptional performance.</p> <p>CAGR EPS Target</p> <p>Long term CAGR EPS accretion targets are set at levels that are challenging yet achievable in a sustainable manner. CAGR EPS directly links creation of shareholder wealth to the delivery of the business' strategy over a long term period.</p> <p>Stretch targets are available giving the Executive Director the opportunity to increase the number of shares that vest at the end of the Performance Period by up to 50% for exceptional performance.</p>
Allocation of shares	<p>Following satisfaction of the applicable vesting conditions and determination of the vesting level of the Performance Rights in accordance with the vesting schedule set out above, 1 fully paid ordinary share in the Company will be allocated in relation to each Performance Right which vests.</p> <p>In circumstances where stretch targets have been met, up to a maximum of 1.5 fully paid ordinary shares in the Company will be allocated in relation to each Performance Right that vests in accordance with the vesting schedule set out above. The maximum number of ordinary shares that could be issued to the Executive Director if the maximum stretch vesting conditions have been met is 16,525 ordinary shares in the Company</p>

Term	Description
Cessation of employment	If the Executive Director ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse.
	Generally, if the Executive Director ceases employment for any other reason, all of their unvested Performance Rights will remain on foot and subject to the original performance condition. However, the Board retains discretion to determine that some of their Performance Rights (up to a pro-rata portion based on how much of the Performance Period remains) will lapse or vest.
Dividends & Voting	The Performance Rights do not carry dividends or voting rights prior to vesting.
Clawback and preventing inappropriate benefits	The LTI Plan rules provide the Board with broad ‘clawback’ powers if, amongst other things, the Executive Director has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought AFG or its related bodies corporate into disrepute, there is a material financial misstatement by the Executive Director, AFG is required or entitled under law or company policy to reclaim remuneration from the Executive Director, or the Executive Director’s entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.
Change of control	<p>In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the Performance Rights. Where only some of the Performance Rights have vested on a change of control, the remainder of the Performance Rights will immediately lapse. If the change of control occurs before the Board exercises its discretion:</p> <ul style="list-style-type: none"> a pro-rata portion of the Performance Rights equal to the portion of the relevant Performance Period that has elapsed up to the expected or actual (as appropriate) date of the change of control will immediately vest; and the Board may, in its absolute discretion, decide whether the balance should vest or lapse.
Restrictions on dealing	The Executive Director must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights.
	Unless the Board determines otherwise, the Executive Director will be free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of the Company’s policy for dealing in securities.
Reconstructions, corporate action, rights issues, bonus issues, etc	The rules of the LTI Plan include specific provisions dealing with rights issues, bonus issues, and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the Executive Director in respect of their Performance Rights as a result of such corporate actions.

Additional information

Under ASX Listing Rule 10.15, the Company provides the following information in relation to the proposed award of Performance Rights:

- As disclosed in the Notice of 2018 Annual General Meeting and Explanatory Statement to shareholders, 20,114 Performance Rights were granted to former Executive Director Brett McKeon and 20,114 Performance Rights were granted to current Executive Director Malcom Watkins on 24 November 2018 as part of their remuneration package for nil consideration (**the 2019 LTI Award**). The stretch vesting conditions for the 2019 LTI Award were met and 21,938 ordinary shares in the Company were issued to Brett McKeon and 21,938 ordinary shares in the Company were issued to Malcolm Watkins, on 26 August 2021.
- As disclosed in the Notice of 2019 Annual General Meeting and Explanatory Statement to shareholders, 17,108 Performance Rights were granted to Executive Director Malcom Watkins on 22 November 2019 as part of his remuneration package for nil consideration (**the 2020 LTI Award**). The maximum number of ordinary shares that could be issued pursuant to the 2020 LTI Award if stretch vesting conditions are met is 25,662 ordinary shares in the Company to Malcolm Watkins.
- As disclosed in the Notice of 2020 Annual General Meeting and Explanatory Statement to shareholders, 17,140 Performance Rights were granted to Executive Director Malcom Watkins on 30 November 2020 as part of his remuneration package for nil consideration (**the 2021 LTI Award**). The maximum number of ordinary shares that could be issued pursuant to the 2021 LTI Award if stretch vesting conditions are met is 25,710 ordinary shares in the Company to Malcolm Watkins.
- Details of any securities issued under the 2022 LTI Award will be published in AFG’s annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14. Malcolm Watkins, a director receiving the Performance Rights under ASX Listing Rule 10.14.1, is the only Director entitled to receive Performance Rights under the proposed 2022 LTI Award. No other Directors and no associates of Directors are currently entitled to participate in the LTI Plan.

