

Millennium Services Group Limited
(ASX: MIL)

21 October 2021

Performance Rights Plan

Millennium Services Group Ltd (ASX:MIL) (**MIL** or **Company**) provides the following information about proposed new short-term and long-term incentive arrangements for directors and senior executives.

Remuneration principles

The Company has identified the need to better align incentive compensation with long term growth in shareholder value.

This is proposed to be achieved in two ways:

- For non-executive directors and senior executives with broad responsibilities for overall business growth - the introduction of a long-term incentive plan which is focussed on total shareholder return over a three-year period.
- For other executives, and executive directors – annual short-term incentives with stretch targets that are focussed on the generation of profitable new business in their area of direct responsibility, as well as the maintenance and growth of existing business.

The Company proposes to take an approach to executive remuneration which decreases the proportion of fixed pay, while increasing the amount of variable pay available on achieving stretch key performance indicators.

Performance Rights Plan

The Company proposes to issue performance rights to its non-executive directors and certain senior executives under the Company's existing Omnibus Equity Plan (**Plan**).

The performance rights are to be granted to the following eligible participants under the Plan in the following amounts:

- 850,000 performance rights to Chairman Stuart Grimshaw;
- 600,000 performance rights each to directors Rohan Garnett and Darren Perry;
- 600,000 performance rights to Chief Executive Officer Scott Alomes; and
- 300,000 performance rights to Chief Financial Officer Michael Constable.

An additional 600,000 units will be available for allocation to other eligible participants. No decision has been made to grant these additional units at this time.

The proposed issue of the performance rights to the Company's directors is subject to the Company obtaining shareholder approval under Listing Rule 10.14, which will be sought at the Company's upcoming annual general meeting.

The performance rights have a nil issue price and will vest upon the achievement of certain milestones during the period of 1 January 2022 to 31 December 2024 (**Performance Period**). The milestones are a combination of total shareholder return (**TSR**) over the performance period (as to 40%), relative TSR over the performance period (as to 30%) and annual threshold performance goals (as to 30%).

The milestones are set out more fully in Appendix A.

All Performance Rights give the recipient the right to acquire one Share, expire on 31 January 2025 and have an accelerated vesting on a change of control event at any time up to their expiry. The terms of the Performance Rights are more fully set out in Annexure A to this announcement.

An Appendix 3B accompanies this announcement in relation to the proposed issue of the Performance Rights, and an Appendix 3G will follow upon the issue of the Performance Rights.

The full rules of the Plan can be found at <https://millenniumsg.com/investor/governance/>

Authorised for release by the Board of Directors.

For further information please contact
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ANNEXURE A – PERFORMANCE RIGHTS VESTING MILESTONES

The Performance Rights issued will vest and convert into Shares if, over the 3-year measurement period of 1 January 2022 to 31 December 2024 inclusive (**Performance Period**), the performance measures set out below are achieved:

Total Shareholder Return (“TSR”)

Vesting of the Performance Rights issued will be based on a TSR calculation. The TSR calculation for the Performance Period will be determined by comparing TSR at the end of the Performance Period (**End TSR**) as compared to a volume weighted average price over 60 days on which trades in Shares occurred prior to the date on which invitations for the Performance Rights are sent to recipients (**Base TSR**).

TSR Calculation

TSR at the end of the Performance Period is calculated as follows:

$$\text{End TSR} = (B - A + C) / A$$

Where:

A = Base TSR

B = the Share price at the end of the Performance Period (closing price quoted on ASX on 31 December 2024)

C = Dividends paid over the Performance Period

Absolute TSR – 40% weighting

The vesting scale for Performance Rights subject to the Absolute TSR is as follows:

Absolute TSR Milestone	Performance Rights Vesting
50% increase in End TSR to Base TSR	10%
75% increase in End TSR to Base TSR	10%
100% increase in End TSR to Base TSR	10%
125% increase in End TSR to Base TSR	10%

Relative TSR – 30% weighting

The Company's End TSR calculated above must be positive over the Performance Period in order for the Performance Rights to vest. If the End TSR is positive, the End TSR will then be compared against the TSR of companies within the S&P/ASX 200 Industrials Index [XNJ] (**Industrials Index**) at the end of the Performance Period to determine if the following vesting conditions have been met and if the vesting scales outlined below apply (**Relative TSR**).

The vesting scale for the Performance Rights subject to the Relative TSR is as follows:

Relative TSR Criteria	Performance Rights Vesting
Less than 50% percentile	Nil
At 50%	Nil
Between 50% and 75%	10%
Greater than 75%	20%

Annual Financial Targets – 30% weighting

If, in each year of the Performance Period, the following Milestones are met, 10% of the Performance Rights will vest for each such year:

- a) the Company reaching and continuing to achieve a normalised EBITDA figure (as determined by the board, acting reasonably) of at least \$8,000,000 for the year;
- b) the Company recording a positive net asset figure in its audited accounts for the relevant financial year; and
- c) the Company being and remaining in compliance with all banking covenants during the year.

Milestone outperformance

If, at the expiry of the Performance Period:

- a) there is at least a 150% increase in the End TSR compared to the Base TSR; and
- b) the Company's Relative TSR is in the top quartile relative to the Industrials Index,

then the Participant will be entitled to receive additional Performance Rights totalling 25% of the TSR-weighted Performance Rights already received (that is, 25% of 70%), which will be deemed vested, subject to any required regulatory or shareholder approvals.

Lapsing

If the any of the above hurdles are not met at the expiry of the Performance Period, the balance of any unvested rights lapse.