



# **McPherson's Limited**

ACN 004 068 419

## **Notice of Annual General Meeting and Explanatory Notes for Shareholders**

***The 2019 AGM will be held at 11.00 a.m. on Monday, 18 November, 2019***

***At the offices of Thomson Geer, Level 25, 1 O'Connell Street,  
Sydney, New South Wales***



ACN 004 068 419

## Notice of Annual General Meeting

Monday 18 November 2019

***Notice is hereby given that the Annual General Meeting of McPherson's Limited ('the Company' or 'MCP') will be held at the offices of Thomson Geer, Level 25, 1 O'Connell Street, Sydney, on Monday, 18 November 2019 at 11.00 a.m. (AEDT).***

### Agenda Items

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#### 1 Financial Statements and Reports

To consider the Financial Statements, the Directors' Report and the Auditor's Report for the Company for the year ended 30 June 2019.

#### 2 Remuneration Report

To adopt the Remuneration Report for the financial year ended 30 June 2019.

*In accordance with the Corporations Act 2001 (Cth) (**Corporations Act**), this resolution is advisory only and does not bind the Company or the directors of the Company (**Directors**). The Directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.*

#### 3 Re-election of a Director – Mr. Graham Cubbin

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

“To elect, as a director of the Company, Mr. Graham Cubbin, who retires by rotation as a director in accordance with the Company's Constitution and the ASX Listing Rules and offers himself for re-election.”

Relevant information about Mr. Cubbin is set out in the attached Explanatory Notes to this Notice of Annual General Meeting.

The Board (other than Mr. Cubbin) recommends that shareholders vote in favour of this resolution.

#### 4 Approval of Issue of Performance Rights to the Managing Director, Mr. Laurie McAllister, under the McPherson's Limited Performance Rights Plan

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

“That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.14, and for all other purposes, the grant of performance rights and shares on exercise of such performance rights to Mr. Laurie McAllister, the Managing Director of the Company, under the McPherson's Limited Performance Rights Plan and his employment contract with the Company, is approved on the terms set out in the attached Explanatory Notes to this Notice of Annual General Meeting.”

Other than Mr. McAllister, none of the other Directors has an interest in the outcome of this resolution. However, as the other Directors are "Key Management Personnel" (**KMP**) for the purposes of the Corporations Act, a voting exclusion statement applies as set out on page 14 of this Notice of Annual General Meeting. For those reasons, the Directors will not be making recommendations as to voting on this resolution.

“Key Management Personnel” or “KMP” has the same meaning as in the accounting standards and broadly speaking includes the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. The Company’s Remuneration Report for the financial year ended 30 June 2019 identifies the Company’s KMP for that financial year. Their “closely related parties” are defined in the *Corporations Act*, and include certain of their family members, dependants and companies they control.

## **5 Approval of Potential Termination Benefits**

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

“That for the purposes of sections 200B and 200E of the Corporations Act, and for all other purposes, the giving of benefits to any current or future employee who holds a managerial or executive office in the Company or a related body corporate, in connection with their ceasing to hold that office in the circumstances referred to in the attached Explanatory Notes, is approved on the terms set out in the attached Explanatory Notes to this Notice of Annual General Meeting.”

Other than Mr. McAllister (who is a current participant in the McPherson's Limited Performance Rights Plan (**PR Plan**)), none of the other Directors has an interest in the outcome of this resolution. However, as the other Directors are KMP for the purposes of the Corporations Act, a voting exclusion statement applies as set out on pages 15 and 16 of this Notice of Annual General Meeting. For those reasons, the Directors will not be making recommendations as to voting on this resolution.

## **6 Approval of Benefits on Transfer of Undertaking or Property**

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

“That for the purposes of sections 200C and 200E of the Corporations Act, and for all other purposes, the giving of benefits to any current or future employee who holds a managerial or executive office in the Company or a related body corporate, in connection with the transfer of the whole or any part of the undertaking or property of the Company in the circumstances referred to in the attached Explanatory Notes, is approved on the terms set out in the attached Explanatory Notes to this Notice of Annual General Meeting.”

