

NOTICE OF ANNUAL  
GENERAL MEETING  
2017

**millennium**

SERVICES GROUP LIMITED

ABN: 11 607 926 787

*A NEW MILLENNIUM IN INTEGRATED SERVICES*

# NOTICE OF ANNUAL GENERAL MEETING 2017

Notice is given that the 2017 Annual General Meeting ("AGM") of Millennium Services Group Limited (MIL or the "Company") will be held at IBIS Melbourne Glen Waverley, 297 Springvale Road, Glen Waverley on Monday, 27 November 2017 at 10:00 am (Melbourne time).

The Explanatory Notes to Shareholders that accompany and form part of this Notice of Meeting describe the matters to be considered at the Annual General Meeting.

## ORDINARY BUSINESS

### 1. Consolidated Financial Statements, Directors' Report and Auditor's Report

To receive and consider the consolidated financial statements, directors' report and auditor's report for the year ended 30 June 2017.

**Note:** this item of business does not require Shareholders to vote on a resolution to adopt the received reports.

### 2. Election of Director

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

*'That Sally McCutchan, a Director appointed by the Board prior to this Annual General Meeting who retires in accordance with Rule 61 of the Company's Constitution, being eligible and offering herself for election, is elected as a Director.'*

**Note:** Details of the person seeking election are set out in the Explanatory Notes to this Notice of Meeting.

### 3. Adoption of Remuneration Report

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

*'That, for the purposes of section 250R(2) of the Corporations Act, the Company's Remuneration Report for the year ended 30 June 2017 is adopted.'*

**Note:** The Remuneration Report is set out on pages 11 to 19 of the Annual Report.

### 4. Grant of performance rights to Craig Hanley (a Director of the Company) under the Long Term Incentive Plan

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

*'That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of 185,024 performance rights (Rights) to the Chief Executive Officer, Craig Hanley, under Millennium's Long Term Incentive Plan on the terms summarised in the Explanatory Notes accompanying this resolution (and which forms a part of this resolution).'*

By order of the Board  
Damien Gray

Company Secretary  
26 October 2017

## INFORMATION FOR SHAREHOLDERS

### Voting Entitlement

The Board has determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that a shareholder's voting entitlement at the AGM will be taken to be the entitlement of that person shown in the register of members as at 7.00pm (Melbourne time) on Saturday, 25 November 2017.

### Voting exclusion statement (ASX Listing Rules and Corporations Act) applicable to resolution 3:

No vote may be cast on resolution 3 by or on behalf of any of the Company's key management personnel ('KMP') whose remuneration details are included in the Remuneration Report, or their closely related parties.

Further, no vote may be cast on resolution 3 by any of the Company's KMP (at the date of the meeting), or their closely related parties, who is appointed as a proxy. However, these restrictions will not apply where a vote is cast by:

- a person (identified above) as a proxy for a person who is entitled to vote, provided the vote is cast in accordance with a direction on the proxy form; or
- The Chairman of the meeting (who may be a KMP) as a proxy for a person who is entitled to vote, and the proxy appointment expressly authorises the Chairman to exercise the undirected proxies as the Chairman decides (even if the resolution is connected, directly or indirectly, with the remuneration of a KMP).

### Voting exclusion statement (ASX Listing Rules) applicable to resolution 4:

The Company will disregard any votes cast on this resolution by:

- (a) Craig Hanley; or
- (b) any associate of Craig Hanley.

However, the Company will not disregard a vote on this resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or

- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction of the Proxy Form to vote as the proxy decides.

Except for the Chairman of the meeting, when authorised to vote an undirected proxy (as described above), members of the key management personnel and their closely related parties may not vote as proxy on this resolution unless the proxy appointment specifies the way the proxy is to vote on this resolution.

### IMPORTANT: If you appoint the Chairman of the meeting as your proxy

If you appoint the Chairman of the AGM as your proxy or the Chairman is appointed by default and you do not direct your proxy how to vote on resolution 3 or resolution 4, you will be expressly authorising the Chairman of the AGM to exercise your proxy, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP. The Chairman intends to vote undirected proxies in favour of resolution 3 and resolution 4.

### Voting by proxy

A shareholder, who is entitled to attend and vote at the AGM of the Company on 27 November 2017, may appoint a proxy to attend and vote for the shareholder at the meeting. A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

If a shareholder is entitled to cast two or more votes, they may appoint up to two proxies and may specify the percentage or number of votes each proxy is appointed to exercise. If you require an additional proxy form, please contact Computershare on 1 300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). If a shareholder does not specify the percentage or number of votes each proxy may exercise, then each proxy may exercise half the shareholder's votes. Fractions of votes will be disregarded.

