



## SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

ABN 92 009 307 046

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### NOTICE OF ANNUAL GENERAL MEETING

and

### EXPLANATORY STATEMENT

and

### PROXY FORM

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Date of Meeting: Tuesday, 24 November 2020  
Time of Meeting: 9:00am (WST)  
Place of Meeting: Virtual Online Platform  
<https://web.lumiagm.com/384629575>

**Please note that Shareholders will not be able to attend the meeting in person.**

***This Notice of Meeting and Explanatory Statement should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.***

# SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

ABN 92 009 307 046

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Southern Cross Electrical Engineering Limited ABN 92 009 307 046 (**Company**) will be held at 9:00am (WST) on Tuesday, 24 November 2020 as a virtual meeting. Shareholders may participate in the Annual General Meeting through an online platform provided by our share registrar Computershare which can be accessed at <https://web.lumiagm.com/384629575>. Shareholders will not be able to attend the Annual General Meeting at a physical location. Further information regarding accessing and participating in the Annual General Meeting is set out in the "Important information for Shareholders" section below.

The Explanatory Statement that accompanies and forms part of the Notice of Meeting describes the various matters to be considered at the Annual General Meeting. This also includes a glossary of terms used. Shareholders should read the Explanatory Statement in full before deciding how to vote.

## AGENDA

### FINANCIAL REPORTS

To receive and consider the financial report of the Company and the reports of the Directors and auditor for the year ended 30 June 2020.

### RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass as a non-binding ordinary resolution:

*That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2020 be adopted.*

**Note** – The vote on this Resolution is advisory only and does not bind the Directors or the Company.

#### Voting prohibition

A vote must not be cast on Resolution 1 in any capacity (and the Company will disregard any such vote) by, or on behalf of, a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report or their Closely Related Parties.

However, a person (the **voter**) described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution 1; or
- (b) the voter is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

## RESOLUTION 2: RE-ELECTION OF PROF DEREK PARKIN AS DIRECTOR

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

*That Prof Derek Parkin, who retires in accordance with Rule 5.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.*

## RESOLUTION 3: APPROVAL OF THE SENIOR MANAGEMENT LONG TERM INCENTIVE PLAN

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

*That for the purpose of Listing Rule 7.2, Exception 13(b) and for all other purposes, Shareholders approve the adoption of the Senior Management Long Term Incentive Plan (**Plan**), the terms and conditions of which are summarised in the Explanatory Statement, and the grant of Performance Rights or Options under the Plan and the issue of Shares upon the vesting of such Performance Rights or Options as required.*

### **Voting exclusion**

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who is eligible to participate in the Plan or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of this Resolution 3 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote that way.

### **Voting prohibition**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 3 if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution 3 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **RESOLUTION 4: ISSUE OF PERFORMANCE RIGHTS TO MR GRAEME DUNN FOR THE 2020/2021 FINANCIAL YEAR**

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

*That, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve, as further described in the Explanatory Statement, the grant of 804,614 Performance Rights (and the issue of Shares following any vesting of the Performance Rights) in accordance with the Plan to a Director of the Company, Mr Graeme Dunn (or his nominee), in relation to the 2020/2021 financial year.*

### **Voting exclusion**

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Graeme Dunn (or his nominee) or an associate of that person (or those persons) (**Resolution 4 Excluded Party**).

However, this does not apply to a vote cast in favour of this Resolution 4 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote that way.

### **Voting prohibition**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 4 if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on the Resolution.

Provided that the Chairman is not a Resolution 4 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution 4 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**RESOLUTION 5: REPLACEMENT OF CONSTITUTION**

To consider and, if thought fit, to pass as a special resolution:

*That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chairman of the Meeting for identification purposes, with effect from the close of the Meeting.*

**By Order of the Board**



**Colin Harper  
Company Secretary  
23 October 2020**

## Important information for Shareholders

### Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. The glossary at the end of the Explanatory Statement contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

### Required majorities

Resolutions 1 to 4 are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the Resolution.

Resolution 5 is a special resolution. A special resolution requires a 75% majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the Resolution.

### Virtual meeting

In accordance with the COVID-19 guidelines provided by Commonwealth and State governments, the Federal Treasurer has issued a Determination that permits companies to hold fully virtual annual general meetings.

To protect the health and safety of our Shareholders and staff and to allow for Shareholders who wish to attend the Meeting, we will hold a fully virtual Meeting, which means there will not be a physical venue for you to attend.

Your participation in the Meeting is important to us. The Meeting will be webcast live via an online platform. You will be able to listen to the proceedings, view the presentations, ask questions of the Board and vote in real-time. You may attend the Meeting online using your computer, your mobile phone or device.

Further information about online participation in the Meeting is provided below and in the Online Meeting Guide, which you can access online at the Company's website, [www.scee.com.au/investors/meetings](http://www.scee.com.au/investors/meetings).

### Voting entitlements

The Board has determined that, for the purpose of voting at the Meeting, Shareholders are those persons who are the registered holders of the Company's Shares at 9.00am (WST) on Sunday 22 November 2020.

