



NOTICE OF ANNUAL GENERAL MEETING

ERM POWER LIMITED

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ERM POWER LIMITED

Notice is given that the annual general meeting of ERM Power Limited ACN 122 259 223 (**ERM Power** or **Company**) will be held at:

Location	PwC Brisbane office, Apollo Room, Level 23, 480 Queen Street, Brisbane QLD 4000
Date	Monday, 23 October 2017
Time	11:00 am (Brisbane time)

ORDINARY BUSINESS

Financial statements and reports

To receive and consider the Company's financial reports and the reports of the directors and the auditor for the financial year ended 30 June 2017.

Directors' remuneration report

To consider, and if in favour, to pass the following resolution under section 250R(2) *Corporations Act 2001* (Cth) (**Corporations Act**):

1. 'That the remuneration report of the directors for the financial year ended 30 June 2017 be adopted.'

Note: This resolution will be decided as if it were an ordinary resolution but, under section 250R(3) *Corporations Act*, the vote on this resolution is advisory only and does not bind the directors or the Company.

Election of directors

To consider, and if in favour, to pass the following as ordinary resolutions:

2. 'That Mr Antonino Mario (Tony) Iannello, who retires by rotation under rule 19.3 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'
3. 'That Mr Albert Goller, who retires by rotation under rule 19.3 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'
4. 'That Mr Philip St Baker, who was appointed as a director of the Company on 14 July 2017 and retires under rule 19.2(b) of the Company's constitution, and being eligible, be elected as a director of the Company.'

Note: Information about each candidate appears in the Explanatory Memorandum.

SPECIAL BUSINESS

Approval of related party benefits under incentive plans

To consider, and if in favour, to pass the following resolutions as ordinary resolutions:

5. 'That, for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act, shareholders approve the granting of 676,048 units in the Employee Share Trust (each representing a share in ERM Power) to Mr Jonathan (Jon) Stretch, the Company's Managing Director and Chief Executive Officer, in the manner contemplated by the Explanatory Memorandum.'
6. 'That, for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act, shareholders approve the granting of 517,309 units in the Employee Share Trust (each representing a share in ERM Power) to Mr Jonathan (Jon) Stretch, the Company's Managing Director and Chief Executive Officer, in the manner contemplated by the Explanatory Memorandum.'

Dated 22 September 2017

By order of the Board

A handwritten signature in grey ink, appearing to read 'Phil Davis'.

Phil Davis

Company Secretary

Notes

- (a) A shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a shareholder of the Company. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** proxy form.
- (d) A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) The Company has determined under regulation 7.11.37 of the Corporations Regulations 2001 that for the purpose of voting at the meeting or adjourned meeting, securities are taken to be held by those persons recorded in the Company's register of shareholders as at 12:00pm (Sydney time) / 11:00am (Brisbane time) on Saturday, 21 October 2017.
- (f) If you have any queries on how to cast your votes then call Link Market Services Limited on 1300 554 474 during business hours.

How the Chair of the meeting will vote proxies

If the Chair is appointed as proxy by any shareholder, the Chair will vote the proxy in the manner specified by the shareholder in that proxy. If the shareholder does not specify how the Chair is to vote on any Resolution, the Chair as proxy will vote in favour of all Resolutions.

Voting exclusion statement

As required by the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast:

Resolution 1 – Directors' remuneration report	by or on behalf of a member of key management personnel (KMP) whose remuneration is disclosed in the remuneration report (or a closely related party of such a member) in any capacity and by a member of the KMP at the date of the meeting (or a closely related party of such a member) acting as a proxy.
Resolutions 5 and 6 - Approval of related party benefits under incentive plans	by Mr Jon Stretch and any of his associates in any capacity and by a member of the KMP at the date of the meeting (or a closely related party of such a member) acting as a proxy.

However, the Company need not disregard a vote by a member of the KMP (or an associate or closely related party of such a member) if it is cast as proxy for a person who is entitled to vote and:

- (a) is in accordance with the directions on the proxy voting form specifying how the proxy is to vote; or
- (b) the vote is cast by the Chair of the meeting and the proxy form expressly authorises him to vote as he decides.