If a shareholder wishes to appoint an individual or body corporate as a proxy, please complete and return the proxy form distributed with this Notice of Meeting. For an appointment of a proxy to be effective, the Company must receive the proxy form, duly completed

## INFORMATION FOR SHAREHOLDERS (continued)

and signed, by no later than 10:00am (Melbourne time) on Saturday, 25 November 2017 and if signed by the shareholder's attorney, the authority under which the proxy form is signed or a certified copy of the authority.

A shareholder may lodge a proxy form with the Company by doing one of the following:

- faxing it to: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside of Australia);
- posting it by using the reply paid envelope to: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001, Australia; or
- delivering it to: Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067, Australia.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not entitled to vote on an item of business, the proxy may vote as he or she thinks fit. If a shareholder appoints the chairperson of the meeting as the shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that shareholder, in favour of that item on a poll.

### Corporate representatives

A body corporate appointed as a proxy will need to appoint a representative to exercise the powers that body corporate may exercise as the member's proxy pursuant to section 250D of the Corporations Act. If a representative of a corporate member or proxy is to attend the meeting, a certificate of appointment of the representative must be produced prior to admission to the meeting.

The form of a certificate of appointment can be obtained from the Share Registry of the Company, Computershare Investor Services Pty Ltd by visiting [www.investorcentre.com](http://www.investorcentre.com) under the help tab, 'Printable Forms'.

### Attendance at Annual General Meeting

If you are attending the Annual General Meeting in person, please bring with you the proxy form enclosed with this Notice of Meeting as the bar code at the top of the proxy form will facilitate registration.

Registration will be open from 9:00am (Melbourne time) on the day of the meeting.

## INFORMATION FOR SHAREHOLDERS (continued)

### Explanatory Notes to Shareholders

These Explanatory Notes have been prepared with a view to providing the shareholders of MIL 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 to be held on 27 November 2017.

All shareholders should read this explanatory statement carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Annual General Meeting should consult their financial or legal adviser for assistance.

### Item 1 – Consolidated Financial Statements and Results

The *Corporations Act 2001* (Cth) (“Corporations Act”) requires the financial report (which includes financial statements, notes to the financial statements and directors’ declaration), the directors’ report and the auditor’s report to be laid before the AGM.

There is no requirement either in the Corporations Act or the Constitution of the Company for shareholders to approve the financial report, the directors’ report or the auditor’s report. Shareholders will, however, be given a reasonable opportunity to ask questions and make comments on these reports, and on the operations and management of MIL.

Shareholders will have a reasonable opportunity at the AGM to ask questions about or make comments on the reports and on the business, operations and management of the Company.

By law, the Auditor (Moore Stephens) is required to attend the AGM. Prior to the AGM, Shareholders who are entitled to cast a vote at the AGM may forward written questions to the Auditor for response by the Auditor at the AGM if such questions are relevant to:

- the content of the Auditor’s Report; or
- the conduct of the audit of the Financial Report.

All such written questions for the Auditor must be submitted to the Company by no later than **5:00pm on 20 November 2017** (pursuant to section 250PA of the Corporations Act).

The Company is required by section 250PA(3) of the Corporations Act to forward all such written questions to the Auditor, and the Auditor will prepare a list of questions that the Auditor considers to be relevant to the content of the Auditor’s Report and the conduct of the audit of the Financial Report. The Auditor may omit questions that are the same in substance as other questions and questions that are not received in a timely manner. At the AGM, the Chairman will give the Auditor a reasonable opportunity to answer the questions on the question list. At the AGM, the Auditor will be available to take Shareholders’ questions relevant to the conduct of the audit, the preparation and content of the Auditor’s Report, the accounting policies adopted by the Company in relation to the preparation.

### Item 2 – Election of Director Sally McCutchan

Sally McCutchan was appointed by the Board as a Non-Executive Director on 25 October 2017 in accordance with Rule 61 of the Company’s Constitution.

Ms. McCutchan is an experienced senior executive and director with extensive experience in the funds management and equities analysis sectors, both in Australia and internationally, and brings strong corporate and governance experience to the Company’s Board.

Ms McCutchan is currently serving as an Executive Director of Impact Investing Australia, a \$300 million start up Australian social impact fund, as well as Non-Executive Director of various organisations including Indigenous Business Australia Asset Management, Titan and Script Limited (a NAB subsidiary) and is a member of the Australian Housing and Urban Research Institute.

Previously, Ms. McCutchan has held the position of Portfolio Manager with Legg Mason Asset Management (formally Citigroup) and was a member of the firm’s Investment Committee responsible for developing an Environmental, Social and Governance framework for the group’s investment products. Ms McCutchan was also a Senior Industrial Equities Analyst at UBS Securities.

The Board recommends the election of Ms. McCutchan.

The Board confirms that no other current Director is required to stand for re-election at this AGM in order to comply with the requirements of Listing Rule 14.4 or MIL’s Constitution.

