

THE ENVIRONMENTAL GROUP LIMITED

ABN 89 000 013 427

**NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY
MEMORANDUM**

TAKE NOTICE that the Annual General Meeting of Shareholders of The Environmental Group Limited will be held at the time, date and place specified below:

Time: 11.00am

Registration: 10.30am

Date: 13 November 2019

Place: Quest Hotel, 5 Acacia Place, Ferntree Business Park Dr, Notting Hill, Victoria 3168

NOTICE OF ANNUAL GENERAL MEETING 2019

Notice is given that the 2019 Annual General Meeting of Shareholders of The Environmental Group Limited will be held at 11.00am (AEDT) on Wednesday 13 November 2019 at Quest Hotel, 5 Acacia Place, Ferntree Business Park Dr, Notting Hill, Victoria 3168 for the purpose of transacting the following business:

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive the Financial Statements, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 30 June 2019.

Resolution 1: Adoption of Remuneration Report

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

"That the Company adopt the Remuneration Report for the year ended 30 June 2019 in accordance with Section 250R(2) of the Corporations Act".

Note: This Resolution is advisory only and does not bind the Company or the Directors.

Voting Exclusion Statement:

In accordance with sections 250BD(1) and 250R(4) of the Corporations Act, no member of the Key Management Personnel (KMP) of the Company, details of whose remuneration are included in the Remuneration Report, or a member of the KMP of the Group at the date of the Meeting acting as a Closely Related Party of any such member may vote on Resolution 1.

However, in accordance with the Corporations Act, a person described above may vote on Resolution 1 if:

- a. It is cast by such person for a person who is permitted to vote, in accordance with the direction specified on the Proxy Form how to vote; or
- b. It is cast by the Chair of the Meeting as proxy for a person who is permitted to vote, in accordance with an express direction specified on the Proxy Form to vote as the proxy decides even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

If the Chair of the Meeting is appointed as a proxy for a person who is permitted to vote on Resolution 1, the Chair will vote any proxies which do not indicate on their Proxy Form the way the Chair must vote, in favour of Resolution 1.

Resolution 2: Re-Election of Director – Ellis Richardson

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

"That, Mr Ellis Richardson, being a Director, who retires in accordance the Company's Constitution and being eligible, be re-elected as a Director of the Company".

Resolution 3: Conditional Spill Resolution

Note: this Resolution will only be considered and voted on if the outcome of Resolution 1 of this Notice of Meeting is such that at least 25% of the votes cast are against the adoption of the Remuneration Report. See the Explanatory Notes for further details.

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

“That, subject to and conditional on at least 25% of the votes cast on the Resolution proposed in Resolution 1 (Adoption of Remuneration Report) being cast against the adoption of the Remuneration Report:

- A) an extraordinary general meeting of the Company (Spill Meeting) be held within 90 days after the passing of this Resolution;
- B) all of the Directors (excluding the Managing Director) of the Company in office at the time when the Board resolution to make the Directors’ Report for the financial year ended 30 June 2019 was passed, and who remain Directors at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and
- C) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote of Shareholders at the Spill Meeting.”

Voting Exclusion Statement:

In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 3:

- by or on behalf of a member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report for the year ended 30 June 2019 or a Closely Related Party of such a KMP, in any capacity; or
- as a proxy by any other person who is a member of the KMP at the time of the AGM, or by a Closely Related Party of such a KMP;

Unless the vote is cast as proxy for a person who is entitled to vote on the Resolution and:

- the vote is cast in accordance with a direction on the Proxy Form specifying how the proxy is to vote on the Resolution; or
- The vote is cast by the Chair of the Meeting and the Proxy Form expressly authorises the Chair to exercise the proxy and vote as the Chair decides even though the Resolution is connected directly or indirectly with the remuneration of members of the KMP.

BY ORDER OF THE BOARD

Andrew Bush
Company Secretary

NOTES

1. Explanatory Memorandum

The Explanatory Memorandum forms part of the Notice convening the Annual General Meeting of Shareholder of The Environmental Group Limited (**Company**) to be held at 11.00am (AEDT) on 13 November 2019 at Quest Hotel, 5 Acacia Place, Ferntree Business Park Dr, Notting Hill, Victoria 3168.

The Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the proposed resolutions. Both documents should be read in their entirety and in conjunction with each other.

2. Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company (as convenor of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7.00pm (AEDT) on 11 November 2019. This means that any Shareholder registered at 7.00pm (AEDT) on 11 November 2019 is entitled to attend and vote at the Meeting.

3. Proxies

A Shareholder entitled to attend this Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

- (a) A proxy need not be a Shareholder.
- (b) If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- (c) If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- (d) Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- (e) A Proxy Form accompanies this Notice.
- (f) Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.
- (g) If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- (h) The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- (i) If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- (j) The Proxy Form (together with any relevant authority) must be received by no later than 11.00 am (AEDT) on 11 November 2019 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).