### How to vote

Voting on all proposed Resolutions at the Meeting will be conducted by poll. Under the Constitution, any poll will be conducted as directed by the Chair. Shareholders may vote either:

- (a) by voting online through Investor Vote [www.investorvote.com.au](http://www.investorvote.com.au) or by completing and returning the enclosed proxy form in one of the other ways specified below under the heading "Proxies" by no later than **9.00am (WST) on Sunday, 22 November 2020**; or
- (b) during the Meeting using the online platform as set out below under the heading "Virtual attendance".

### Proxies

Shareholders who are unable to attend the virtual Meeting, or who would otherwise prefer to vote in advance of the Meeting, are encouraged to appoint a proxy. Shareholders can direct their proxy how to vote by following the instructions on the proxy form and are encouraged to do so.

The proxy does not have to be a Shareholder. Shareholders holding two or more Shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise one-half of the votes (disregarding fractions).

To vote by proxy, please complete and return the proxy form enclosed with this Notice of Meeting as soon as possible.

Details for sending your proxy form are as follows:

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

Facsimile: Australia: 1800 783 447 / International: +61 3 9473 2555

For online voting: Visit [www.investorvote.com.au](http://www.investorvote.com.au)

By mobile: Scan the QR Code on your proxy form and follow the prompts

Custodian voting: For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions

To be effective, a completed proxy form must be received by **no later than 9.00am (WST) on Sunday, 22 November 2020**, being not less than 48 hours prior to the commencement of the meeting.

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

The Chairman of the Meeting intends to vote all undirected proxies **in favour** of each item of business.

### **Virtual Attendance**

Shareholders who wish to participate in the Meeting online may do so:

- (a) from their computer, by entering the URL into their browser: <https://web.lumiagm.com> and entering the Meeting ID 384-629-575 when prompted; and
- (b) from their mobile device by either entering the URL in their browser: <https://web.lumiagm.com> and entering the Meeting ID 384-629-575 when prompted or by using the Lumi AGM App, which is available by downloading the app from the Apple App Store or Google Play Store.

If you choose to participate in the Meeting online or through the Lumi AGM app, you can log in to the Meeting by entering the meeting ID, which is 384-629-575. Attending the Meeting online enables Shareholders to view the Meeting live and to cast votes on Resolutions at the appropriate times whilst the Meeting is in progress.

Please note that if you have previously submitted a Proxy Form and you elect to vote online at the Meeting, your proxy's authority to vote will be revoked for any Resolutions where you have cast an online vote.

Please refer to the Online Meeting Guide, which is available from the Company's website, [www.scee.com.au/investors/meetings](http://www.scee.com.au/investors/meetings), for further instructions on how to participate online.

## **Corporate representatives**

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual as its representative to attend and vote at the Meeting and exercise any other powers the body corporate can exercise at the Meeting. The appointment may be a standing one. The representative should lodge evidence of his or her appointment as the body corporate's representative, including any authority under which the appointment is signed, with their Appointment of Corporate Representative form, unless it has previously been given to the Company. An Appointment of Corporate Representative form may be obtained from the Company's share registry or online at [www.investorcentre.com](http://www.investorcentre.com).

Where a body corporate appoints a proxy, the proxy form must be signed by a duly appointed attorney or by a director jointly with either another director or a company secretary or, for a proprietary company that has a sole director who is also the sole company secretary, that director.

## **Shareholder questions**

Shareholders will be able to ask questions relevant to the business of the Meeting at the online Meeting. Instructions on how to submit questions via the online platform are set out in the Online Meeting Guide.

Shareholders who are unable to attend the online Meeting or who may prefer to register questions in advance are invited to do so. Please log onto [www.investorvote.com](http://www.investorvote.com) to submit your questions. To allow time to collate questions and prepare answers, please submit any questions by 5.00pm (WST) on 22 November 2020.

Questions will be collated and, during the Meeting, the Chairman will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the Meeting to address all topics raised. Please note that individual responses will not be sent to Shareholders.

## **Further information**

If you need any further information about this Notice of Meeting or attendance at the Annual General Meeting please contact Mr Colin Harper, the Company Secretary, on 08 9236 8300.

# SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

ABN 92 009 307 046

## EXPLANATORY STATEMENT TO SHAREHOLDERS

### INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be transacted at the Annual General Meeting of the Company to be held at 9.00am (WST) on Tuesday, 24 November 2020. The Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

### FINANCIAL REPORTS

The Corporations Act requires the Company to lay before the Annual General Meeting the financial report, the Directors' report (including the Remuneration Report) and the auditor's report for the last financial year that ended before the Annual General Meeting.

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.

The Company's 2020 Annual Report is available from the Company's website at [www.scee.com.au](http://www.scee.com.au).

### RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with section 205R(2) of the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, the Managing Director and senior executives and is set out in the Company's 2020 Annual Report. The vote on the adoption of the Remuneration Report 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 and make comments on the Remuneration Report at the Annual General Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 1.

### RESOLUTION 2: RE-ELECTION OF PROF DEREK PARKIN AS DIRECTOR

Prof Parkin was last re-elected as a Director of the Company on 31 October 2017. Rule 5.1 of the Company's Constitution requires that at each annual general meeting one third of the Directors must retire from office. Rule 5.2 requires that the Directors to retire at an annual general meeting are those who have been in office the longest since their election. Accordingly, Prof Parkin is required to resign and being eligible, has offered himself for re-election as a Director of the Company.