## INFORMATION FOR SHAREHOLDERS (continued)

### Item 3 – Remuneration Report

Shareholders will be given the opportunity to comment on and ask questions about the Remuneration Report, which is included in MIL's Annual Report 2017.

The 2017 Remuneration Report highlights the remuneration policy and structure adopted by the Board and discloses the elements of remuneration of the non-executive Directors and those senior executives required to be disclosed for the year ended 30 June 2017.

The vote on this item is advisory only and will not bind the Directors of MIL. However, the Board will take into account the feedback from shareholders in relation to remuneration strategy, including the discussion and vote on this resolution, when considering the future remuneration arrangements of the Company.

#### *'Two Strikes Rule'*

The Board wishes to draw to the attention of shareholders that the results of the vote on this item may affect next year's AGM. Notwithstanding that, this resolution only requires a 50% majority of those voting to be passed, if 25% or more of the votes cast on this resolution are 'against', and if this is repeated at the next AGM, a resolution to spill the Board will be put to shareholders as required by the Corporations Act.

The Board recommends you vote in favour of this non-binding ordinary resolution.

### Item 4 – Grant of performance rights to Craig Hanley (a Director of the Company) under the Long Term Incentive Plan

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. Accordingly, shareholders are asked to approve the grant of 185,024 performance rights (Rights) to the Chief Executive Officer under the FY2018 Long Term Incentive Plan (LTIP).

The Board considers that the LTIP is an integral part of the Company's overall approach to performance and reward.

The purpose of the LTIP is twofold (i.e. 2 phases). In the initial phase (i.e. Phase 1), the objective is to facilitate senior

management executives building a meaningful shareholding position in the Company (subject to appropriate performance hurdles being met) so that they are aligned with the interests of shareholders generally. The longer-term objective (i.e. Phase 2) is to provide incentive for the sustainable and maintained long-term financial performance and growth to enhance shareholder value in the Company.

Phase 1 of the LTIP is expected to run for approximately 3 - 5 years. LTIP allocations (Rights) would be granted in overlapping annual cycles over Phase 1 allowing for the LTIP holding to be built up over time, retaining the retention value of the allocations that would vest progressively subject to the vesting hurdles being met. For the duration of Phase 1, Rights entitle eligible participants to shares, as determined in the Invitation, subject to the satisfaction of the performance conditions and exercise conditions determined by the Board in its discretion. Shares allocated on the exercise of Rights will rank equally with all other Shares of the same class for the time being on issue.

Phase 2 will commence once the Board is of the view that a majority of eligible senior executives are holding shares of the Group equivalent to their respective base salaries. LTIP awards under Phase 2 would be granted annually in the form of Rights, with each yearly Rights grant covering a three (3) year performance cycle. Each Right, subject to meeting the relevant performance hurdle, would on exercise convert to a number of shares in the Group.

The Board believes that it is in shareholders' interests to provide the Chief Executive Officer with an equity based long-term incentive to ensure there is alignment between the returns of shareholders and the rewards of the Chief Executive Officer.

The long term incentive component of the Chief Executive Officer's remuneration will take the form of an annual grant of Rights for both Phase 1 and Phase 2. Each annual grant is subject to shareholder approval.

The Rights for Phase 1 are measured against two performance conditions over the 2018 financial year, namely: the Company's Earnings per Share (EPS) growth over the preceding financial year; and the Company's average Return on Capital Employed (ROCE) over the 2018 financial year.

Further details of Mr Hanley's remuneration package are set out in the Remuneration Report that is included in the Annual Report.