EXPLANATORY MEMORANDUM

ERM Power Limited ACN 122 259 223 (ERM Power or Company)

This Explanatory Memorandum accompanies the notice of annual general meeting of the Company (**Notice**) to be held at PwC Brisbane office, Apollo Room, Level 23, 480 Queen Street, Brisbane QLD 4000 on Monday, 23 October 2017 at 11:00 am (Brisbane time).

The Explanatory Memorandum has been prepared to assist shareholders in determining how to vote on the resolutions set out in the Notice and is intended to be read in conjunction with the Notice.

Financial statements and reports

1. The *Corporations Act 2001 (Cth)* (**Corporations Act**) requires that the report of the directors, the auditor's report and the financial report be laid before the annual general meeting.
2. Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Company's constitution requires a vote of shareholders at the annual general meeting on the financial statements and reports.
3. Shareholders will be given reasonable opportunity at the meeting to raise questions and make comments on these reports.
4. In addition to asking questions at the meeting, shareholders may address written questions to the Chair about the management of the Company or to the Company's auditor, PricewaterhouseCoopers, if the question is relevant to:
 - (a) the content of the auditor's report; or
 - (b) the conduct of its audit of the annual financial report to be considered at the meeting.

Note: Under section 250PA(1) Corporations Act a shareholder must submit the question to the Company no later than the fifth business day before the day on which the AGM is held.

5. Written questions for the auditor must be delivered by 16 October 2017. Please send any written questions for PricewaterhouseCoopers on the question form supplied with this Notice, and forward to Link Market Services Limited using any of the methods identified on the form.

Resolution 1: Directors' remuneration report

6. The Corporations Act requires that the section of the directors' report dealing with the remuneration of directors and other key management personnel be put to the vote of shareholders for adoption.
7. The resolution of shareholders is advisory only and **not binding** on the Company. However, if more than 25% of the votes cast on this resolution are against the adoption of the remuneration report, the remuneration report for the following year must either address any comments received from shareholders or explain why no action has been taken in response to those comments. If, at the following annual general meeting, the remuneration report again has a vote against it of 25% or more, a 'spill resolution' will be put to shareholders. If at least 50% of the votes cast are in favour

of the 'spill resolution' a special meeting of the Company will be held within 90 days at which the directors in office at the time of the second annual general meeting must resign and stand for re-election.

8. More than 97% of votes cast by poll at the Company's 2016 AGM were in favour of the remuneration report for that year. The Company noted concerns raised regarding the receipt of dividends on unvested Long Term Incentives (LTI). These concerns were reconsidered by the Remuneration & Nomination Committee during the year, and determined to be a material part of senior executive remuneration, with the right to the dividend satisfying the purpose of aligning employee personal wealth considerations with shareholder wealth. No change to this remuneration practice was effected, with unvested LTI failing to meet the long term performance criteria at the end of FY2017 having now been forfeited. In addition, the Company has increased transparency in the disclosure of FY2017 STI targets and outcomes in the remuneration report, demonstrating another link between senior executive remuneration and short term company performance.
9. The remuneration report is contained in the 2017 annual report, which is available on the ERM Power website at <http://www.ermpower.com.au/investor-centre/financial-reports/>. It:
 - (a) explains the policies of the board of directors of ERM Power (Board) in relation to the nature and level of remuneration paid to directors and other key management personnel within the ERM Power group;
 - (b) discusses the link between the Board's policies and ERM Power's performance;
 - (c) sets out the remuneration details for each director and for each other member of ERM Power's key management personnel; and
 - (d) makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.
10. The FY2017 internal corporate targets were set in the beginning of the year. Many were targets were exceeded, with some others not fully realised. Targets in the areas of Financial and Operational outcomes for EBITDA and Load exceeded the prior year's results whilst People – engagement and enablement exceeded the internal targets for the year. Progress was also noted against Strategic Imperatives outlined for the Energy Solutions and the US businesses. The Remuneration & Nomination Committee approved 120% of the short term incentive corporate target to be awarded as outlined in the remuneration report.
11. Remuneration outcomes are further aligned with longer term company performance for executives as the long term incentive for FY2014 and FY2015 was forfeited pursuant to the terms of those awards determined by a negative total shareholder return for both of the three year periods ending 30 June 2016 and 2017.
12. The Chair will give shareholders a reasonable opportunity to ask questions about, or to make comments on, the remuneration report.