Other than Mr. McAllister (who is a current participant in the PR Plan), none of the other Directors has an interest in the outcome of this resolution. However, as the other Directors are KMP for the purposes of the Corporations Act, a voting exclusion statement applies as set out on page 16 of this Notice of Annual General Meeting. For those reasons, the Directors will not be making recommendations as to voting on this resolution.

## **7 General Approval of Issue of Securities (Being Performance Rights and Shares on the Exercise of such Performance Rights) Under the McPherson's Limited Performance Rights Plan**

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

“That for the purposes of ASX Listing Rule 7.2 (Exception 9), approval is given to the issue of securities under the McPherson's Limited Performance Rights Plan on the basis set out in the attached Explanatory Notes to this Notice of Annual General Meeting.”

Other than Mr. McAllister (who is a current participant in the PR Plan), no other Director has an interest in the outcome of this resolution. However, as the other Directors are KMP, a voting exclusion statement applies as set out on page 17 of this Note of Meeting. For those reasons, Mr. McAllister and the other Directors will not be making recommendations as to voting on this resolution.

## **8 Approval of 10% Placement Capacity**

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

“That for the purposes of ASX Listing Rule 7.1A, approval is given to the issue of equity securities by the Company of up to 10% of the issued capital of the Company (at the time of issue) calculated

in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of the Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions set out in the Explanatory Notes to this Notice of Annual General Meeting."

## **Voting and Proxies**

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### ***Eligibility to Vote***

The Company has determined in accordance with the Corporations Act that for the purpose of voting at the meeting or adjourned meeting, fully paid ordinary shares in the Company (**Shares**) will be taken to be held by those persons recorded in the Company's Register of Members as at 7.00 p.m. (AEDT) on Saturday 16 November 2019.

### ***Appointment of Proxy***

Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the member. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the member's voting rights. If the member does not specify the proportion or number of the member's voting rights that each proxy is to represent, each proxy will be entitled to exercise half the member's votes. A proxy need not be a member of the Company.

A form of proxy is enclosed.

### ***Last Date to Submit Proxy Form***

In order to be valid the properly completed form of proxy must be lodged at the office of the Company's Share Registrar, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, Victoria 3001 (envelope enclosed), by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia), online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) or at the Company's offices at 105 Vanessa Street, Kingsgrove, NSW, 2208, not less than 48 hours before the time appointed for holding the meeting.

Intermediary Online subscribers only (custodian voting) may visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit their voting intentions.

### **By Order of the Board**



P.R. Bennett  
Secretary  
Dated: 17 October 2019

## Annual General Meeting - Explanatory Notes for Shareholders

### Agenda Item 1: Financial Statements and Reports

The Financial Statements, Directors' Report and Auditor's Report for MCP for the year ended 30 June 2019 will be laid before the meeting. There is no requirement for shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the operations and management of MCP. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the auditor's report.

### Agenda Item 2: Remuneration Report

The Remuneration Report of the Company for the financial year ended 30 June 2019 (**FY2019**) is set out on pages 36 to 49 of MCP's FY2019 Annual Report.

The Remuneration Report contains details of the Company's policy for determining the remuneration for Directors and senior executives. It includes information on the methodology adopted and the elements of remuneration which are fixed and those which are related to performance.

In accordance with the *Corporations Act*, this resolution is advisory only and does not bind the Company or the Directors. The Directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.

#### 2.1 Board Recommendation

Noting that each Director has a personal interest in his or her own remuneration from the Company, the Directors recommend that shareholders vote in favour of this resolution.

#### 2.2 Voting Exclusion

In accordance with the *Corporations Act*, the Company will disregard any votes cast in respect of Agenda Item 2 - Remuneration Report:

- (i) by or on behalf of a member of the KMP of the Company whose remuneration is disclosed in the Remuneration Report and a closely related party of such KMP; and
- (ii) by a proxy who is a member or a closely related party of any KMP of the Company.

