



13 October 2015

Dear Shareholder,

**Re: ANNUAL GENERAL MEETING 2015**

I have pleasure in inviting you to attend our 2015 Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business. The meeting will be held at The Institute of Chartered Accountants, 33 Erskine Street, Sydney on Wednesday 18 November 2015 at 10.30am.

The 2015 Annual Report may be viewed on our website at **[www.saunders-international.com.au](http://www.saunders-international.com.au)**. A hard copy has been mailed to you if you have requested a copy by mail.

Whether you plan to attend the AGM or not, you are encouraged to vote either directly or to appoint a proxy.

Voting may be conducted online by following the instructions on the enclosed Voting Form. Alternatively the Voting Form should be returned in the envelope provided or faxed to our Share Registry on (02) 9287 0309 so that it is received by 10:30am on Monday 16 November 2015.

I look forward to your attendance at the meeting.

Yours sincerely,  
Saunders International Limited

T J Burnett  
Chairman



ABN 14 050 287 431  
PO Box 281 Condell Park NSW Australia 2200  
271 Edgar Street Condell Park NSW Australia 2200

**SAUNDERS INTERNATIONAL LIMITED**

Phone: (02) 9792 2444 Fax: (02) 9771 2640  
E-Mail: [mail@saunders-international.com.au](mailto:mail@saunders-international.com.au)  
Web: [www.saunders-international.com.au](http://www.saunders-international.com.au)



## **NOTICE OF ANNUAL GENERAL MEETING**

Wednesday 18 November 2015

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Shareholders of Saunders International Limited (ABN 14 050 287 431) (the Company) will be held at The Institute of Chartered Accountants, 33 Erskine Street, Sydney on Wednesday 18 November 2015 at 10.30am.

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

### **AGENDA**

#### **Ordinary Business**

##### **FINANCIAL STATEMENTS AND REPORTS FOR 2015**

To receive and consider the Financial Statements of the Company for the year ended 30 June 2015, consisting of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, the Directors' Report, the Directors' Declaration and the Independent Auditors' Report.

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

##### **RESOLUTION 1 – Non Binding Resolution to Adopt the Remuneration Report**

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

*"That pursuant to and in accordance with section 250R(2) of the Corporations Act, the Remuneration Report as contained within the Director Report be adopted."*

##### **Voting Exclusion Statement**

The *Corporations Act* prohibits any votes being cast on Resolution 1 by or on behalf of a person who is disclosed in the Remuneration Report as a member of the key management personnel (KMP) of the Company (including the Directors and the Chairman) or a closely related party of that KMP. However, such a person may cast a vote on Resolution 1 as a proxy for a person who is permitted to vote if:

- the appointment of the proxy specifies the way in which the proxy is to vote on the resolution; or
- such a person is the Chairman of the meeting, and the appointment of the proxy expressly authorises the Chairman of the meeting to exercise the undirected proxies even if the resolution is connected with the remuneration of a member of the KMP.

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

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

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

## **RESOLUTION 3 – Election of Mr. Greg Fletcher as a Director**

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

*“To elect as a Director of the Company, Mr. Greg Fletcher, who was appointed as a Director since the last Annual General Meeting, and being eligible, offers himself for election.”*

## **RESOLUTION 4 – Re-adoption of the Saunders Employee Share Plan**

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

*“That, for the purposes of Listing Rule 7.2 Exception 9, the Corporations Act S260C (4) and for all other purposes, the Saunders Employee Share Plan (“Share Plan”), a summary of which is included in the Explanatory Memorandum, and resultant issues of shares under it and any financial assistance resulting from the operation of the Share Plan, be approved.”*

## **RESOLUTION 5 – Approval of the Saunders Performance Rights Plan**

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

*“That, for the purposes of Listing Rule 7.2 Exception 9, the Corporations Act S260C (4) and for all other purposes, the Saunders Performance Rights Plan (“Rights Plan”) and any grants of Rights (as defined in the Plan) and any resultant issues of shares that result from the exercising of Rights under the Rights Plan, as well as any financial assistance resulting from the operation of the Rights Plan, as described in the Explanatory Notes to this Notice of Meeting, be approved.”*

## **RESOLUTION 6 – Approval for the Issuing of Shares under the Saunders Employee Share Plan to the Managing Director**

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

*“That approval is given for the issue of shares in the Saunders Employee Share Plan to the Managing Director under the terms of that Plan for the purposes of Listing Rule 10.14 and for all other purposes as described in the Explanatory Statement”*

## **RESOLUTION 7 – Approval for the Granting of Performance Rights under the Saunders Performance Rights Plan to the Managing Director**