Prof Parkin has been a Non-Executive Director of SCEE since March 2011 and was appointed Chairman of the Board in May 2015. He is also the Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee.

Prof Parkin is a Fellow of the Institute of Chartered Accountants Australia and New Zealand (CAANZ) and a Fellow of the Australian Institute of Company Directors. He is currently a Professor of Accounting at the University of Notre Dame, Australia, having previously been an assurance partner with Arthur Andersen and Ernst & Young. Prof Parkin's accounting experience has spanned some 40 years and four continents, primarily in the public company environment. Prof Parkin is a past national Board member of the Institute of Chartered Accountants Australia (ICAA) and has served on a number of the ICAA's national and state advisory committees. In 2011, he was a recipient of the ICAA's prestigious Meritorious Service Award.

Prof Parkin's non-executive directorships to date have been in the non-listed sphere, principally in the oil & gas and manufacturing sectors. He has also chaired a number of advisory committees in both the government and not-for-profit sectors.

Prof Parkin was awarded the Medal of the Order of Australia in the 2015 Australia Day honours list. The award recognised Prof Parkin's service to accountancy through a range of professional, academic, business and advisory roles.

The Board has considered Prof Parkin's independence and considers that he is an independent Director.

### **Directors' recommendation**

The Directors (other than Prof Parkin) support the re-election of Prof Parkin and recommend that Shareholders vote in favour of Resolution 2. The Board considers that Prof Parkin provides an important contribution to the Board, given his role as independent Chair of the Board and of the Audit and Risk Committee and as a member of the Nomination and Remuneration Committee. The Directors also highlight the significant experience Prof Parkin brings to the Board particularly in the areas of accounting and finance.

## **RESOLUTION 3: APPROVAL OF THE SENIOR MANAGEMENT LONG TERM INCENTIVE PLAN**

### **Background**

The Southern Cross Electrical Engineering Limited Rules of the Senior Management Long Term Incentive Plan (**Plan**) was last approved by Shareholders at the annual general meeting held on 31 October 2017. As more than three years have lapsed since this date, Resolution 3 seeks Shareholder approval for the re-adoption of the Plan in accordance with Listing Rule 7.2 (Exception 13(b)).

The Plan has two aspects to it as it enables the Company to grant long term incentives in the form of:

- Options; and/or
- Performance Rights,

to senior management. Senior management, as defined in the Plan, are the full-time or part-time employees (including the Managing Director and other Executive Directors) of the Company and its subsidiaries (**Group**) whom the Board considers, act in senior management roles within the Group. Mr Graeme Dunn is currently the sole person referred to in Listing Rule 10.14 who is entitled to participate in the Plan.

The Board believes that the Group will benefit from being able to provide the Group's senior management with an opportunity to acquire an ownership interest in the Company through the grant of Options.

The Board also believes that the Group will benefit from the flexibility of having an equity based plan allowing the Board to grant Performance Rights which will only vest on the satisfaction of appropriate performance conditions set by the Board.

The Board believes that grants of Performance Rights or Options made to eligible participants under the Plan will provide a powerful tool to underpin the Group's employment strategy, and that the implementation of the Plan will:

- (a) recognise the ability and efforts of senior managers who have contributed to the success of the Group;
- (b) provide incentives to the senior managers to achieve the long term objectives of the Group and to improve the performance of the Group;
- (c) attract staff of experience and ability to work for the Group; and
- (d) foster and promote loyalty between staff and its senior managers.

Any future grant of Performance Rights or Options under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained, will require additional Shareholder approval under Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

#### **Listing Rule 7.1 and Listing Rule 7.2 (Exception 13(b))**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of the period.

Listing Rule 7.2 (Exception 13(b)) sets out an exception to Listing Rule 7.1, which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set out in the entity's notice of meeting dispatched to shareholders in respect of the meeting at which approval of the scheme was obtained for the purposes of Listing Rule 7.2 (Exception 13(b)). Exception 13(b) also ceases to be available if there is a material change to the terms of the scheme from those set out in that notice of meeting.

#### **Technical information required by Listing Rule 14.1A**

If Resolution 3 is passed, the Company will be able to grant Performance Rights and/or Options to eligible participants under the Plan without using any of the Company's 15% annual placement capacity under Listing Rule 7.1 and without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will still be able to grant Performance Rights and/or Options under the Plan, but any grant will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the relevant Performance Rights and/or Options.

#### **Technical information required by Listing Rule 7.2 (Exception 13(b))**

Pursuant to and in accordance with Listing Rule 7.2 (Exception 13(b)), the following information is provided in relation to Resolution 3:

- (a) a summary of the key terms of the Plan is set out in Schedule 1;
- (b) the Plan was most recently approved by Shareholders at the Company's 2017 annual general meeting as noted above. Since the last approval by Shareholders, the Company has issued 3,754,072 Performance Rights and no Options to senior management personnel under the Plan;

- (c) the maximum number of securities proposed to be issued under the Plan within the 3 year period from the date this Resolution 3 is passed is 5,200,000 Performance Rights and/or Options. The maximum number is not intended to be a prediction of the actual number of securities to be issued under the Plan, simply a ceiling for the purposes of Listing Rule 7.2 (Exception 13(b)). It is not envisaged that the maximum number of securities for which approval is sought will be issued immediately; and
- (d) a voting exclusion statement is included in Resolution 3 of this Notice.