However, the Company need not disregard a vote if:

- (i) It is cast by a person (including the KMP or their closely related parties) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) It is cast by a person chairing the meeting as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on this Agenda Item but expressly authorises the person chairing the meeting to exercise the proxy even if this Agenda Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company. The person chairing the meeting intends to vote all available proxies in favour of this Agenda Item.

### Agenda Item 3: Re-election of a Director – Mr. Graham Cubbin

Mr. Cubbin was appointed an independent non-executive Director of MCP on 28 September 2010, and was appointed Chairman of McPherson's Limited on 1 July 2015.

Mr. Cubbin is a member of the Board's Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.

Mr. Cubbin was a senior executive with Consolidated Press Holdings Limited (**CPH**) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, Mr. Cubbin held senior finance positions with a number of major companies, including Capita Finance Group and Ford Motor Company. Mr. Cubbin has over 20 years' experience as a director and audit committee member of public companies in both Australia and the United States.

The Directors (other than Mr. Cubbin), consider that Mr. Cubbin continues to make significant and positive contributions to the Company as a Director and Chairman, and through his membership of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.

## Board Recommendation

The Directors (other than Mr. Cubbin) recommend that shareholders vote in favour of the resolution for Mr. Cubbin's re-election.

## Agenda Item 4: Approval of Issue of Performance Rights to the Managing Director, Mr. Laurie McAllister, under the McPherson's Limited Performance Rights Plan

### 4.1 Background Information

Mr. Laurie McAllister was appointed to the position of Managing Director of McPherson's Limited with effect from the conclusion of the Company's 2016 Annual General Meeting.

In that regard the Company entered into an agreement with Mr. McAllister in relation to his appointment, employment and remuneration, and as required under the Corporations Act and the Listing Rules of the Australian Securities Exchange (**ASX Listing Rules**), shareholder approval is sought under Agenda Item 4 for certain benefits to be provided to him in connection with his position.

Under Agenda Item 7 the Company is seeking shareholder approval for the issue of securities under the PR Plan in accordance with and as provided for in the ASX Listing Rules.

Further and comprehensive details with respect to each of these two Agenda Items are set out below.

### 4.2 McPherson's Performance Rights Plan / Protection of Shareholder Interests

The issuing of performance rights is a recognised practice in Australia as part of the remuneration of senior executives. A summary of the operation and terms of the PR Plan is set out below:

- The PR Plan is open to certain senior management and executive Directors of the Company or of any subsidiary of the Company, as determined by the Board.
- The Board may invite eligible persons to participate in the PR Plan. Participation is voluntary. The Board may determine the number of performance rights to be issued under the PR Plan (**Rights**) and other terms of issue of Rights under the PR Plan.
- All Rights are granted at a nil issue price and nil exercise price unless otherwise determined by the Board and each Right enables the holder to be issued one Share upon exercise, subject to the rules governing the PR Plan (**Plan Rules**).
- Subject to the Corporations Act and ASX Listing Rules, the Company may financially assist a person to pay for the grant of a Right or pay any exercise price in respect of a Right. However, as it is intended that all Rights be granted at a nil issue price and exercise price, it is not intended that the Company will make any loans in relation to the acquisition of Rights.
- Rights holders are not permitted to participate in new issues of securities by the Company. However, adjustments may be made to the number of shares over which the Rights are granted or their exercise price to take into account changes in the capital structure of the Company that occur, including by way of pro rata and bonus issues, in accordance with the Plan Rules and the ASX Listing Rules.
- The PR Plan limits the number of Rights that the Company may issue, such that the sum of all Rights and options on issue and offered under all employee incentive schemes of the Company does not, if they are all exercised, equate to more than 5% of the ordinary shares on issue by the Company.

The PR Plan was approved by the Board on 20 September 2013.