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

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

### **Voting Exclusion Statement**

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 4, 5, 6 and 7 by or on behalf of any director who is eligible to participate in the Saunders Employee Share Plan and/or the Saunders Performance Rights Plan or any of their associates. The Company need not disregard a vote if it is cast:

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

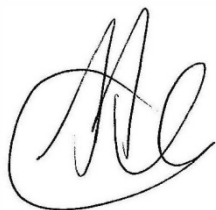
In addition, pursuant to the *Corporations Act*, the Company's KMP and their closely related parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless the appointment of the proxy either:

- specifies the way the proxy is to vote on the resolution; or
- expressly authorizes the Chairman of the meeting to exercise the undirected proxies even if the resolution is connected with the remuneration of a member of the KMP.

### **OTHER BUSINESS**

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

BY ORDER OF THE BOARD



**Steven Dadich**  
Company Secretary

Dated: 13 October 2015

### **ENTITLEMENT TO VOTE**

For the purpose of the Corporations Act 2001, the Company has determined that members holding ordinary shares at 7.00pm AEDT on Monday 16 November 2015 will be entitled to attend and vote at the AGM.

### **SHAREHOLDER VOTING FORM**

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

# EXPLANATORY STATEMENT

---

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting of the Company convened for Wednesday 18 November 2015 commencing at 10.30am.

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

## FINANCIAL STATEMENTS AND REPORTS 2015

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial Statements and Reports for the financial year that ended 30 June 2015. Copies of these Statements and Reports are contained in the Annual Report which is available on the Saunders website - [www.saunders-international.com.au](http://www.saunders-international.com.au)

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

## RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive directors, executive directors and senior executives and is set out in the Company's 2015 Annual Report. The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

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

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

**Recommendation:** The directors recommend that Shareholders vote in favour of Resolution 1.

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

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

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

Information on Mr Burnett is as follows:-

Timothy Burnett – Mr Burnett has over 38 years of experience in the management of engineering and construction projects and companies, of which 15 years was spent as managing Director of Saunders. Prior to joining Saunders, he was a senior manager with Brown & Root Inc. for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia.

Mr Burnett has a Bachelor of Engineering (Civil) degree from Melbourne University and a MBA degree from Harvard University.

Mr Burnett has been a director of Saunders since 1990.

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

## RESOLUTION 3 – ELECTION OF MR. GREG FLETCHER AS A DIRECTOR

Mr Fletcher was appointed as a director by the Board on 1 July 2015. In accordance with Rules 8.1 and 8.2 of the Company's Constitution, the Board can appoint a person to be a director, either to fill a casual vacancy or in addition to the existing directors. However, any director so appointed by the Board holds office until the next general meeting of the Company. Accordingly, Mr Fletcher is required to retire at the Annual General Meeting and being eligible, offers himself for election as a director.

Information on Mr Fletcher is as follows:-

Greg Fletcher – Mr Fletcher, BComm, is a company director having retired from the Deloitte partnership in 2009 to take on board roles. He is an independent director of ASX listed companies Yancoal Limited and WDS Limited and is the chairman of privately owned SMEG Australia Pty Ltd. He is the chairman of the Audit and Risk Committee of a number of government-owned businesses and entities.

Mr Fletcher has been a director of Saunders since 1 July 2015.

**Recommendation:** The directors (excluding Mr Fletcher) recommend that shareholders vote in favour of Resolution 3.

#### **RESOLUTION 4 – RE-ADOPTION OF THE SAUNDERS EMPLOYEE SHARE PLAN**

The Saunders Employee Share Plan was previously approved by shareholders at the 2011 Annual General Meeting. The purpose of this resolution, seeking re-adoption of the Saunders Employee Share Plan, is to comply with ASX Listing Rule 7.2 (Exception 9). Shares issued under an employee share plan are exempt from ASX Listing Rule 7.1 (15% limit on shares issued without shareholder approval) if they are issued under a plan which has been adopted or re-adopted by shareholders within the prior 3 years.

A summary of the terms of the Saunders Employee Share Plan are as follows:-

Eligible employees, being permanent full or part time employees, are invited to participate in the plan. Participation and the number of shares to be issued to each employee will be approved by and at the discretion of the Board.

Shares issued under the plan are held on trust for the benefit of the eligible employees. The Saunders Employee Share Plan Trust operates for this sole purpose. Saunders Employee Share Plan Pty Ltd ACN 150 949 009 is the trustee of the Saunders Employee Share Plan Trust.

The shares will not vest and be transferred to an employee until the expiry of 4 years of service with the Company from the date of grant of the shares (or such other period as the Board may determine) except in the case of special circumstances.