Directors' recommendation

13. The directors recommend you vote for this resolution.

Election of directors

14. Rule 19.3 of the Company's constitution requires that, at every annual general meeting, one-third of the directors (excluding the managing director and any director appointed by other directors under rule 19.2 of the Company's constitution) retire from office and stand for re-election. Where, after those excluded, there remain five or less directors, at least two must retire from office at each annual general meeting.
15. Listing Rule 14.4 also provides that a director of the Company appointed as an addition to the board, must not hold office (without re-election) past the next annual general meeting of the Company.
16. The directors to retire under rule 19.3 are those who have been in office the longest since being re-appointed. As between directors who were elected on the same day, the directors to retire are (in default of agreement between them) determined by ballot.
17. The Board has determined that both Mr Antonino Mario (Tony) Iannello and Mr Albert Goller (who were both last re-elected on 29 October 2015) will retire from office under rule 19.3 of the Company's constitution and stand for re-election.
18. Rule 19.2 of the Company's constitution further requires that a director appointed by the Board as an addition to the existing directors retire at the conclusion of the next annual general meeting following his or her appointment. As Mr Philip St Baker was appointed by the Board effective 14 July 2017, he is required to retire from office under rule 19.2 of the Company's constitution and stand for election at this annual general meeting.

Resolution 2: Re-election of Mr Tony Iannello

19. Mr Tony Iannello retires from office under rule 19.3 of the Company's constitution and stands for re-election as an independent non-executive director.
20. Tony was appointed as a director of ERM Power in July 2010, bringing to the business more than 30 years of banking and energy experience.
21. He is the non-executive Chair of D'Orsogna Ltd. He was previously Chair of HBF Health Ltd and MG Kailis Group of Companies, a director of the Water Corporation of Western Australia and a member of The Murdoch University Senate. Prior to embarking on a career as a non-executive director, Tony was the Managing Director of Western Power Corporation until its separation into four separate businesses. Previously he held a number of senior executive positions at BankWest.
22. In the last three years, he has also held directorships of a range of listed companies, including AusNet Services Limited (from June 2006 to July 2015), Energia Minerals Limited (from March 2010 to October 2014), and Empire Oil & Gas NL (since 2013) of which he is also Chairman.
23. Tony holds a Bachelor of Commerce degree from The University of Western Australia. He is a Fellow CPA, a Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a graduate of the Harvard Business School Advanced Management Program.



24. Tony is currently the chair of ERM Power's Audit & Risk committee, as well as a member of the Remuneration & Nomination committee.

Directors' recommendation

25. The Board (with Mr Iannello abstaining) supports the re-election of Mr Tony Iannello as a director.

Resolution 3: Re-election of Mr Albert Goller

26. Mr Albert Goller retires from office under rule 19.3 of the Company's constitution and stands for re-election as an independent non-executive director.

27. Albert was appointed as a director in January 2015, bringing considerable management and marketing expertise, garnered through a very successful executive career in Germany, Canada, the USA and Australia at the global multinational conglomerate Siemens AG. He was Chairman and Managing Director of Siemens Ltd in Australia between 2002 and 2012.



28. Commencing his career as an electronics engineer with Siemens in Germany in 1973, Albert held a number of senior executive positions throughout the world including President and CEO of Siemens Canada Ltd and Head of the Corporate Office for E-business in Munich, Germany. He has a Masters Degree in Information and Telecommunications from Paderborn University in Germany and was consistently nominated as one of Australia's most influential engineers by Engineers Australia magazine between 2004 and 2010.
29. Currently a non-executive director, from July 2013 to February 2015 Albert served as the Chair of META, an independent organisation that was funded by the Federal Government and represented the interests of Australian manufacturers across the nation. META had been established to generate innovative thinking and collaboration across Manufacturing to target job growth, enhance productivity and increase export opportunities for Australian Manufacturing companies.
30. Albert is currently a member of ERM Power's Audit & Risk and Remuneration & Nomination committees.