In relation to employee incentive schemes such as the PR Plan, ASX Listing Rule 7.2 (Exception 9) provides an exception to the requirement to obtain shareholder approval each time securities are issued under the PR Plan. For this exception to apply however, the ASX Listing Rules require shareholder approval under ASX Listing Rule 7.2 (Exception 9) in respect of any issues under the PR Plan to be "refreshed" every 3 years, which is the reason for the inclusion of the proposed resolution in Agenda Item 7 (in addition to the resolution in Agenda Item 4). Shareholder approval under ASX Listing Rule 7.2 (Exception 9) was last obtained at the Company's 2016 Annual General Meeting.

As a prudent measure, with a view to safeguarding the interests of shareholders and minimising the risk of proposed (performance based) Rights remaining available to senior executives in circumstances where the Board has concluded that would be inappropriate, the Board may, in its discretion:

- Cancel or require forfeiture of some or all of a relevant executive's performance Rights;
- Adjust the executive's future performance based remuneration;
- Take legal action against the executive; and/or
- Take such other action as the Board considers appropriate in any relevant circumstances as permitted to it by law.

This clawback policy applies to awards of Rights made in the financial year commencing on 1 July 2016 and each financial year following, but not in respect of Rights awarded in any prior financial year.

#### **4.3 Issue of Performance Rights to the Managing Director, Mr. Laurie McAllister**

The Board appointed Mr. McAllister as Managing Director in 2016 and since then substantial progress has been made on reshaping and improving the business, as most recently evidenced by the FY2019 financial results. In the next stage of the Company's development, the key focus is to achieve accelerated growth from this solid foundation with a view to delivering significantly enhanced financial outcomes and additional shareholder value. Consistent with this drive for exceptional growth, the Board carefully constructed a benchmarked remuneration package designed to align Mr. McAllister's remuneration, and in particular the long term incentive component, with the expected further significant improvement in Company performance.

Under the terms of the agreement entered into by the Company in relation to Mr. McAllister's employment as Managing Director of the Company, the Company has agreed to provide certain benefits to him, subject to obtaining shareholder approval. One of those benefits is the granting of Rights to Mr. McAllister under the PR Plan.

At the Company's 2016 Annual General Meeting, shareholders approved the granting of Rights to Mr. McAllister under the PR Plan (on the terms set out in the notice convening that meeting) until 21 November 2019. Agenda Item 4 seeks shareholder approval for the further grant of Rights to Mr. McAllister under the PR Plan for the purposes of the ASX Listing Rules and the Corporations Act.

The Directors note that the grant of the Rights under the PR Plan and, correspondingly, the Company agreeing to a provision in Mr. McAllister's employment contract pursuant to which the Company commits to grant such Rights to him, constitutes the giving of a financial benefit to a related party of the Company under Part 2E.1 of the Corporations Act, which requires the approval of shareholders in general meeting.

The ASX Listing Rules also require the Company to obtain the approval of shareholders to the issue of Rights to a Director under the PR Plan.

The following additional information is accordingly provided to shareholders to enable shareholders to consider Agenda Item 4.

##### **4.3.1 Mr. McAllister's Remuneration**

Mr. McAllister's annual total remuneration package currently comprises the following elements:

- (i) Base remuneration: Mr. McAllister's base remuneration is \$740,000 per annum including superannuation, plus a motor vehicle allowance of \$50,000 per annum. Mr. McAllister's base remuneration is subject to annual review. In October 2018 the base remuneration was increased from \$700,000 to \$740,000 per annum, in each case inclusive of superannuation;
- (ii) Short Term Incentive (**STI**): Mr. McAllister is entitled to an annual cash bonus up to a maximum of 50% of base remuneration, with the STI basis unchanged since his appointment. Actual bonus payments are determined through the setting and achievement of both financial and non-financial performance criteria which are set and assessed by the Board annually; and

- (iii) Long Term Incentive (**LTI**): Mr. McAllister is awarded Rights under the PR Plan with a face value of up to a maximum of \$1 million per annum, which is unchanged since his appointment. The proportion of Rights that vest to Mr. McAllister are determined through the achievement of challenging performance measures set by the Board. If the minimum performance measures are not achieved the related Rights will lapse.