### **Directors' recommendation**

The Directors (other than Mr Graeme Dunn who declines to make a recommendation based on his interest in the outcome of this Resolution) recommend that Shareholders vote in favour of Resolution 3.

### **RESOLUTION 4: ISSUE OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR FOR THE 2020/2021 FINANCIAL YEAR**

#### **Background**

Resolution 4 seeks Shareholder approval for the grant of 804,614 Performance Rights to Mr Graeme Dunn, a Director of the Company, (or his nominee) under the Plan.

The Company's executive remuneration structure is set out in more detail in the Remuneration Report in the 2020 Annual Report.

Based on the Plan and as set out below, Shareholder approval is being sought to issue to Mr Dunn (or his nominee) 804,614 Performance Rights with respect to the 2020/2021 financial year. These Performance Rights are subject to specific performance conditions (as set out below) and will not vest into Shares until such time as the performance conditions are met.

#### **The Plan**

The main features of the Plan that are particular to the issue of Performance Rights are summarised in Schedule 1.

#### **Performance Conditions**

Subject to Shareholder approval of Resolution 4, the Performance Rights to be granted to Mr Dunn for the 2020/2021 financial year will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of Performance Rights is designed to reward long term sustainable business performance which is aligned to the long term strategic objectives of the Company.

It is proposed that 50% of Mr Dunn's performance conditions for the 2020/2021 financial year will be performance tested against total shareholder return (TSR) performance, and the other 50% be tested against earning per share (EPS) performance over a 3 year period from a Start Date of 30 June 2020 to a Test Date of 30 June 2023.

#### Absolute TSR

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in a company's share price over the period as well as the dividends received during that period. The formula for calculating TSR is:

$$\frac{(\text{Share Price at Test Date} - \text{Share Price at Start Date}) + (\text{Dividends Received})}{\text{Share Price at Start Date}}$$

A volume weighted average share price (**VWAP**) will be used to determine Share Price at the Start Date and Share Price at the Test Date. The VWAP for the Share Price at Start Date will be based on the VWAP over the one week period prior to the start of the relevant performance period and the VWAP for the Share Price at the Test Date will be based on the VWAP over the one week period for the end of the relevant performance period.

Mr Dunn's TSR performance conditions will include:

- a threshold target of 8% per annum (compounded over the period from the Start Date to the Test Date); and
- a stretch performance of 12% per annum (compounded over from the Start Date to the Test Date).

The percentage of Mr Dunn's Performance Rights that are tested against TSR which vest will be determined as follows:

<b>TSR performance over relevant Performance Period</b>	<b>Performance vesting outcomes (applied to 50% of the total Performance Rights granted)</b>
Less than 8% per annum compounded	0% vesting
8% per annum compounded	50% vesting
Between 8% and 12% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 12% per annum compounded	100% vesting

### EPS

The Company's EPS performance will be measured in the 2023 financial year. EPS measures the portion of a company's profit allocated to each outstanding ordinary share and serves as an indicator of a company's profitability.

For the purposes of performance testing the Performance Rights, EPS in the 2023 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's financial reports, adjusted to remove the following items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

- (a) amortisation of acquired intangibles;
- (b) unwinding of interest on deferred acquisition consideration payments;
- (c) adjustments to the assessment of deferred consideration payable; and
- (d) acquisition costs.

A threshold target and a stretch target will also be used for Mr Dunn's EPS targets. Mr Dunn will only receive Performance Rights that are tested against EPS if he achieves at least the threshold target. The Performance Rights that are tested against EPS will vest as set out in the following table.

EPS performance in 2023 financial year	Performance vesting outcomes (applied to 50% of the total Performance Rights granted)
Less than 5.62 cents per Share	0% vesting
5.62 cents per Share	50% vesting
Between 5.62 and 6.27 cents per Share	Pro-rata vesting between 50% and 100%
At or above 6.27 cents per Share	100% vesting

### Regulatory information

#### Related party transaction

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights to Mr Dunn, a Director of the Company, is a financial benefit for the purposes of the related party provisions in Chapter 2E of the Corporations Act. However, the Directors (other than Mr Dunn) have determined that the remuneration package for Mr Dunn, including the grant of the Performance Rights, constitutes reasonable remuneration having regard to the circumstances of the Company and Mr Dunn (including the responsibilities involved in his office). Accordingly, and in reliance on this statutory exception to the related party requirements, Shareholder approval under Chapter 2E of the Corporations Act is not being sought in this case.

#### Listing Rule 10.14

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme without the approval of the holders of its ordinary securities:

- 10.14.1 a director of the company;
- 10.14.2 an associate of a director of the company; or
- 10.14.3 a person whose relationship with the company or a person referred to in Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders.

The grant of Performance Rights to Mr Dunn falls within Listing Rule 10.14.1 and therefore requires the approval of the Company's Shareholders under Listing Rule 10.14.

Resolution 4 seeks the required Shareholder approval to the grant of the Performance Rights to Mr Dunn under and for the purposes of Listing Rule 10.14.

### Technical information required by Listing Rule 14.1A

If Resolution 4 is passed the Company will be able to issue the Performance Rights to Mr Dunn within three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the grant of the Performance Rights (because approval is being obtained under Listing Rule 10.14), the grant of the Performance Rights to Mr Dunn will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the Performance Rights to Mr Dunn under the Plan.

