

NOTICE OF ANNUAL GENERAL MEETING

Tuesday 15 October 2019

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Saunders International Limited (ABN 14 050 287 431) (the Company) will be held at The Institute of Chartered Accountants, 33 Erskine Street, Sydney on Tuesday 15 October 2019 at 10.30am.

The EXPLANATORY STATEMENT containing information in relation to each of the following items of business accompanies this Notice of Annual General Meeting.

AGENDA

Ordinary Business

FINANCIAL STATEMENTS AND REPORTS FOR 2019

To receive and consider the Financial Statements of the Company for the year ended 30 June 2019, consisting of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, the Directors' Report, the Directors' Declaration and the Independent Auditors' Report.

Note: There is no requirement for shareholders to approve this report

RESOLUTION 1 – Non Binding Resolution to Adopt the Remuneration Report

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

“That pursuant to and in accordance with section 250R(2) of the Corporations Act, the Remuneration Report as contained within the Directors' Report be adopted.”

Voting Exclusion Statement

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

- a person who is disclosed in the Remuneration Report as a member of the Key Management Personnel of the Company (including the Directors and the Chairman) or
- an associate of those persons.

However, the Company need not disregard a vote if:

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

RESOLUTION 2 – Re-election of Mr. Timothy Burnett as Director

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

“To re-elect as a Director of the Company, Mr. Timothy Burnett, who retires by rotation in accordance with Clause 5.1 of the Company’s Constitution and, being eligible, offers himself for re-election.”

RESOLUTION 3 – Approval for the Granting of Performance Rights under the Saunders Performance Rights Plan to the Managing Director

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

“That approval is given for the issue of up to 620,000 Performance Rights to the Managing Director under the Saunders Performance Rights Plan for the purposes of Listing Rule 10.14 and for all other purposes on the terms and conditions described in the Explanatory Statement”.

Voting Exclusion Statement

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

- any director who is eligible to participate in the Saunders Performance Rights Plan or
- an associate of those persons.

However, the Company need not disregard a vote if:

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

RESOLUTION 4 – Conditional Spill Resolution

To consider in accordance with section 250V of the Corporations Act 2001 (Cth), and if thought fit pass the following as a separate ordinary resolution of the Company:

“That subject to at least 25% of the votes cast in respect of Resolution 1 (Remuneration Report) being cast against the adoption of the Remuneration Report:

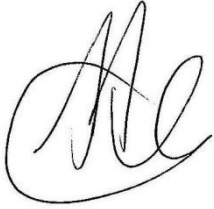
- a) Another meeting of the Company’s shareholders (“spill meeting”) be convened within 90 days of the date of this meeting;*
- b) All of the Company’s Non-Executive Directors in office when the resolution to make the Directors’ Report to be considered at this AGM was passed and who continue in office, cease to hold office immediately before the end of the Spill Meeting; and*
- c) Resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill meeting be put to a vote at the Spill meeting.”*

Note: this resolution will only be put if the Company receives a ‘second strike’ on its Remuneration Report – meaning that at least 25% of votes are cast against item 1. See the Explanatory Notes.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'S. Dadich', written in a cursive style.

Steven Dadich
Company Secretary

Dated: 13 September 2019

ENTITLEMENT TO VOTE

For the purpose of the Corporations Act 2001, the Company has determined that members holding ordinary shares at 7:00pm AEDT on Sunday 13 October 2019 will be entitled to attend and vote at the AGM.

SHAREHOLDER VOTING FORM

The enclosed Voting Form contains the instructions for direct voting and the appointment of a proxy.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting of the Company convened for Tuesday 15 October 2019 commencing at 10:30am.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting.

FINANCIAL STATEMENTS AND REPORTS 2019

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial Statements and Reports for the financial year that ended 30 June 2019. Copies of these Statements and Reports are contained in the Annual Report which is available on the Saunders website - www.saundersint.com

No resolution is required for this item, but shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive directors, executive directors and senior executives and is set out in the Company's 2019 Annual Report. The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions, or make comments on, the remuneration report at the Annual General Meeting.

If you appoint the Chairman as your proxy, you can direct him to vote "for", "against" or "abstain" on Resolution 1 by marking the appropriate box on the Shareholder Voting Form. Where the Chairman is appointed as your proxy (or as your proxy by default), unless you direct the Chairman on how to vote by ticking the 'for', 'against' or 'abstain' box, you will be taken to be directing the Chairman to vote in accordance with his stated voting intention. The Chairman intends to vote any undirected proxy in favour of Resolution 1. You can appoint the Chairman as your proxy with a direction to cast your vote contrary to the Chairman's stated voting intention or to abstain from voting on Resolution 1.

Recommendation: The Board recommend that shareholders vote in favour of Resolution 1. The Chair of the Meeting intends to vote all available proxies to vote **in favour** of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF MR. TIMOTHY BURNETT AS A DIRECTOR

In accordance with Rule 5.1 of the Company's Constitution, at each Annual General Meeting of the Company, one-third of the directors (other than the Managing Director), or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, need to retire from office by rotation. Further, and in accordance with the ASX Listing Rules, no director may retain office for more than three years without submitting himself or herself for re-election even though this would result in more than one-third of the directors retiring from office.

Accordingly, Mr Burnett is required to retire by rotation at the Annual General Meeting, and being eligible, offers himself for re-election as a director.

Information on Mr Timothy Burnett is as follows: -

Mr Burnett has over 44 years' experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders International. Prior to joining Saunders, he was a Senior Manager with Brown & Root Inc for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia. Mr Burnett has a Bachelor of Engineering (Civil) degree from Melbourne University and a MBA degree from Harvard University. Mr Burnett has been a Director of Saunders International since 1990 and is currently the Chairman of the Board.