Directors' recommendation

31. The Board (with Mr Goller abstaining) supports the re-election of Mr Albert Goller as a director.

Resolution 4: Election of Mr Philip St Baker

32. Mr Philip St Baker retires from office under rule 19.2(b) of the Company's constitution and stands for election.

33. Philip was appointed as a non-executive director on 14 July 2017. Philip is an experienced entrepreneur active in Australia and the USA.

34. He is currently the Managing Director and CEO of NOVONIX Limited (ASX:NVX), a developer and supplier of high performance materials, equipment and services for the global lithium-ion battery industry



with operations in North America and sales in over a dozen countries.

35. Philip was previously Managing Director of ERM Power for eight years to 2014 overseeing the development of power generation assets (over \$2 billion in value), and the creation and expansion of ERM Power's retail business. Prior to that Philip had a 16-year career with BHP Billiton gaining international experience in the resources sector including mining, processing, smelting and refining.
36. In 2014 Philip received the Ernst & Young Queensland Entrepreneur of the Year Award for Listed Companies and was a nominee for the Australian Entrepreneur of the Year. Philip is also a member of State Advisory Board of Queensland for the Starlight Children's Foundation.
37. Philip holds a Bachelor of Engineering (Mechanical) degree from Queensland University of Technology and is a member of the Australian Institute of Company Directors.
38. Philip is currently a member of ERM Power's Remuneration & Nomination Committee.

Directors' recommendation

39. The Board (with Mr Philip St Baker abstaining) supports the election of Mr Philip St Baker as a director.

Approval of related party benefit under incentive plans

40. Section 208(1) of the Corporations Act provides that a public company must not, without the approval of its shareholders, give a financial benefit to a related party, subject to certain exceptions. A related party includes directors of ERM Power under section 228 of the Corporations Act. Financial benefit is defined in section 229 of the Corporations Act and includes issuing securities, granting an option or providing finance to a related party.
41. ASX Listing Rule 10.14 also requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities or options under an employee incentive scheme to a director of the company.
42. Further, ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities to a related party of the company. ASX Listing Rule 10.12 exception 4, provides an exception to ASX Listing Rule 10.11 where an issue of securities under an employee incentive scheme is made with the approval of shareholders under ASX Listing Rule 10.14.
43. Mr Jon Stretch is a director of ERM Power for the purposes of ASX Listing Rule 10.14.1. Being a director of the Company, Mr Jon Stretch is also a related party of ERM Power for the purposes of Chapter 2E of the Corporations Act.
44. ERM Power intends to issue Mr Jon Stretch:
 - (a) 676,048 units in the Employee Share Trust (EST)¹ as part of his short term incentive (STI) award for FY2017; and
 - (b) 517,309 units in the EST as part of his long term incentive (LTI) award for FY2018.

¹ Renamed - previously known as the Long Term Incentive Share Trust (LTIST).

45. The EST plans for the STI and LTI were approved by Shareholders at the 2016 AGM.
46. The participants in the EST (both for the STI and the LTI) receive a financial benefit by accepting the offer to participate because the issue of units is financed by way of an interest-free, non-recourse loan. If the participant were to borrow funds from a third party lender, interest would otherwise be payable. The loan is interest-free whilst the participant remains in the EST, and is not expected to be repaid until the underlying shares acquired under the EST are transferred or sold. As such, participants receive the full value of the shares acquired on their behalf under the EST. If the market value of the shares falls below the value of the original loan amount (i.e. if the ERM Power share price falls below the price at which the units were issued), participants can surrender their units in the EST in full satisfaction of the loan.