The Company will provide a loan to eligible employees to acquire shares at market value. The loan will be secured by the shares acquired by the eligible employees and will be on a non-recourse and interest free.

The loan is repayable by the employee when the shares are transferred out of the trust to the employee. The shares issued under the plan rank equally in all respects of the Company's existing ordinary fully paid shares including eligibility for dividends.

If a plan shareholder's employment with the Company is terminated prior to the 4th anniversary of the issue of the shares, the shares are to be forfeited and the Company will repay to the terminating employee the original subscription price for the shares and the employee will be required to use the funds to repay any outstanding loan to the Company.

The Managing Director and any Executive Directors will be eligible to participate in the plan in appropriate circumstances determined by the Board and subject to any shareholder approval that would be required. Non-executive Directors are not eligible to participate in the plan.

Since the 2011 AGM, a total of 995,000 shares have been issued on behalf of employees and after forfeitures there remain 830,000 shares on behalf of 22 employees in the Saunders Employee Share Plan Trust. None of these have reached the 4 year vesting period.

The board of the Company strongly believes that share ownership by employees fosters a long term alignment of objectives between shareholders and employees. The Saunders Employee Share Plan provides the mechanism for employees to acquire shares and the 4 year vesting condition facilitates the Company's goal to retain valuable employees.

**Recommendation:** The non-executive directors are not eligible to participate in the Plan and they recommended that Shareholders vote in favour of this resolution.

## RESOLUTION 5 – APPROVAL OF THE SAUNDERS PERFORMANCE RIGHTS PLAN

Resolution 5 seeks shareholder approval for the Saunders (Saunders, the Company) Performance Rights Plan (Plan).

Senior executive remuneration is determined by the non-executive members of the Board (the board of Saunders), having consideration for the roles and responsibilities and contributions of individual senior executives as well as relevant market comparable remuneration packages. It is the view of the non-executive directors of the Board that it is in the interests of Shareholders for selected senior executives (the Participants) to receive part of their total remuneration packages (TRPs) in the form of at-risk securities that will vest based on performance against indicators that are linked to shareholder benefit (Vesting Conditions) during a specified Measurement Period (as defined under the Plan Rules).

This Plan is designed to form a significant component of at-risk remuneration of selected senior executives and to create alignment between shareholder benefit and the remuneration. As such, it serves a more targeted and somewhat different purpose to the Saunders Employee Share Plan which is the subject of Resolution 4. If approved, grants under the Rights Plan will facilitate Saunders providing appropriate, competitive and performance-linked remuneration to senior executives. The non-executive members of the Board seek to ensure that grants to senior executives are made at levels that will appropriately position their TRPs in the market, in accordance with the Company's remuneration policies. The Board regularly reviews market positioning, the elements and mix of remuneration for senior executives to ensure remuneration remains reasonable, within the range of market practices, and is appropriate to the circumstances of the Company.

Approval of the Plan is also sought in order to preserve the 15% limit on new share issues that may be made in each year without shareholder approval. If passed, the approval will exclude from the calculation of the limit any shares that are issued under the Plan on exercise of rights that were granted under the Plan, during the subsequent three (3) years (Listing Rule 7.2 exception 9).

Section 260A of the Corporations Act restricts the circumstances in which financial assistance may be provided to a person for the purposes of acquiring Shares. Section 260C (exemption 4) exempts assistance that arises under a shareholder approved employee share scheme. Therefore Saunders seeks that approval from Shareholders (shareholders of Saunders).

Non-executive directors are not eligible to participate in the Plan.

As at the date of this Notice of Meeting, no rights have been issued under the Plan.

The main features of the Plan are summarized as follows -

Aspect	Details
Instrument	<p>The Plan uses Rights which are an entitlement on vesting to the value of a Share which may be satisfied either in cash or in Shares, or a combination of cash and Shares. Generally it is expected that vested Rights would be satisfied in Shares. Rights are granted for no monetary consideration and the exercise price of a Right is nil unless otherwise determined by the Board.</p> <p>The value that will be realised is then a function of performance against indicators (Vesting Conditions) and the Share Price at the time of vesting using a 14 ASX day volume weighted average price (VWAP) calculation.</p> <p>The term of the Rights will be 5 years from their date of grant (Term). If not exercised within their Term the Rights will lapse.</p> <p>The Plan allows for three kinds of Rights which may be appropriate forms of remuneration under various circumstances, being; Performance Rights which vest when performance conditions have been satisfied, Retention Rights which vest after the completion of a period of service, and Restricted Rights which are vested but subject to disposal restrictions. It is currently anticipated that Performance Rights only will be used initially but Retention and/or Restricted Rights may be used in the future.</p>
Eligibility	<p>Employees of Saunders are eligible to participate.</p> <p>Non-executive directors are not eligible so as to ensure their independence with regards to the oversight of the Plan.</p>