Recommendation: The Directors (excluding Mr Burnett) recommend that shareholders vote **in favour** of Resolution 2.

RESOLUTION 3 - APPROVAL FOR THE GRANTING OF PERFORMANCE RIGHTS TO A DIRECTOR

The Saunders Performance Rights Plan (Plan) is to be used for the proposed granting of Rights to Mr Mark Benson, Managing Director, as part of his remuneration package for the FY20 financial year. Details of the Plan were presented at the 2015 AGM. The Plan has been designed to facilitate the Company achieving best practice remuneration structures for executives. A key component of effective remuneration for executives is a long-term incentive to support retention, drive shared performance objectives and link remuneration to company performance. If approval is given under listing rule 10.14, approval is not required under listing rule 7.1.

ASX Listing Rule 10.14 requires the Company to obtain shareholder approval for the issue of securities to a director under an employee incentive scheme. Chapter 2E of the Corporations Act requires the Company to seek shareholder approval for a financial benefit to a related party of the Company. The Company is seeking shareholder approval for the proposed grant of Performance Rights to the Mr Mark Benson, Managing Director as set out below.

The features of the proposed offer of Performance Rights to the Managing Director in the period to 30 June 2020 are as follows.

Approval is sought to grant the following Performance Rights.

Tranche	Maximum as % of Total Fixed Remuneration	Maximum Number of Performance Rights	Measurement Periods Commencing in FY2019	Vesting Condition
15	20%	310,000	3 years	RTSR
16	20%	310,000	3 years	NEPSG
Total	40%	620,000		

The maximum number of Performance Rights will vest only if stretch objectives for each tranche are achieved. Half of the Performance Rights will vest if the target objectives are achieved. The end of the measurement period for a tranche of Performance Rights will be extended by up to two years at the board's discretion if significantly less than target vesting would have been achieved for that tranche at the end of the measurement period.

The Performance Rights will be granted at nil cost to the grantee. The Black-Scholes formula is used for calculating the maximum number of Performance Rights to be granted. The share price to be used in the formula will be the 14 ASX days (prior to the grant date) VWAP of Saunders shares.

The two vesting conditions to be used will be relative total shareholder return (RTSR) and normalised earnings per share growth (NEPSG).

RTSR Tranches: RTSR will be measured by comparing the Company's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX at the end of the measurement period. Total shareholder return (TSR) is the percentage return generated from an investment in a company's shares over the measurement period assuming that dividends are reinvesting into the company's shares.

The vesting scale will be applied to the tranches subject to objective measurement of Saunders performance relative to the comparator group with the vesting scale ranging continuously from 100% for very good performance to 0% for very poor performance with 50% for on-target performance which would normally represent the 50th percentile of the comparator group.

NESPG Tranches: NESPG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2018) to normalised EPS for the final year of the measurement period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

The vesting scale will be applied to the tranches subject to objective review of Saunders performance with the vesting scale ranging continuously from 100% for very good performance to 0% for very poor performance with 50% for on-target performance.

No tax deduction is available to the Company for the value of the Rights granted but it is anticipated that the Company will obtain a tax deduction equal to the value of the Rights when exercised following vesting.

502,000 Performance Rights under the Plan were granted to Mr. Mark Benson in FY19. These Performance Rights were granted at nil cost to the grantee. This number of Rights granted was based on the Black-Scholes Formula and the VWAP for 14 days (ending 19 November 2018) share price which was \$0.41. No other director was granted Performance Rights in FY19. Mr Benson is the only current director entitled to be granted Performance Rights.

No loans will be provided to Mr Benson in relation to the acquisition of Performance Rights under the Plan.

If approved, the Performance Rights will be granted to Mr Benson no later than 30 June 2020.

Recommendation: The Non-Executive Directors recommend that shareholders vote **in favour** of this resolution.

RESOLUTION 4 – CONDITIONAL SPILL RESOLUTION

This Resolution will only be put to the AGM if at least 25% of the votes cast on Resolution 1 to adopt the 2019 Remuneration Report are cast against its adoption. If fewer than 25% of the votes are cast against its adoption, then there will be no 'second strike' and this Resolution 4 will not be put to the AGM.

If the Resolution is put, the Spill resolution will be considered as an ordinary resolution. If the Spill resolution is put to the AGM and passed, a special meeting of shareholders known as a 'Spill Meeting' must be held within 90 days.

All of the Non-Executive Directors who were in office when the 2019 Directors' Report was approved, and who continue in office, will cease to hold office at the end of the Spill Meeting, unless they are re-elected at the Spill Meeting. Mr Burnett would need to be re-elected at the Spill Meeting to remain in office even if he was re-elected at the AGM.

The Board considers the following factors to be relevant to a shareholder's decision on how to vote on this Item:

- a) the Board and the CEO are cohesive and a change in the Board could significantly undermine this stability;
- b) that convening a spill meeting will result in Saunders' incurring material additional expense in conducting a meeting as well as disruption and distraction to Senior Management's focus on core business operations.
- c) shareholders should note that there are no voting exclusions applicable to resolutions appointing directors at the Spill Meeting. This would mean that there is no barrier to existing major shareholders of the Company exercising their voting rights to reappoint the existing directors of the Company without any changes to the composition of the Board.

Recommendation: The Board strongly recommends that Shareholders vote in favour of the resolution to adopt the Remuneration Report, Resolution 1. If Resolution 1 is put to the meeting, Directors unanimously recommend that shareholders **vote against Resolution 4**.