Resolution 5: Approval of related party benefit under short term incentive plan – Mr Jon Stretch

47. Mr Stretch's participation in the STI plan is on the same terms as all other eligible employees of ERM Power, other than being based solely on performance against the corporate targets as set by the Board, rather than being weighted across a combination of individual, business unit and corporate targets.
48. At the end of FY2017 achievement against the corporate targets was assessed and applied against the target participation rate of 100% for Mr Jon Stretch with the potential to achieve up to 150% of this level.
49. The reason for giving this financial benefit is to appropriately remunerate ERM Power's Managing Director in accordance with the Company's STI plan and to align the interests of the managing director with those of shareholders. In determining Mr Stretch's entitlement to an STI, the Company referred to performance against the key performance indicators captured by the FY2017 Balanced Scorecard as established at the beginning of the year, weighted across the three dimensions of:
- (a) people – engagement and enablement;
 - (b) financial and operational; and
 - (c) strategic imperatives.
50. There are no further vesting conditions applying to the grant of units under the STI.
51. ERM Power therefore seeks shareholder approval in accordance with ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act to grant Mr Jon Stretch 676,048 units in the EST (each representing a share in ERM Power) in accordance with the terms and conditions of the EST.
52. If this resolution is approved, Mr Jon Stretch will acquire the EST units via the establishment of a loan from the EST trustee (based on the market value of the shares at the time of issue) that will be non-recourse and does not bear interest, thereby creating a financial benefit. The loan is expected to be repaid by the payment of assessable income by the trustee at the time when the units are withdrawn from the EST, with the underlying shares to be transferred or sold (as relevant).

Determination of the number of Units

53. The number of units to be awarded under the EST was determined by reference to the same price that the FY2017 STI award was made to all other eligible participants of the Company, being the VWAP over 10 trading days from 25 August to 7 September 2017 (inclusive), being \$1.3852. 120%

of Mr Jon Stretch's FY2017 base salary of \$780,384.40 provides for an award of \$936,461.28, which at \$1.3852 per unit results in 676,048 units.

Refer to the explanatory memorandum for Resolution 1, which details the approval by the Remuneration & Nomination Committee of the 120%.

Valuation of the financial benefit

54. The accounting value of the benefit to be awarded under the EST will be based on the market price of shares on the day of issue of the units, consistent with AASB 2 (Share-based Payments).

Mr Jon Stretch's interests in ERM Power and remuneration package

55. Mr Jon Stretch currently has a relevant interest (either directly or indirectly) in the following shares in ERM Power²:

Holder	Number of shares
Jonathan Stretch as trustee for The Stretch Family Trust - 2016	250,000
Blueshore Management Pty Limited as trustee for the Stretch Family Super Fund	70,000
Blueshore Charitable Fund Pty Limited as trustee for the Blueshore Charitable Trust	732,179
Smartequity EIS Pty Ltd (Incentive plan trustee)	887,341
Total	1,939,520

56. If shareholders approve this resolution, the effect will be to dilute the holdings of existing shareholders by an equivalent amount, as follows:

Shareholders	Current share capital ³		Share capital on issue of shares	
	Number	Percent	Number	Percent
Mr Jon Stretch	1,939,520	0.76%	2,615,568	1.03%
Other shareholders	252,456,947	99.24%	252,456,947	98.97%
Total	254,396,467	100.00%	255,072,515	100.00%

² As at 11 September 2017, and excludes any shares to be issued after 11 September 2017 under the ERM Power dividend reinvestment plan, EST or otherwise.

³ Ibid.

57. Mr Jon Stretch's total remuneration for the year ending 30 June 2017 was as follows:

Fixed remuneration	
Base salary	\$780,384.40
Superannuation	\$ 19,615.60
Total Fixed	\$800,000.00
At risk remuneration (subject to performance conditions)	
Short term incentive	120% (150% maximum) of base salary paid in cash or securities as determined by the directors.
Long term incentive	75% of base salary paid in securities with vesting to be determined by Total Shareholder Return performance up to 30 June 2019, as approved by shareholders at the 2016 AGM.