- (k) The completed Proxy Form may be:
- Mailed to the address on the Proxy Form; or
 - Faxed to:
The Environmental Group Limited
Attention: Company Secretary
on facsimile number +61 2 9290 9655

4. Questions

In order to provide an equal opportunity for all Shareholders to ask questions of the Board, we ask you to submit in writing any questions to the Company or to the Company's auditor, McIntosh Bishop, in relation to the conduct of the external audit for the year ended 30 June 2019, or the content of its audit report. Please send questions to:

The Company Secretary, The Environmental Group
Level 1, Suite 1, 10 Ferntree Place
Notting Hill
Vic 3168

Written questions must be received by no later than 5.00pm (Melbourne time) on Thursday 4 November 2019.

Your questions should relate to matters that are relevant to the business of the Annual General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

In accordance with the Corporations Act and the Company's policy, a reasonable opportunity will also be provided to Shareholders attending the Annual General Meeting to ask questions about, or make comments upon, matters in relation to the Company including the Remuneration Report.

During the course of the Annual General Meeting, the Chairman will seek to address as many Shareholder questions as reasonably practicable and where appropriate, will give a representative of the auditor the opportunity to answer written questions addressed to it.

However, there may not be sufficient time to answer all questions at the Annual General Meeting. Please note that individual responses may not be sent to Shareholders.

5. Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative.

EXPLANATORY MEMORANDUM

Resolution 1: Adoption of the Remuneration Report

The Corporations Act requires that at a listed Company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to shareholders. However, such a resolution is advisory only and does not bind the Directors of the Company.

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. The Remuneration Report is part of the Directors Report contained in the annual financial report of the Company for the financial year ending 30 June 2019.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Voting Consequences

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report Resolution are voted against the adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a Resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company at the second annual general meeting.

If more than 50% of Shareholders vote in favour of the conditional Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors' Report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the Company is approved by the Shareholders will be the Directors of the Company.

At the Company's previous annual general meeting, the votes cast against the Remuneration Report considered at that annual general meeting were more than 25%. Accordingly, the Conditional Spill Resolution is relevant for the Annual General Meeting.

Voting Restrictions

Members of the Key Management Personnel and Closely Related Parties are restricted from voting on a Resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The voting Restriction does not apply where:

- a. It is cast by such person for a person who is permitted to vote, in accordance with the direction specified on the Proxy Form how to vote; or
- b. It is cast by the Chair of the Meeting as proxy for a person who is permitted to vote, in accordance with an express direction specified on the Proxy Form to vote as the proxy decides

even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Board Recommendation

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

Re-election and Retirement of Directors

Resolution 2: Re-Election of Director – Mr Ellis Richardson

Clause 19.3 of the Company's Constitution provides that no Director who is not a Managing Director may hold office without re-election beyond the third AGM following the meeting at which the Director was last elected or re-elected. Mr Ellis Richardson retires in accordance with clause 19.3(b) of the Company's Constitution and being eligible, offers himself for re-election. Mr Richardson was appointed as a Director of the Company on 29 November 2013.

Mr Richardson is a foundation fellow of the Institute of Company Directors, a member of the Institute of Engineers Australia and a Chartered Engineer. He has over thirty years of business experience including – CEO of Comeng, Australia's premier rolling stock manufacturer producing trams, trains and locomotives, Managing Director of Evans Deakin Industries, producers of rolling stock in addition to power stations and draglines for the mining industry and later in the venture capital industry.

Board Recommendation

The Directors unanimously (with Mr Richardson abstaining) support the re-election of Mr Richardson. Directors recommend that Shareholders vote in favour of Resolution 2.

Retirement of Director by Rotation

Clause 19.3 of the Company's Constitution provides that no Director who is not a Managing Director may hold office without re-election beyond the third AGM following the meeting at which the Director was last elected or re-elected. It is under this requirement that Mr Cartney will retire at the end of the meeting and thereby satisfy the requirement under Clause 19.3. Mr Cartney will not be seeking re-election as a Director of the Company.

ASX Listing Rule 14.5 also requires that a company must have at least one Director stand for election or re-election at each annual general meeting. This listing rule requirement is satisfied by the re-election of Mr Ellis Richardson.

Mr Cartney was first appointed as a Director of the Company in September 2014. During his appointment Mr Cartney has made a significant contribution to the Board. The Board is grateful for his services and wishes him well in his future endeavours.

Resolution 3: Conditional Spill Resolution

The Corporations Act includes a "two strikes" rule in relation to remuneration reports. The two strikes rule provides that, if at least 25% of the votes cast on the resolution to adopt the remuneration report at two consecutive annual general meetings are against adopting the remuneration report, shareholders will have the opportunity to vote on a Spill Resolution (described below) at the second annual general meeting.