- If shareholder approval for the issue of the 2022 LTI Award to Malcolm Watkins is not obtained at the Meeting under ASX Listing Rule 10.14, the Board will not be able to issue shares to the Executive Director in satisfaction of his 2022 LTI Award, but will acquire the underlying shares on market or settle any vested rights in cash. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the 2022 LTI Award after the resolution is approved and who were not named in this Notice of Meeting will not participate until approval is obtained under ASX Listing Rule 10.14.
- Malcolm Watkins’ total remuneration package for the year 1 July 2020 to 30 June 2021 was \$193,323 (inclusive of superannuation payments) and is set out in detail on page 35 of the 2021 Annual Report (a copy of which is available at: <https://investors.afgonline.com.au/investor/?page=annual-reports>). Malcolm Watkins’ total remuneration package for the current year is \$228,000 (inclusive of superannuation payments) consisting of a base salary of \$182,000, an ‘at target’ short term incentive award of \$23,000, and an ‘at target’ 2022 LTI Award of \$23,000 (subject to approval of shareholders at the Meeting).
- No loan will be made to or by the Company in connection with the acquisition of Performance Rights by Malcolm Watkins under the proposed 2022 LTI Award.
- If approval is given by shareholders under ASX Listing Rule 10.14 for the issue of the Performance Rights to Malcolm Watkins, approval will not be required under ASX Listing Rule 7.1.
- In accordance with ASX Listing Rule 10.15.6, a summary of the material terms of the Performance Rights granted under the 2022 LTI Award are set out in the table above, including the value the Company attributes to the Performance Rights and its basis (being a total of \$23,000). The reason Performance Rights are being issued instead of ordinary securities is that the Company’s remuneration policy for long term incentives, which is included in the Company’s 2021 Annual Report, is to ensure a strong link to the long-term creation of shareholder value and assist in the longer-term motivation, retention and reward of KMP and certain employees. The granting of the 2022 LTI Award to Malcolm Watkins, which may only vest in three years’ time, will provide a long term incentive for continued outstanding performance. The proposed grant of the 2022 LTI Award seeks to further align Mr Watkins’ interests with those of shareholders by linking his remuneration with the long term performance of the Company.
- The Board currently expects that it will determine whether or not the performance conditions for the FY22 LTI Award have been satisfied by late August 2024. In the absence of determining that the performance conditions have been satisfied, and subject to the terms of the LTI Plan, the Performance Rights will automatically expire on that date.

Under section 200E of the Corporations Act, the Company provides the following additional information:

- The value of the rights that may vest on cessation of employment cannot currently be ascertained.
- The circumstances that may affect the calculation of this value include:
 - the performance against the performance conditions at the time the employment ceases;
 - the part of the performance period that has elapsed at the time employment ceases; and
 - the number of rights that lapse on cessation of employment.
- If shareholder approval is obtained, the value of the approved benefits will be disregarded when calculating the Executive Director’s termination benefits cap for the purposes of section 200F(2)(b) or section 200G(1)(c) of the Corporations Act.

Director Recommendation

The Board (with Malcom Watkins abstaining) recommends that shareholders vote **in favour** of the resolution to approve the grant of Performance Rights under the 2022 LTI Award to Executive Director, Malcolm Watkins.

5. Increase in Non-Executive Director Fee Pool

In accordance with rule 8.3(a) of the Company’s Constitution and ASX Listing Rule 10.17, shareholder approval is sought to increase the maximum aggregate amount of directors’ fees per annum that may be paid by the Company to its Non-Executive Directors (**Fee Pool**) by \$250,000, from \$1,000,000 per annum to \$1,250,000 per annum.

Under the ASX Listing Rules, the term “directors’ fees” includes committee fees, superannuation contributions and fees which a director sacrifices for other benefits, but does not include reimbursement of genuine out-of-pocket expenses, genuine “special exertion” fees or securities issued to Non-Executive Directors with approval of shareholders in accordance with the ASX Listing Rules.

The Directors are seeking shareholder approval to increase the Fee Pool for the following reasons:

- As a result of the diversification of the Company over recent years, the Directors continue to review the size and composition of the Board. The increase in the Fee Pool will provide the Board with the ability to appoint additional directors with the requisite skills and experience as appropriate; and
- The increase will ensure that the Company maintains the ability to pay Non-Executive Directors remuneration at levels commensurate with market rates and as necessary to attract and retain directors of the highest calibre.

The level of Non-Executive Directors’ remuneration is reviewed annually to ensure alignment with the market. As noted in the 2021 Annual Report, the fees for Non-Executive Directors have recently been increased from \$95,000 to \$120,000 (inclusive of superannuation) and from \$180,000 to \$200,000 (inclusive of superannuation) for the Chairman.

The Directors are satisfied that the proposed Fee Pool will be within the average bands applying to companies within the Company’s industry that are of similar size, profitability, growth and risk profiles and that the proposed increase is appropriate for the reasons set out above. The Fee Pool was last increased following shareholder approval at the general meeting of the Company on 24 April 2015.