The Board considers it is important to align the Managing Director's remuneration with shareholder value creation and as such, a considerable part of Mr. McAllister's total remuneration package has been allocated to variable reward, with a particular focus on equity awards under the LTI.

If shareholders do not approve the granting of Rights to Mr. McAllister, his employment contract requires the Company to provide a comparable cash-based LTI scheme. The Board considers the grant of Rights is preferable to additional cash remuneration as vesting of these Rights, subject to the targets set being met, will more closely align the value of Mr. McAllister's remuneration with shareholder value creation.

#### **4.3.2 Rights to be Granted as a Long Term Incentive on an Annual Basis**

At the Company's 2016 Annual General Meeting, shareholders approved the annual granting of Rights to Mr. McAllister under the PR Plan until 21 November 2019. It is currently proposed that Mr. McAllister continues to be entitled to participate in the LTI scheme. If this resolution is passed, then on an annual basis, further Rights may be granted to Mr. McAllister with vesting conditional upon the achievement of certain performance conditions, as outlined below.

No Rights granted as a result of this approval will be issued on a date later than the third anniversary of the date of this Meeting i.e. after 18 November 2022.

The LTI Rights, if this resolution is passed, will be divided into two components annually which will each be subject to a separate performance hurdle, as follows:

- (i) High Level Performance (**HLP**): These Rights will be subject to a target "underlying earnings per Share compound annual growth rate" (**EPS CAGR**) hurdle, measured over a **three** year performance period;
- (ii) Exceptional Level Performance (**ELP**): These Rights will be subject to a target absolute "total shareholder return" compound annual growth rate (**TSR CAGR**) hurdle, measured over a **four** year performance period.

The following paragraphs identify the basis for determining the award of each of the two categories of LTI Rights to Mr. McAllister as referred to above, and then the conditions applicable to both, as required under the Corporations Act and the ASX Listing Rules.

##### **(i) High Level of Performance Rights (HLP Rights)**

The Company will annually grant Mr. McAllister Rights with a face value of between 35% and 50% of the total LTI opportunity. The actual allocation between HLP and ELP Rights will be determined annually by the Board based on a consideration of all relevant circumstances at the time, however the total LTI opportunity for any year will not exceed \$1 million.

Further information relating to the manner in which the number of HLP Rights granted is calculated and their conditions are set out below:

##### **(A) Number of HLP Rights to be granted**

For the 2019 grant, the number of Rights to be granted to Mr. McAllister as HLP Rights is 182,000. This number has been determined by dividing 40% of the maximum LTI opportunity (i.e. \$400,000) by the VWAP of the Company's shares on the ASX over the 20 trading days ending at close of trade on 23 September 2019 (i.e. \$2.2003 per share), rounded to the nearest thousand.

The number of Rights to be granted in each year following 2019 as Mr. McAllister's HLP Rights will be calculated by applying the following formula:

$$\text{Number of Rights} = \frac{\text{From \$350,000 to \$500,000}}{\text{VWAP of the Company's shares on the ASX over 20 trading days ending at close of trade on the day which is 2 days before the date of issue}}$$

Given that the number of Rights that may be issued to Mr. McAllister in each year following 2019 is subject to certain conditions and is calculated based on the Company's VWAP, it is not possible to determine the exact number of Rights that could be issued to Mr. McAllister in those years.

(B) *Price of HLP Rights*

The HLP Rights will be granted at nil issue price. Vested HLP Rights may be exercised at nil exercise price. No funds are expected to be raised by the issue or exercise of HLP Rights.

(C) *Performance Period*

The HLP Rights performance hurdle will be measured over a three year Performance Period. The Performance Period for the 2019 HLP Rights is 1 July 2019 to 30 June 2022. At the end of this three year period the performance conditions, as outlined below, will be tested.