58. The units to be provided in the EST, if approved, relate to Mr Jon Stretch's at risk remuneration for the financial year ended 30 June 2017.

59. If Resolution 5 is not approved by shareholders, the Company intends to pay a cash bonus of \$936,461.28 to Mr Jon Stretch as soon as reasonably practicable (net of any relevant withholding taxes).

Other information

60. Additional information required to be provided to shareholders in connection with the resolution to approve the granting of a financial benefit to Mr Jon Stretch in accordance with the ASX Listing Rules and the Corporations Act is set out below:

Information required	Disclosure
Date by which the securities will be issued	The units in the EST (and the underlying shares) will be issued within one month after the date of approval.
The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the EST	Mr Jon Stretch. Participation in the EST is only open to those employees (including executive directors) who are invited by the directors to receive an incentive award. No other members of the Board, all of whom are non-executive directors, are eligible to participate in the EST. ERM Power's policy is that non-executive directors do not receive performance-based remuneration that have performance hurdles attached, as it may lead to bias in their decision-making and compromise their objectivity.

Prior issue of securities to persons referred to in ASX Listing Rule 10.14 under an employee incentive scheme since the plan was last approved

The EST (formally known as either the STIST or LTIST) were last approved by shareholders at the 2016 AGM, after which Mr Jon Stretch was issued 633,361 units in the EST for his FY2017 LTI at a purchase price of \$1.1532 each, following approval by shareholders at the AGM.

Maximum number of securities that may be acquired by Mr Jon Stretch if Resolution 5 is approved

676,048 units in the EST.

61. Other than as set out in this Explanatory Memorandum, the directors are not aware of any additional information that shareholders should consider before making a decision to vote on this resolution.

Directors' recommendation

62. The Board believes that the provision of units and loans by the trustee to Mr Jon Stretch pursuant to Resolution 5 is reasonable and appropriate having regard to the circumstances of the Company and Mr Jon Stretch's responsibilities as Managing Director and Chief Executive Officer, is commensurate with current market practice, and is therefore in the best interests of the Company and its shareholders. Accordingly, the Board (with Mr Jon Stretch abstaining) recommends that shareholders approve the grant of units and loan by the trustee to Mr Jon Stretch and the corresponding grant of shares to the EST plan trustee to be held on his behalf. No director (other than Mr Jon Stretch) has an interest in the outcome of Resolution 5.

Resolution 6: Approval of related party benefit under long term incentive plan – Mr Jon Stretch

63. The Company intends to issue Mr Jon Stretch units in the EST as part of his FY2018 long term incentive award. Mr Stretch's participation in the EST plan is on the same terms as all other eligible employees of ERM Power.
64. ERM Power seeks shareholder approval in accordance with ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act to grant Mr Jon Stretch 517,309 units in the EST (each representing a share in ERM Power) in accordance with the terms and conditions of the EST, with vesting subject to Mr Jon Stretch's continued employment with ERM Power to the end of the performance period being 30 June 2020 and achievement of the following Total Security holder Return (TSR) performance hurdle.
65. Satisfaction of the TSR vesting condition will be determined by ERM Power's relative TSR performance over the period from 1 July 2017 to 30 June 2020, measured against the TSR performance of a comparator group, being those companies in the Standard & Poor's ASX 300 index at the beginning of the performance period.

TSR ranking in each vesting period	Percentage of underlying shares in EST that will vest if condition is met
At or below the 50 th percentile	0%
Above the 50 th percentile to less than the 75 th percentile	50% increasing linearly to 100% at the 75 th percentile
At or above the 75 th percentile	100%

The performance hurdle will only be satisfied where the TSR value is positive. If the TSR value is negative, the performance hurdle will not be satisfied, and the underlying shares in the EST will not vest.

66. If this resolution is approved, Mr Jon Stretch will acquire the EST units via the establishment of a loan from the EST trustee (based on the market value of the shares at the time of issue) that will be non-recourse and does not bear interest, thereby creating a financial benefit. The loan is expected to be repaid by the payment of assessable income by the trustee subsequent to the units vesting, at the time when the vested units are withdrawn from the EST, with the underlying shares transferred or sold (as relevant).
67. The reason for providing these financial benefits is to appropriately remunerate Mr Jon Stretch in accordance with the Company's long term incentive plan, and to align the interests of Mr Jon Stretch with those of shareholders.