## INFORMATION FOR SHAREHOLDERS (continued)

Date of Grant	If shareholder approval is obtained, it is expected the Rights will be granted shortly after the meeting (and in any event, will be granted within the current financial year).																
Number of Shares able to be issued on conversion of the Rights and performance conditions	<p>The conversion calculation has been designed to incorporate two separate performance hurdles: Earnings Per Share (EPS) and Return on Capital Employed (ROCE).</p> <p>The number of ordinary shares that may be issued on conversion of the Rights is calculated as follows:</p> $\frac{(92,512 \times \text{Conversion Rate (EPS)}) + (92,512 \times \text{Conversion Rate (ROCE)})}{90 \text{ day VWAP of MIL Shares}}$ <p>Where: 92,512 is half the number of performance rights (Rights) granted by shareholders in Item 4</p> <p>Conversion Rate (EPS) is calculated according to the following table:</p> <table border="1" data-bbox="504 848 1415 1106"> <thead> <tr> <th>EPS Performance Target (2018)</th> <th>Conversion Rate (EPS)</th> </tr> </thead> <tbody> <tr> <td>EPS below \$0.153</td> <td>Zero</td> </tr> <tr> <td>EPS at target of \$0.153</td> <td>75%</td> </tr> <tr> <td>EPS between target of \$0.153 and \$0.167</td> <td>Pro-rata between 75% and 150% (on a straight line basis).</td> </tr> </tbody> </table> <p>EPS will be calculated on the basis of 2018 financial year statutory Net Profit After Tax (2018 NPAT) divided by the number of the Company's shares on issue (45,928,259 shares).</p> <p>Conversion Rate (ROCE) is calculated according to the following table:</p> <table border="1" data-bbox="504 1283 1415 1541"> <thead> <tr> <th>ROCE Performance Target (2018)</th> <th>Conversion Rate (ROCE)</th> </tr> </thead> <tbody> <tr> <td>ROCE below 9.1%</td> <td>Zero</td> </tr> <tr> <td>ROCE at target of 9.1%</td> <td>75%</td> </tr> <tr> <td>ROCE between target of 9.1% and 10.0%</td> <td>Pro-rata between 75% and 150% (on a straight line basis).</td> </tr> </tbody> </table> <p>ROCE will be calculated as EBIT divided by Capital Employed            EBIT = Earnings Before net borrowing costs and Tax;            Capital Employed = Total Shareholders' Equity + Net Debt (at end of FY2018); and            Total Shareholders' Equity = the total number of the Company's shares on issue (45,928,259) x \$2.25 (being the Company's share price on its initial listing on the ASX) + 2017 Retained Profits + 2018 NPAT – Dividends Paid during the 2018 financial year.</p> <p>90 day VWAP of MIL's Shares means the Volume Weighted Average Price for the Company's shares in the 90-day period ending 30 June 2018.</p> <p>The number of Rights issued (185,024) reflects approximately half of Mr Hanley's fixed annual remuneration (base salary plus superannuation) in dollars (\$370,049).</p>	EPS Performance Target (2018)	Conversion Rate (EPS)	EPS below \$0.153	Zero	EPS at target of \$0.153	75%	EPS between target of \$0.153 and \$0.167	Pro-rata between 75% and 150% (on a straight line basis).	ROCE Performance Target (2018)	Conversion Rate (ROCE)	ROCE below 9.1%	Zero	ROCE at target of 9.1%	75%	ROCE between target of 9.1% and 10.0%	Pro-rata between 75% and 150% (on a straight line basis).
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## INFORMATION FOR SHAREHOLDERS (continued)

	<p>Subject to the Company meeting the EPS and ROCE performance hurdles outlined above in respect of the 2018 financial year, a determined percentage of Mr Hanley's Rights of between 75% and 150% will be divided by the Company's 90-day VWAP and, subject to exercise, will be converted into a number of ordinary shares in the Company (<b>Shares</b>).</p> <p>Because the above calculation takes into account variables that are not known at this time (being FY2018 EPS and ROCE), it is not possible for the Company to provide an exact figure for the maximum number of securities that may be issued on conversion of the Rights.</p>
Performance Period	The performance period covers the 2018 financial year.
Allocation of Shares and Vesting	Following testing of the applicable performance conditions and determination of the vesting level of the Rights, Shares will vest proportionately over the following 3 financial years (i.e. the 3 financial years immediately subsequent to the 2018 financial year), with each tranche vesting on 30 September of each financial year. An additional condition to vesting will be the continued employment of Mr Hanley within the Company as at 30 September of each financial year.
Price Payable for Rights	No amount will be payable by Mr Hanley in respect of the Rights grant, or for any Shares allocated on conversion of the Rights.
Trading Restrictions	All LTIP participants agree that, upon grant, they will not be able to sell any vested Shares until they hold Shares with a minimum value of 1 x fixed annual remuneration, and also agree to maintain a minimum holding of Shares equivalent at 1 x their fixed annual remuneration, based on the value of the Shares and their fixed annual remuneration, at their respective grant dates. All LTIP participants will be restricted from selling Shares until they achieve this agreed level of shareholding and each tranche of Shares must be held by LTIP participants for a minimum period of 2 years from the date of vesting.
Application of Malus Standard	<p>The terms of the LTIP contain the ability for the Board to reduce or deny awards in the case of:</p> <ul style="list-style-type: none"> <li>a) fraud, dishonestly or breach of obligations (including, without limitation, a material misstatement of financial information) of any person; or</li> <li>b) any other action or omission (whether intentional or inadvertent) of any person that is considered by the Board to result (or be likely to result) in a long-term detriment to the Company.</li> </ul>
Other Required Information – ASX Listing Rule 10.15	<p>The Chief Executive Officer is the only current Director of the Company entitled to participate in the LTIP.</p> <p>There is no loan scheme in relation to the grant of Rights under the LTIP.</p>

The Board, other than Mr Hanley, who has an interest in resolution 4, recommends that shareholders vote in favour of this resolution.