Aspect	Details
Terms & Conditions	The Board has the discretion to set the terms and conditions on which it will offer Rights under the Plan, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Performance Rights offered will be subject to Vesting Conditions which are intended to be challenging and linked to growth in shareholder value. The terms and conditions of the Plan include those aspects legally required as well as a method for calculating the appropriate number to vest in the circumstances of a change of control, a major return of capital to Shareholders and the treatment of Rights in the circumstances of various forms of termination.
Number of Rights	The number of Rights to be offered will be at the discretion of the Board. It is intended that the number of Rights to be granted will be determined annually with regard to the Participant's Total Fixed Remuneration, relevant market practices and the relevant policies of the Company regarding their remuneration.
Measurement Period	The Measurement Period may be determined by the Board as part of each offer, but is initially intended to be three years (starting from the start of the financial year in which a grant is made) with no vesting prior to the end of the Measurement Period. Different Measurement Periods may be applied when warranted.
Vesting Conditions	<p>Vesting Conditions are to be determined by the Board as part of each offer, however the conditions selected are intended to create alignment with the experiences and expectations of Shareholders over the Measurement Period.</p> <p>The Board retains discretion to vary vesting including if it forms the view that the level of vesting that would otherwise apply would be inappropriate in the circumstance having regard to the experience of Shareholders during the relevant Measurement Period.</p>
Exercise of Vested Rights	<p>Vested Rights may be exercised at any time within their Term by completing an exercise form and submitting it along with payment of the Exercise Price, if any, to the Company Secretary.</p> <p>On exercise of vested Rights the Board will decide to pay the value of the Rights (number of rights x Share Price) in either Company shares (Shares), cash or a combination of Shares and cash. If in Shares they may be provided directly by a new issue or via the Saunders International Limited Employee Share Trust (EST).</p>
Cessation of Employment	<p>The Plan contains provisions concerning the treatment of vested and unvested Rights in the event that a Participant ceases employment.</p> <p>If a Plan Participant ceases employment other than in Special Circumstances, all unvested Rights held by the Participant will lapse unless otherwise determined by the Board.</p> <p>If a Participant ceases employment in Special Circumstances (death, total and permanent disablement, retirement, redundancy, retrenchment and other company initiated terminations for other than cause) the Rights that were granted to the Participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain "on foot", subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the Share Price has increased since the beginning of the Measurement Period. Remaining Rights would either lapse or some or all may vest at the Board's discretion.
Voting and Dividend Rights	Rights do not carry voting or dividend entitlements. Shares issued when Rights vest carry the rights and entitlements of Shares, including voting and dividend rights.
No Transfer of Rights	Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered except where the transfer is effected by operation of law.
Quotation	Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Plan, in accordance with the ASX Listing Rules.

Aspect	Details
Variation of Terms and Conditions	To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the Plan. This includes varying the number or terms of securities to which a Participant is entitled in the case of a reorganisation of capital or bonus issues such that the participant will neither be advantaged nor disadvantaged.
Issue or Acquisition of Shares	Shares allocated to a Participant when Rights are exercised may be issued by the Company or acquired on or off market by the Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the plan.
Cost and Administration	The Company will pay all costs of issuing and acquiring Shares for the purposes of satisfying exercised Rights, as well as any brokerage on acquisitions of Shares for this purpose and all costs of administering the Plan.
Other Terms of the Plan	The Plan also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the Plan.
Hedging	The Company prohibits the hedging of Rights and Shares subject to dealing restrictions by Participants.
Lapse and Forfeiture of Rights	Rights will lapse if they are unvested and there is no possibility for them to vest.

**Recommendation:** The non-executive directors are not eligible to participate in the Plan and they recommended that Shareholders vote in favour of this resolution.

## **RESOLUTION 6 – APPROVAL FOR THE ISSUING OF SHARES UNDER THE EMPLOYEE SHARE PLAN TO THE MANAGING DIRECTOR**

The Company is seeking shareholder approval for the Issuing of 400,000 Shares under the existing Saunders Employee Share Plan (See Resolution 4 above) to Mr Mark Benson, the Managing Director.

The board of the Company consider that it is important that the Managing Director should be a shareholder of the Company from the commencement of his appointment in order to create alignment between him and the shareholders. As part of an industry competitive remuneration package, the Company committed to this share issue to attract the best candidate for the role.