If the increase in the Non-Executive Director Fee Pool is not approved by shareholders, the Fee Pool will remain at \$1,000,000. This may mean that additional directors will not be able to be appointed in the future as their fees will exceed the Fee Pool.

Since 2015, when the Fee Pool was last set, the market capitalisation of the Company has increased from approximately \$260 million to approximately \$730 million as at 20 October 2021. The Directors do not intend to fully utilize the expanded Fee Pool initially but this will allow for the necessary growth in the size, skills and diversity of the Board to deliver the best outcomes for shareholders.

Other than as noted below, no securities have been issued to any Non-Executive Director of the Company under ASX Listing Rules 10.11 or 10.14 at any time within the last three years. As set out on pages 10 and 11, securities were issued to current Non-Executive Director, Brett McKeon, under ASX Listing Rule 10.14 on the vesting of performance rights in the previous three years which were granted whilst Mr McKeon was an Executive Director of the Company and were approved by shareholders.

Additional information regarding the remuneration paid to each Non-Executive Director for the financial year ended 30 June 2021, and the Company’s approach to the remuneration of Non-Executive Directors, is set out in the Remuneration Report in the 2021 Annual Report.

Director Recommendation

The Executive Director recommends that shareholders vote **in favour** of the ratification of the increase to the Fee Pool.

6. Proportional Takeover Approval Provisions

This item of business involves the reinsertion of the proportional takeover provisions contained in rule 6 of the Company’s constitution.

Under the Corporations Act, such provisions must be reinserted every three years. The provisions were first incorporated in the constitution approved at the general meeting of the Company on 24 April 2015 and were further approved at the annual general meeting of the Company on 23 November 2018. Therefore, the provisions currently contained in rule 6 of the constitution will expire on 23 November 2021. It is for this reason that shareholder approval is sought for the reinsertion of the proportional takeover provisions.

The Corporations Act requires that the following information be provided in this Notice of Meeting.

Effect

The effect of the proportional takeover approval provisions is to require the Directors to convene a meeting of shareholders in the event that a proportional takeover bid is made for the Company.

A proportional takeover bid is a takeover offer made to all shareholders, but only in respect of a specified portion of each shareholder’s shares. The purpose of the meeting of shareholders convened by the Directors is to vote on a resolution to approve the takeover bid. If the resolution is rejected by shareholders, then the bid will be deemed to be withdrawn and registration of any transfer of shares resulting from the bid will be prohibited. Acceptances will be returned and any contracts formed by acceptances will be rescinded. If the resolution is approved, transfers of shares to the bidder will be registered provided they comply with other provisions of the Company’s Constitution.

If the resolution is not voted on at least 14 days before the closure of the bid, then the resolution will be deemed to have been approved. The bidder and associates will be precluded from voting on the resolution.

If the proportional takeover approval provisions are approved at the Meeting, they will expire after three years, unless refreshed by shareholders by special resolution.

Reasons for Inclusion

The reason rule 6 was included in the constitution previously, and is proposed to be reinserted, is that a proportional takeover bid may result in effective control of the Company changing hands without shareholders having the opportunity to dispose of all their shares. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares, while leaving themselves as part of minority interests in the Company.

The provisions give shareholders the opportunity to decide whether a proportional takeover bid is acceptable and should be allowed to proceed.

Present Acquisition Proposals

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

Potential Advantages and Disadvantages

The provisions enable the Directors to ascertain the views of shareholders on a proportional takeover bid. Other than as set out below, consistent with the interests of shareholders, there is no specific advantage or disadvantage for the Directors of reinserting the proportion takeover approval provisions.

The provisions ensure that shareholders will have an opportunity to study a proportional takeover bid proposal and vote on whether it should be permitted to proceed. As a consequence, the terms of any future proportional bids are likely to be structured to be attractive to a majority of shareholders who are not associated with the bidder.

As to the possible disadvantages of the provisions for shareholders, it could be argued that they make a proportional takeover more difficult to achieve and therefore proportional bids will be discouraged. This in turn may reduce opportunities which shareholders may have to sell some of their shares at an attractive price to persons seeking control of the Company and may reduce any element of takeover speculation in the Company’s share price. It may also be argued that the provisions constitute an additional restriction on the ability of shareholders to deal freely with their shares. While the Company’s constitution included proportional takeover provisions since 24 April 2015, the provisions were never used. Accordingly, the experience to date has no bearing or impact on the advantages or disadvantages discussed in these Explanatory Notes.

The resolution to adopt the proportional takeover approval provisions is a special resolution and, to be passed, requires a 75% majority of the votes cast by shareholders entitled to vote on the resolution.