Determination of the number of Units

68. The number of units to be awarded under the EST was determined by reference to the same price that the FY2018 LTI award was made to all other participants of the Company, being the VWAP over 10 trading days from 18 to 30 June 2017 (inclusive), being \$1.2039. 75% of Mr Jon Stretch's FY2018 base salary of \$830,384 provides for an award of \$622,788, which at \$1.2039 per unit results in 517,309 units.

Valuation of the financial benefit

69. The accounting value of the benefit to be awarded under the EST, having regard to the likelihood of achieving the performance conditions set out at paragraph 70 above, is calculated in a manner consistent with AASB 2 (Share-based Payment). The LTI will have a performance period expiring on 30 June 2020 and has both market and non-market vesting conditions.
70. The LTI indicative fair value has been determined using a Monte Carlo simulation (using a Black-Scholes framework). The following key assumptions will be adopted in estimating the value of the proposed EST units on grant date: risk free interest rate, share volatility, the market value of ERM's shares on grant date and a forecast of ERM's dividend yield over the vesting period.
71. The table below provides an estimate of the LTI benefit to be granted at varying market prices for the 517,309 share units to be issued based on a risk free interest rate of 2.01%, a share volatility measure of 38.8% and a forecast dividend yield of 4.4%, which is commensurate with historical dividend payments made by the Company.

Market price of ERM shares on grant date (\$)	Value per unit (\$)	Value of LTIST award (\$)
1.20	0.63	325,905
1.30	0.67	346,597
1.40	0.71	367,289
1.50	0.75	387,982

Mr Jon Stretch's interests in ERM Power and remuneration package

72. Mr Jon Stretch currently has a relevant interest (either directly or indirectly) in the following shares in ERM Power⁴:

Holder	Number of shares
Jonathan Stretch as trustee for The Stretch Family Trust - 2016	250,000
Blueshore Management Pty Limited as trustee for the Stretch Family Super Fund	70,000
Blueshore Charitable Fund Pty Limited as trustee for the Blueshore Charitable Trust	732,179
Smartequity EIS Pty Ltd (Incentive plan trustee)	887,341
Total	1,939,520

73. If shareholders approve this resolution, the effect will be to dilute the holdings of existing shareholders by an equivalent amount, as follows:

Shareholders	Current share capital ⁵		Share capital on issue of shares under Resolution 6		Share capital on issue of shares under Resolutions 5 and 6	
	Number	Percent	Number	Percent	Number	Percent
Mr Jon Stretch	1,939,520	0.76%	2,456,689	0.96%	3,132,877	1.23%
Other shareholders	252,456,947	99.24%	252,456,947	99.04%	252,456,947	98.77%
Total	254,396,467	100.00%	250,852,568	100.00%	255,589,824	100.00%

74. Mr Jon Stretch's total remuneration for the year ending 30 June 2018 is as follows:

Fixed remuneration	
Base salary	\$830,384.00
Superannuation	\$ 20,048.80
Total Fixed	\$850,432.80
At risk remuneration (subject to performance conditions)	
Short term incentive	Up to 150% (maximum) of base salary paid in cash or securities as determined by the directors.
Long term incentive	Up to 75% (maximum) of base salary paid in securities with TSR vesting conditions as outlined above.

75. The units to be provided in the EST, if approved, relate to Mr Jon Stretch's at risk remuneration for the financial year ended 30 June 2018.

⁴ Ibid

⁵ Ibid.