ASX Listing Rules 10.4 requires the Company to obtain shareholder approval for the issue of securities to a director under an employee incentive scheme. Chapter 2E of the Corporations Act requires the Company to seek shareholder approval for a financial benefit to a related party of the Company.

**Recommendation:** The non-executive directors recommend that the shareholders vote in favour of this resolution.

## RESOLUTION 7 - APPROVAL FOR THE GRANTING OF PERFORMANCE RIGHTS TO A DIRECTOR

The Saunders Performance Rights Plan (Plan) is to be used for the proposed granting of Rights to Mr Mark Benson, Managing Director. Details of the Plan are presented in the Explanation Statement relating to Resolution 5. The Plan has been designed to facilitate the Company moving towards best practice remuneration structures for executives. A key component of effective remuneration for executives is a long term incentive to support retention, drive shared performance objectives and link remuneration to company performance.

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

The features of the proposed offer of Performance Rights to the Managing Director in the period to 30 June 2016 are as follows

Approval is sought to grant the following Performance Rights. The tranches 3 to 6 with Measurement Periods of less than 3 years are designed to provide a phase-in at-risk remuneration component and it is intended that future grants will have 3 year Measurement Periods.

Tranche	Maximum as % of Total Fixed Remuneration	Maximum Number of Performance Rights	Measurement Periods Commencing in FY2016	Vesting Condition
1	20%	496,278	3 years	RTSR
2	20%	496,278	3 years	NEPSG
3	10%	215,983	2 years	RTSR
4	10%	215,983	2 years	NEPSG
5	10%	191,205	1 year	RTSR
6	10%	191,205	1 year	NEPSG
Total	80%	1,806,932		

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

The Black-Scholes formula is used for calculating the maximum number of Performance Rights to be granted

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

**RTSR Tranches:** RTSR will be measured by comparing the Company's TSR over the Measurement Period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX at the end of the Measurement Period. Total shareholder return (TSR) is the percentage return generated from an investment in a company's shares over the Measurement Period assuming that dividends are reinvesting into the company's shares. For the phase-in tranches where the Measurement Period is less than 3 years, performance may also be evaluated by the board's assessment of the establishment of strategic foundations for superior TSR over the long term.

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

**NESPG Tranches:** NESPG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2016) to normalised EPS for the final year of the Measurement Period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion. For the phase-in tranches where the Measurement Period is less than 3 years, performance may also be evaluated by the board's assessment of the establishment of strategic foundations for superior NESPG over the longer term.

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

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

No grants of Performance Rights under the Plan have been made previously.

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

If approved, the Performance Rights will be issued to Mr Benson no later than 30 June 2016.

**Recommendation:** The non-executive directors recommend that shareholders vote in favour of this resolution.



Saunders International Limited

ABN 14 050 287 431

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

Saunders International Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

02 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: 1300 554 474



X99999999999

## VOTING FORM

I/We being a member(s) of Saunders International Limited and entitled to attend and vote hereby appoint:

STEP 1 Please mark either A or B

**A**

### VOTE DIRECTLY



elect to lodge my/our  
vote(s) directly (mark box)



in relation to the Annual General Meeting of the Company to be held at **10:30am on Wednesday, 18 November 2015**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

**B**

### 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 **10:30am on Wednesday, 18 November 2015 at The Institute of Chartered Accountants, 33 Erskine Street, Sydney (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolution 1:** 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 Resolution 1, even though the Resolution is 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 item of business.**

## 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 ☒

STEP 2

### Resolutions

For Against Abstain\*

1 Adoption of Remuneration Report

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2 Re-election of Mr. Timothy Burnett as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

3 Election of Mr. Greg Fletcher as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

4 Re-adoption of the Saunders Employee Share Plan

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

5 Approval of the Saunders Performance Rights Plan

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

6 Approval for the Issuing of Shares under the Saunders Employee Share Plan to the Managing Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

7 Approval for the Granting of Performance Rights under the Saunders Performance Rights Plan to the Managing Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



\* 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.

STEP 3

## SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

<input type="text"/>
----------------------

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

<input type="text"/>
----------------------

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

<input type="text"/>
----------------------

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).

SND PRX501G



## HOW TO COMPLETE THIS SHAREHOLDER VOTING 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.**

### VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

### VOTING UNDER BOX B – 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

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Resolution is 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 Voting 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:

- on each of the first Voting Form and the second Voting 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
- 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](http://www.linkmarketservices.com.au).

### LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Monday, 16 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

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



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Voting 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 Voting Form).



#### BY MAIL

Saunders International Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

02 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)

**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.**