### Technical information required by Listing Rule 10.15

In accordance with Listing Rule 10.14, the acquisition of securities by a Director under an employee incentive scheme requires shareholder approval. The following information is provided for the purposes of Listing Rule 10.15:

- (a) The Performance Rights will be granted to Mr Graeme Dunn (or his nominee).
- (b) Mr Dunn falls within the category set out in Listing Rule 10.14.1 by virtue of being a Director.
- (c) The maximum number of Performance Rights (being the nature of the financial benefit being provided) to be granted to Mr Dunn is 804,614 Performance Rights for the 2020/2021 financial year.
- (d) Under his employment agreement as Managing Director and Chief Executive Officer, Mr Dunn is entitled to receive a current total remuneration package for the financial year ending 30 June 2021 comprising a base salary (inclusive of superannuation) of \$688,750, a variable Short Term Incentive cash bonus of up to 50% of his base salary (depending on the achievement of certain short term objectives) and a Long Term Incentive in the form of Performance Rights with respect to the Company's performance over the periods from 30 June 2018 to 30 June 2021 and 30 June 2019 to 30 June 2022 respectively. Subject to the approval of Resolution 4, Mr Dunn will also be entitled to Performance Rights in relation to the Company's performance over the period from 30 June 2020 to 30 June 2023. Refer to the Remuneration Report for full details of Mr Dunn's remuneration.
- (e) Since the Plan was last approved by Shareholders on 31 October 2017, the Company has issued 1,737,267 Performance Rights and nil Options to Mr Dunn for nil consideration under the Plan.
- (f) A summary of the material terms of the Performance Rights to be granted to Mr Dunn are set out above.
- (g) The Company has agreed to issue the Performances Rights to Mr Dunn, subject to Shareholder approval, for the following reasons:
  - (i) it is appropriate to provide Mr Dunn with a long term incentive element in his remuneration package;
  - (ii) Performance Rights, rather than Options, are viewed as a better alternative to remunerate executives who are tasked with achieving certain specific strategic outcomes;
  - (iii) the grant of Performance Rights is intended to align Mr Dunn's performance with successful Company outcomes for the benefit of Shareholders and also to provide him with an incentive to remain in the Company;

- (iv) the remuneration for Mr Dunn, including the proposed grant of Performance Rights, is reasonable having regard to the circumstances of the Company, the duties and responsibilities of the Managing Director and Chief Executive Officer of the Company and market levels of remuneration for Managing Directors and Chief Executive Officers of similar companies;
  - (v) the Performance Rights are unquoted securities. Accordingly, the grant of the Performance Rights has no immediate dilutionary impact on Shareholders; and
  - (vi) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights on the terms proposed.
- (h) The fair value of the Performance Rights will be determined at the date the Performance Rights are granted to Mr Dunn. In order to provide the information required by Listing Rule 10.15 an indicative valuation has been calculated using the valuation methodology set out in Schedule 2.
  - (i) The Performance Rights will be granted to Mr Dunn no later than 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Performance Rights will be issued on one date.
  - (j) The issue price of the Performance Rights will be nil. The price payable on the vesting of each Performance Right is nil and no price is payable for any Shares issued on exercise of the Performance Rights.
  - (k) A summary of the material terms of the Plan is set out in Schedule 1.
  - (l) There is no loan proposed to be provided in relation to the proposed grant of the Performance Rights to Mr Dunn under the Plan.
  - (m) Details of any Performance Rights granted under the Plan will be published in the annual report of the Company 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.
  - (n) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the Plan after Resolution 4 is approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.
  - (o) A voting exclusion statement is included in Resolution 4 of this Notice.

#### **Directors' recommendation**

The Directors (other than Mr Dunn who declines to make a recommendation based on his interest in the outcome of this Resolution) recommend that Shareholders vote in favour of Resolution 4.

#### **RESOLUTION 5: REPLACEMENT OF CONSTITUTION**

##### **Background**

A company may modify or repeal its constitution or a provision of its constitution by special resolution of its shareholders.

Resolution 5 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares that has been updated to ensure it reflects the current provisions of the Corporations Act and Listing Rules.

The current Constitution was adopted in 2007, with subsequent amendments made in 2010. Since then there have been a number of changes to the Corporations Act, Listing Rules, the ASX Settlement Rules and corporate governance principles for listed companies. Accordingly, the Board consider that it is in the best interest of the Company and its Shareholders to update the current Constitution. The Board has determined that it is more appropriate to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including, without limitation expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe that the changes are not material and will not have a significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the more significant proposed changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders online at the Company's website, [www.scee.com.au/investors/meetings\\_and](http://www.scee.com.au/investors/meetings_and) at the office of the Company during normal business hours prior to the Meeting. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

Resolution 5 is a special resolution which must be approved by at least 75% of the total number of votes cast by Shareholders entitled to vote on the Resolution.