Other information

76. Additional information required to be provided to shareholders in connection with the resolution to approve the granting of a financial benefit to Mr Jon Stretch in accordance with the ASX Listing Rules and the Corporations Act is set out below:

Information required	Disclosure
Date by which the securities will be issued	The units in the EST (and the underlying shares) will be issued within one month after the date of approval.
The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the EST	Mr Jon Stretch. Participation in the EST is only open to those employees (including executive directors) who are invited by the directors to receive an incentive award. No other members of the Board, all of whom are non-executive directors, are eligible to participate in the EST. ERM Power's policy is that non-executive directors do not receive performance-based remuneration that have performance hurdles attached, as it may lead to bias in their decision-making and compromise their objectivity.
Prior issue of securities to persons referred to in ASX Listing Rule 10.14 under an employee incentive scheme since the plan was last approved	The EST (formally known as either the STIST or LTIST) was last approved by shareholders at the 2016 AGM, after which Mr Jon Stretch was issued 633,361 units in the EST for his FY2017 LTI at a purchase price of \$1.1532 each, following approval by shareholders at the AGM.
Maximum number of securities that may be acquired by Mr Jon Stretch if Resolution 6 is approved	517,309 units in the LTIST.

77. Other than as set out in this Explanatory Memorandum, the directors are not aware of any additional information that shareholders should consider before making a decision to vote on this resolution.

Directors' recommendation

78. The Board believes that the provision of units and loans by the trustee to Mr Jon Stretch pursuant to Resolution 6 is reasonable and appropriate having regard to the circumstances of the Company and Mr Jon Stretch's responsibilities as Managing Director and Chief Executive Officer, is commensurate with current market practice, and is therefore in the best interests of the Company and its shareholders. Accordingly, the Board (with Mr Jon Stretch abstaining) recommends that shareholders approve the grant of units and loan by the trustee to Mr Jon Stretch and the corresponding grant of shares to the EST plan trustee to be held on his behalf. No director (other than Mr Jon Stretch) has an interest in the outcome of Resolution 6.



ERM Power Limited
ACN 122 259 223

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

ERM Power Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a shareholder(s) of ERM Power Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am (Brisbane time) on Monday, 23 October 2017 at PwC Brisbane office, Apollo Room, Level 23, 480 Queen Street, Brisbane QLD 4000 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 5 & 6: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 5 & 6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

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

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

1 Directors' remuneration report

For Against Abstain*

☐ ☐ ☐

2 Election of director -
Mr Antonino Mario (Tony) Iannello

☐ ☐ ☐

3 Election of director - Mr Albert Goller

☐ ☐ ☐

4 Election of director -
Mr Philip St Baker

☐ ☐ ☐

5 Approval of related party benefits under
incentive plan – FY2017 Short Term
Incentive

For Against Abstain*

☐ ☐ ☐

6 Approval of related party benefits under
incentive plan – FY2018 Long Term
Incentive

☐ ☐ ☐

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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

EPW PRX1701C

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

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

PROXY VOTING BY THE CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

CORPORATE REPRESENTATIVES

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

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Brisbane time) on Saturday, 21 October 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

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



BY MAIL

ERM Power Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATIONS PREFERENCE

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



ONLINE

www.linkmarketservices.com.au

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

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



ERM Power Limited
ABN 28 122 259 223

LODGE YOUR QUESTIONS



ONLINE

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X99999999999

Please use this form to submit any questions about ERM Power Limited ("the Company") that you would like us to respond to at the Company's 2017 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum. If your question is for the Company's auditor it should be relevant to the content of the auditor's report, or the conduct of the audit of the financial report.

This form must be received by the Company's share registrar, Link Market Services Limited, by **Monday, 16 October 2017**.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible and, where appropriate, will give a representative of the Company's auditor, the opportunity to answer written questions submitted to the auditor. 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.

My question relates to *(please mark the most appropriate box)*

Question 1

☐

Performance or financial reports

☐

A resolution being put to the AGM

☐

General suggestion

☐

Remuneration Report

☐

Sustainability/Environment

☐

Other

☐

My question is for the auditor

☐

Future direction

Question 2

☐

Performance or financial reports

☐

A resolution being put to the AGM

☐

General suggestion

☐

Remuneration Report

☐

Sustainability/Environment

☐

Other

☐

My question is for the auditor

☐

Future direction

QUESTIONS