Director Recommendation

The Board recommends that shareholders vote **in favour** of the special resolution to reinsert the proportional takeover approval provisions in rule 6 of the Company’s constitution for a further three years.

Notes

Entitlement to attend and vote

1. The Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the register of shareholders as at 7pm Sydney time on Wednesday 24 November 2021. Accordingly, transactions registered after that time will be disregarded in determining which shareholders are entitled to attend and vote at the AGM.

Proxies

2. If you are a shareholder, and you are unable to attend and vote at the Meeting, and wish to appoint a proxy, please complete and return the enclosed Proxy Form. A proxy does not need to be a shareholder of the Company.
3. A shareholder who is entitled to attend and cast more than 2 votes may appoint no more than 2 proxies and may specify the proportion or number of the shareholder's votes each proxy is entitled to exercise. If the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise one half of those votes.
4. If you appoint a KMP (which includes each of the Directors) as proxy, the KMP will not be able to cast your votes on the resolution in Item 5, or in favour of the resolution in Item 6, unless you direct the KMP how to vote or the Chairman of the AGM is your proxy. If you appoint the Chairman of the AGM as your proxy or the Chairman of the AGM is appointed as your proxy by default, and you do not mark a voting box for the resolution in Items 5 or 6, then by signing and returning the Proxy Form you will be expressly authorising the Chairman of the AGM to exercise your proxy in respect of the resolutions in Item 5 and/or 6 (as the case may be) even though the resolution is connected with the remuneration of a KMP.
5. If you appoint a Director as proxy, the Director will not be able to cast your votes on the resolution in Item 7 unless you direct the Director how to vote or the Chairman of the AGM is your proxy. If you appoint the Chairman of the AGM as your proxy or the Chairman of the AGM is appointed as your proxy by default, and you do not mark a voting box for the resolution in Item 7, then by signing and returning the Proxy Form you will be expressly authorising the Chairman of the AGM to exercise your proxy in respect of the resolution in Item 7 even though the resolution is connected with the remuneration of a Director (including the Chairman).
6. The Chairman of the AGM intends to vote all available proxies in favour of all resolutions.
7. If you appoint Malcolm Watkins as proxy, he will not be able to cast your votes in favour of the resolution in Item 6 unless you direct him how to vote.

Body corporate representatives

8. A corporation may elect to appoint a corporate representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting.

Voting by poll

9. In the interests of equitably representing the views of shareholders and in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition), the Chairman of the Meeting intends to call a poll in relation to each of the resolutions considered at the Meeting.

Questions from shareholders

10. Shareholders may submit their questions electronically online to the Company's share registry by visiting www.linkmarketservices.com.au. Select 'Investor Login'. Refer to 'Single Holding Login' and enter Australian Finance Group Ltd or the ASX code (AFG) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select 'Ask Question' under the 'Action' header and then follow the prompts to submit your question online. The Chairman 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.

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LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Australian Finance Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

PROXY FORM

I/We being a shareholder(s) of Australian Finance Group Ltd and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **9:00am (WST) on Friday, 26 November 2021 at Level 4, 100 Havelock St, West Perth, Western Australia 6005 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 5, 6 & 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 5, 6 & 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution. If there is a change to how the Chairman of the Meeting intends to vote undirected proxies, the Company will make an immediate announcement to the market stating this change and explaining the reasons for the change.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

2 Re-election of Malcolm Watkins as a Director

For Against Abstain*

☐ ☐ ☐

3 Re-election of Craig Carter as a Director

☐ ☐ ☐

4 Election of Greg Medcraft as a Director

☐ ☐ ☐

5 Remuneration Report

☐ ☐ ☐

6 Grant of 2022 LTI Award to Executive Director - Malcolm Watkins

For Against Abstain*

☐ ☐ ☐

7 Increase in the Non-Executive Director Fee Pool

☐ ☐ ☐

8 Proportional Takeover Approval Provisions

☐ ☐ ☐


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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

If you leave the Appoint a Proxy section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on a resolution in accordance with your directions, the Chairman of the Meeting will become your proxy in respect of that resolution. A proxy need not be a shareholder of the Company.

PROXY VOTING BY THE CHAIRMAN OF THE MEETING

On a poll, the Chairman of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chairman of the Meeting sees fit. If the Chairman of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting the Proxy Form you are expressly authorising the Chairman of the Meeting to exercise your proxy on resolutions that are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:00am (WST) on Wednesday, 24 November 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Australian Finance Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

COMPLIANCE WITH ASX LISTING RULE 14.11

In accordance with ASX Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. ASX Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

For personal use only

www.afgonline.com.au
Level 4, 100 Havelock Street
West Perth WA 6005
T 08 9420 7888

Australian Finance Group Ltd
ABN: 11 066 385 822
ACN: 066 385 822
Australian Credit Licence: 389087