### **Summary of key proposed changes**

#### ***Restricted securities (clause 27)***

The Proposed Constitution complies with the changes to Listing Rule 15.12 which came into effect on 1 December 2019. Under these changes, ASX requires certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A. However, for less significant holdings (such as non-related parties and non-promoters), ASX instead permits the entity to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

#### ***Directors (clause 13)***

The provisions which deal with the retirement of Directors will be updated to more closely align with the Listing Rules. The requirement for one third of the Directors (other than the Managing Director) to retire from office at each annual general meeting will be removed, as this is not required by law. Rather, Listing Rule 14.4 only requires that a director must not hold office without re-election past the third annual general meeting following their appointment, or three years (whichever is longer).

#### ***Direct voting (clause 12.16)***

The Proposed Amendments include a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). The Directors may determine that, at any general meeting or class meeting, a Shareholder who is entitled to attend and vote on a resolution at that meeting is entitled to vote by direct vote in respect of that resolution. This inclusion is in line with modern listed company standards and will enable Shareholders to cast their vote without being required to physically attend the meeting, should the directors choose it is necessary. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

***Use of technology at general meetings (clause 12.23)***

The Proposed Constitution includes provisions which allow the uses of technology for general meetings. This will allow for electronic meetings to be held in the future if required.

***Dividends, reserves and distributions (clause 20)***

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits. The amended requirements provide that a company must not pay a dividend unless:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

***Proportional takeover approval provisions (clause 11)***

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

**Information required by section 648G of the Corporations Act****(a) Effect of proposed proportional takeover provisions**

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

**(b) Reasons for proportional takeover provisions**

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These

amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(c) **Knowledge of any acquisition proposals**

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

(d) **Potential advantages and disadvantages of proportional takeover provisions**

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- assisting in preventing Shareholders from being locked in as a minority;
- increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- proportional takeover bids may be discouraged;
- lost opportunity to sell a portion of their Shares at a premium; and
- the likelihood of a proportional takeover bid succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders.

**Directors' recommendation**

The Directors unanimously recommend that Shareholders approve the adoption of the Proposed Constitution (including the adoption of the proportional takeover provisions set out above) and vote in favour of Resolution 5.

**GLOSSARY**

The following terms and abbreviations used in this Explanatory Statement have the following meaning:

<b>ASX:</b>	means the Australian Securities Exchange or ASX Limited, as appropriate.
<b>Board:</b>	means the board of directors of the Company.
<b>Change of control:</b>	means if: <ul style="list-style-type: none"> <li>(a) if a person becomes a legal or beneficial owner of 50% or more of the issued capital of the Company; or</li> <li>(b) a person becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued share capital of the Company.</li> </ul>
<b>Closely Related Parties:</b>	means those parties of the Key Management Personnel are as defined in the Corporations Act and include certain of their family members, dependents and companies they control.
<b>Company:</b>	means Southern Cross Electrical Engineering Limited (ABN 92 009 307 046).
<b>Constitution:</b>	means the constitution of the Company.
<b>Corporations Act:</b>	means the Corporations Act 2001 (Cth).
<b>Determination:</b>	means the temporary legislative amendments to facilitate holding annual general meetings entirely online made by the Treasurer to the Corporations Act on 5 May 2020.
<b>Director:</b>	means a member of the Board.
<b>Explanatory Statement:</b>	means this Explanatory Statement.
<b>Key Management Personnel:</b>	means the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration report identifies the key management personnel for the financial year ended 30 June 2020.
<b>Listing Rules:</b>	means the listing rules of the ASX and any other rule of the ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended or replaced from time to time, except to the extent of any express, written waiver by ASX.
<b>Managing Director:</b>	means the managing director of the Company.
<b>Meeting or Annual General Meeting:</b>	means the meeting convened by the Notice.
<b>Notice or Notice of Meeting:</b>	means the notice convening the Annual General Meeting which accompanies this Explanatory Statement.

<b>Option:</b>	means an option to acquire a Share subject to payment of an exercise price and satisfaction of any other conditions.
<b>Performance Right:</b>	means an entitlement to one Share, subject to vesting and satisfaction of performance conditions, granted in accordance with the Plan.
<b>Plan:</b>	means the Southern Cross Electrical Engineering Limited Rules of the Senior Management Long Term Incentive Plan, the subject of Resolution 3.
<b>Related Party:</b>	means a "related party" as defined in section 9 of the Corporations Act.
<b>Remuneration Report:</b>	means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.
<b>Resolution:</b>	means a resolution included in the Notice.
<b>Shares:</b>	means fully paid ordinary shares in the capital of the Company.
<b>Shareholders:</b>	means holders of Shares.
<b>WST:</b>	means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 1 - Summary of the Plan

### *Participation*

As part of the Company's strategy, the Board wishes to be in a position to grant Options and/or Performance Rights under the Plan to senior management or an approved nominee to achieve the objectives outlined above.