At last year's annual general meeting, 73.59% of the votes cast on the resolution to adopt the remuneration report were against adopting the report (the "first strike").

Accordingly, Resolution 3 (Conditional Spill Resolution) is required to be included in this Notice of Meeting by Division 9 of Part 2G.2 of the Corporations Act because the adoption of the remuneration report contained in the Company's 2018 annual report was passed by a majority of less than 75% at the 2018 annual general meeting.

Resolution 3 is a "conditional" resolution. It will only be put to the Meeting if 25% or more of the votes cast on Resolution 1 are cast against the adoption of the Remuneration Report, which will constitute a "second strike".

If Resolution 1 passes on a majority of more than 75%, the Spill Resolution will be deemed withdrawn and any votes cast on the Spill Resolution prior to the withdrawal of the Spill Resolution will be treated as invalid.

Majority required for Spill Resolution

If the Spill Resolution is put to the Meeting the Spill Resolution will be carried if it is passed by an ordinary majority of votes cast (more than 50%). If the Spill Resolution is valid and carried, a spill meeting must be held within 90 days of the passing of the Spill Resolution (Spill Meeting). If a Spill Meeting is required, the date of the meeting will be notified to Shareholders in due course.

The Spill Meeting

If a Spill Meeting is held, pursuant to section 250V(1)(b)(i) of the Corporations Act, the Directors listed below, being the Directors (excluding the Managing Director) who were in office when the Board approved the Directors' Report for the financial year ending 30 June 2019, will cease to hold office immediately before the end of the Spill Meeting (unless they resign before the Spill Meeting):

- (i) Lynn Richardson; and
- (ii) Ellis Richardson*

*This assumes that Mr Ellis Richardson is re-elected at this Meeting pursuant to Resolutions 2.

Each of these Directors is eligible to stand for re-election at the Spill Meeting.

The Spill Meeting, if required, will be subject to a separate notice in accordance with the Constitution and the Corporations Act. Nominations for Director appointments at the Spill Meeting may be made in accordance with the Constitution and may include the Directors listed above.

A voting exclusion applies to Resolution 3. This voting exclusion will not apply to the Spill Meeting and all Shareholders will be entitled to vote on the Director appointments at the Spill Meeting.

The Board unanimously recommends that Shareholders vote **against** this Resolution.

Undirected Proxies

The Chair of the Meeting intends to vote all available undirected proxies in **favour** of Resolution 1 and 2, and **against** Resolution 3 (if this item is put to the Meeting).

GLOSSARY

Throughout this Explanatory Memorandum the following various words and phrases are capitalised and the definitions of these capitalised words and phrases are set out below:

"**Annual General Meeting**" means the meeting convened by the Notice of Meeting;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means ASX Limited (ACN 008 624 691);

"**ASX Listing Rules**" or "**Listing Rules**" means the Official Listing Rules of the ASX;

"**Board**" means the board of Directors of the Company;

"**Chairman**" means chairman of the annual general meeting;

"**Closely Related Party**" of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the member's spouse;
- (c) A dependant of the member or the member's spouse;
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) A company the member controls; or
- (f) A person prescribed by the Corporation Regulations

"**Company**" or "**EGL**" means The Environmental Group Limited ABN 89 000 013 427;

"**Constitution**" means the Company's constitution;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Corporations Regulations**" means the *Corporations Regulations 2001* (Cth)

"**Directors**" means the current Directors of the Company;

"**Explanatory Memorandum**" means this Explanatory Memorandum as modified or varied by any supplementary Memorandum issued by the Company from time to time;

"**Fully Paid Ordinary Share**" means ordinary Shares or units with no outstanding calls

"**Group**" means the Company and its controlled entities;

"**Key Management Personnel**" or "**KMP**" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

"**Meeting**" or "**Annual General Meeting**" means the annual general meeting convened by this Notice;

"**Notice**" or "**Notice of Meeting**" means the notice convening the annual general meeting of the Company to be held on 13 November 2019 which accompanies this Explanatory Memorandum;

"**Proxy Form**" means the proxy form that is enclosed with and forms part of this Notice;

"**Remuneration Report**" means the remuneration report set out in the Directors' Report section of the Company's Annual Financial Report for the year ended 30 June 2019.

"**Resolution**" means a Resolution in the form proposed in the Notice of Meeting; and

"**Shareholder**" means a registered holder of a share in the Company.

"**Shares**" means Fully Paid Ordinary Shares in the Company

"**Spill Meeting**" means a general meeting where all the Directors of the Company who were named in the remuneration report at the later AGM cease to hold office before the end of the general meeting and Resolutions to appoint new persons immediately before the end of the general meeting are put to a vote.