### *Common Rules*

The main features of the Plan which apply both to the issue of Options and to the issue of Performance Rights are as follows:

1. **Eligible Participants:** All full-time employees and permanent part-time employees (including the Executive Directors and the Managing Director) of the Group whom the Board have determined are in a senior management role, are eligible participants under the Plan. Shareholder approval is required before any Director or related party of the Company can participate in the Plan;
2. **Limits on Entitlements:** The maximum number of Options or Performance Rights that is issuable under the Plan, when combined with the number of Shares issued during the previous five years pursuant to the Plan on exercise of the Options or Performance Rights or any other employee incentive scheme of the Company but disregarding any offer made, or Performance Rights or Options acquired or Shares issued by way of or as a result of:
  - (a) an offer to a person situated at the time of receipt of the offer outside Australia;
  - (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
  - (c) an offer made under a disclosure document,
 must not exceed 5% of the total number of the Company's issued Shares.
3. **Individual Limits:** The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.
4. **Amendments to Plan:** The Board may at any time and from time to time by resolution alter the Plan. However, any amendment to the Plan is subject to any restrictions or procedural requirements relating to the amendment or the rules of an employee incentive scheme imposed by the Listing Rules or applicable securities laws. Generally amendments to the Plan will not affect the terms of Options or Performance Rights that have already been issued under the Plan unless the resolution specifically says otherwise.
5. **Disposal of Options or Performance Rights:** Without the approval of the Board, no Options or Performance Rights issued under the Plan may be transferred, be made the subject of an option or a third party right (such as a charge or security), or otherwise be dealt with or disposed of by the eligible participant. If an eligible participant contravenes this requirement of the Plan, the Options or Performance Rights will lapse.
6. **Forfeiture:** If an eligible participant acts fraudulently, dishonestly or has wilfully breached his or her obligations to the Company Group, the Board will have the discretion to determine that any Options or Performance Rights granted to the eligible participant will lapse.

7. **Suspension or Termination:** The Board may suspend or terminate the Plan at any time, without notice, but the suspension or termination will not affect any Options or Performance Rights already granted.
8. **Alteration in Share Capital:** If there is a reorganisation of the share capital of the Company, including consolidation, subdivision, reduction or return of issued capital, the number of Shares, to which an eligible participant is entitled to receive upon the exercise of an Option or a Performance Right will be adjusted in the way specified by the Listing Rules from time to time.
9. **Bonus Issue:** If there is a bonus issue of Shares to Shareholders, the number of shares, to which an eligible participant is entitled to receive upon the exercise of an Option or a Performance Right will be increased by the number of Shares which the eligible participant would have received if the Option or Performance Right, as applicable, had been exercised before the record date for the bonus issue.
10. **No Participation Rights:** There are no participation rights or entitlements inherent in the Options or the Performance Rights. An eligible participant will only be entitled to participate in new issues of capital offered to Shareholders to the extent that the Options or the Performance Rights have been exercised and the eligible participant has become a Shareholder.

### ***Rules for granting Options***

The Board may issue a written invitation to an eligible participant to receive a grant of Options (**Option Invitation**).

The Option Invitation will set out the terms on which the Options will be granted and exercised. Participation in the Plan is subject to the acceptance of the Option Invitation by the eligible participant (or their nominee) within a specified period. In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the issue of Options under the Plan.

The main features of the Plan (and the terms and conditions to be attached to the Plan) which are particular to the issue of Options are summarised as follows:

1. **Consideration Payable:** the Board will have the discretion to determine if any consideration is payable for the grant of the Options. The amount of consideration payable, if any, will be set out in the Option Invitation.
2. **Exercise of Options:** An eligible participant can exercise the Options at any time before the date on which they lapse by issuing a notice to the Board setting out the number of Options to be exercised, paying the exercise price nominated in the Option Invitation for each Option that is being exercised and producing the certificate for the Options to the Board.

The Board also has the discretion to impose conditions on the Options (other than the payment of an exercise price) which must be satisfied either before the Options are exercised or before the Options vest. If such conditions are set out in the Option Invitation they must be met in accordance with the terms of the Option Invitation.

3. **Exercise Price:** The exercise price for each Option will be set out in the Option Invitation. The exercise price in respect of an Option may be reduced in accordance with the terms of the Plan if a pro rata issue of Shares is made to Shareholders before the Option is exercised. The Company will only change the exercise price in accordance with the Listing Rules.
4. **Vesting:** Subject to the satisfaction of any conditions attaching to the Options, within 10 business days of the exercise of the Options, the Company must issue Shares to the eligible participant (or, if

applicable, their nominee) without any further action being required on the part of the eligible participant.

5. **Term and Lapse:** The term of the Options is determined by the Board in its absolute discretion and will be specified in the Option Invitation. Options will lapse if they are not exercised by the expiry date set in the Option Invitation. The Options may also lapse if the eligible participant's employment is terminated for cause or in circumstances other than as described in the next paragraph.
6. **Retirement, Permanent Disablement, Redundancy or Death:** Under the Plan, within 30 days of the eligible participant ceasing to be a senior manager by reason of retirement, permanent disablement, redundancy or death, the eligible participant (or their nominee or legal representative as applicable) may exercise the Options. To the extent that the conditions set out in the Option Invitation have been satisfied, the Options will vest. All remaining Options will lapse. However, the Board retains a discretion in these circumstances to waive the conditions for some or all of the Options or allow them to continue to be exercisable until the expiry date upon the satisfaction of the applicable conditions.
7. **Restriction on dealing with Shares:** All Shares issued to a participant under the Plan will be subject to the Company's Share Trading Policy. In addition, the Board has the discretion to impose further restrictions on Shares issued to a participant under the Plan in the Option Invitation.
8. **Takeover Bid or Change of Control:** In the event of:
  - (a) a Change of Control of the Company; or
  - (b) approval by the court of a merger of the Company by way of scheme of arrangement,

all Options which have not been exercised by the eligible participant may be exercised and will vest notwithstanding the conditions set out in the Option Invitation, other than the payment of the Exercise Price.

### ***Rules for granting Performance Rights***

A Performance Right is a right to be issued a Share upon the satisfaction of certain performance conditions that are attached to the Performance Right, as determined by the Board. In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the issue of Performance Rights under the Plan.

The number of Performance Rights granted under the Plan and the conditions that must be satisfied in order for the Performance Rights to either be exercised or to vest, will be determined by the Board and expressed in a written invitation ("**Performance Right Invitation**") made by the Company to the eligible participant. Participation in the Plan is subject to acceptance of the Performance Right Invitation by the eligible participant (or their nominee) within a specified period. It is intended that the conditions imposed on the Performance Rights will relate either to the performance of the Company, the Group or the employee (or a combination of these).

The main features of the Plan (and the terms and conditions to be attached to the Plan) that are particular to the issue of Performance Rights are summarised as follows:

1. **Consideration Payable:** It is intended that Performance Rights will be granted for no consideration, event though the Plan allows the Board to impose consideration on the grant of Performance Rights. The Performance Right Invitation will set out the amount of consideration payable, if any.
2. **Exercise of Performance Rights:** An eligible participant will apply to the Board to exercise some or all of the Performance Rights by giving notice to the Board and producing the certificate for those Performance Rights.

3. **Vesting:** Subject to the satisfaction of the conditions set out in the Performance Right Invitation, within 10 Business Days of the exercise of the Performance Rights, the Company shall issue Shares to the eligible participant (or, if applicable, their nominee) without further action being required on the part of the eligible participant.
4. **Term and Lapse:** The term of the Performance Rights is determined by the Board in its absolute discretion and will be specified in the Performance Right Invitation. Performance Rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if the eligible participant's employment is terminated for cause or in circumstances other than as described in the next paragraph.
5. **Retirement, Permanent Disablement, Redundancy or Death:** Under the Plan, within 30 days of the eligible participant ceasing to be a senior manager by reason of retirement, permanent disablement, redundancy or death, the eligible participant (or their nominee or legal representative as applicable) may exercise the Performance Rights. To the extent that the conditions set out in the Performance Right Invitation have been satisfied, the Performance Rights will vest. All remaining Performance Rights will lapse. However, the Board retains a discretion in these circumstances to waive the conditions for some or all of the Performance Rights or allow them to continue to be exercisable until the expiry date upon the satisfaction of the applicable conditions.
6. **Restriction on dealing with Shares:** All Shares issued to a participant under the Plan will be subject to the Company's Share Trading Policy. In addition, the Board has the discretion to impose further restrictions on Shares issued to a participant under the Plan in the Performance Right Invitation.
7. **Takeover Bid or Change of Control:** In the event of:
  - (a) a Change of Control of the Company; or
  - (b) approval by the court of a merger of the Company by way of scheme of arrangement,an eligible participant may exercise all Performance Rights which have not been exercised or lapsed and will vest notwithstanding the conditions set out in the Performance Right Invitation.

## Schedule 2 - Valuation of Performance Rights

The fair value of the Performance Rights proposed to be granted to Mr Graeme Dunn pursuant to Resolution 4 will be determined at the date the Performance Rights are granted using the Monte Carlo Simulation (TSR component) and Binomial Tree (EPS component) valuation methodologies. For the purposes of complying with Listing Rule 10.15 an indicative fair value has been calculated using these methodologies and the assumption that the Performance Rights had been granted on 9 October 2020.

The key inputs used in determining the indicative fair values were as follows:

Variable	Input
Illustrative grant date	9 October 2020
Vesting date	30 June 2023
Share price at illustrative grant date	\$0.470
Expected life	2.7 years
Volatility	36%
Risk free interest rate	0.14%
Dividend yield	5.5%

Based on the above, the Company has calculated an indicative value of all Performance Rights to be granted to Mr Dunn pursuant to Resolution 4 is \$259,488, comprising:

	TSR component	EPS component
Number of Performance Rights	402,307	402,307
Fair value per Performance Right	\$0.240	\$0.405
<b>Total</b>	<b>\$96,554</b>	<b>\$162,934</b>

Any change in the inputs applied in the Monte Carlo Simulation and Binomial Tree valuation methodologies between the date of the indicative valuation (9 October 2020) and the date the Performance Rights are granted would have an impact on their value.



**Southern Cross Electrical Engineering Ltd**  
ABN 92 009 307 046

SXE

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



## Need assistance?



**Phone:**  
1300 307 262 (within Australia)  
+61 3 9415 4671 (outside Australia)



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:00 AM (AWST) on Sunday, 22 November 2020.**

# Proxy Form

## How to Vote on Items of Business

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

### APPOINTMENT OF PROXY

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

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

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

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I999999999**  
**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

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



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Southern Cross Electrical Engineering Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Southern Cross Electrical Engineering Limited to be held as a virtual meeting on Tuesday, 24 November 2020 at 9:00 AM (AWST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 3 and 4 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 3 and 4 by marking the appropriate box in step 2.

### Step 2 Items of Business

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

	For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Prof Derek Parkin as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of the Senior Management Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Performance Rights to Mr Graeme Dunn for the 2020/2021 Financial Year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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