(D) *Performance Conditions*

The proportion of HLP Rights that vest will be measured based on the EPS CAGR over a three year performance period. EPS CAGR was selected by the Board as an appropriate performance hurdle to ensure continued focus on growth and underlying earnings generation.

For the 2019 grant, the proportion of HLP Rights that will vest will be determined as follows:

EPS CAGR	HLP Rights that Vest
5.0% or less	0%
> 5.0 % to 10.0%	0% to 100% on a straight line basis
10.0% or more	100%

In setting EPS CAGR targets for subsequent years' grants, the Board will have regard to prevailing market factors and recent Company performance at the time of grant. Any HLP Rights granted in consequence of this approval will require a minimum EPS growth of at least 3% per annum, on a compounded basis, over the performance period before any HLP Rights may vest.

In determining EPS CAGR performance results for the Performance Period, the Board may make adjustments where it considers necessary or appropriate to reflect one off or extraordinary events. It is anticipated that the Board will only exercise discretion to ensure the LTI is not acting as a barrier to participants in pursuing opportunities that are in the long-term interests of shareholders. The Board shall only exercise discretion in a manner that rewards performance consistent with shareholder expectations and the intent and purpose of the LTI plan and EPS CAGR targets.

(E) *Performance Assessment*

Assessment of performance outcomes for the 2019 HLP Rights will be evaluated on or around 23 August 2022. The relevant proportion of Rights will vest on 26 September 2022, and will be exercisable between 26 September 2022 and 27 September 2027. Any HLP Rights not vested on 26 September 2022 or which have vested but not been exercised by 5.00pm (Sydney time) on 27 September 2027 will lapse.

For HLP Rights granted in each year following 2019 (**Relevant Year**), vesting criteria will be assessed on or around 23 August of the third year after the Relevant Year (**Third Year**). The relevant proportion of the HLP Rights granted will vest on or around 26 September of the Third Year, and will be exercisable between approximately 26 September of the Third Year and 26 September of the eighth year after the Relevant Year (**Eighth Year**). Any HLP Rights not vested on or around 25 September of the Third Year, or which have vested but not exercised by 5.00pm (Sydney time) on or around 25 September of the Eighth Year will lapse.

(ii) **Exceptional Level of Performance Rights (ELP Rights)**

The Company will annually grant Mr. McAllister certain Rights which will vest only if the Company achieves exceptional performance outcomes. The purpose of the ELP Rights is to reward the achievement of exceptional performance outcomes only and the Board has set appropriately stretching targets which must be achieved before any ELP Rights vest.

Further information relating to the manner in which the number of ELP Rights granted will be calculated and their conditions are set out below:

(A) *Number of ELP Rights to be granted*

The face value of the ELP Rights granted annually will be the balance of the maximum LTI opportunity, namely \$1 million less the face value of the HLP Rights granted in that year.

For the 2019 grant, the number of Rights to be granted as Mr. McAllister's ELP Rights is 273,000. This number has been determined by dividing \$600,000 by the VWAP of the Company's shares on the ASX over the 20 trading days ending at close of trade on 23 September 2019 (i.e. \$2.2003 per share), rounded to the nearest thousand.

The number of Rights to be granted in each year following 2019 as Mr. McAllister's ELP Rights will be calculated by applying the following formula on the date of issue:

$$\begin{array}{l} \text{Number} \\ \text{of} \\ \text{Rights} \\ = \end{array} \frac{\$1 \text{ million} - \text{face value of HLP Rights granted}}{\text{VWAP of the Company's shares on the ASX over 20 trading days ending at close of trade on the day which is 2 days before the date of issue}}$$

Given that the number of Rights that may be issued to Mr. McAllister in each year following 2019 is subject to certain conditions and is calculated based on the Company's VWAP, it is not possible to determine the exact number of Rights that could be issued to Mr. McAllister in those years.

(B) *Price of ELP Rights*

The ELP Rights will be granted at nil issue price. Vested ELP Rights may be exercised at nil exercise price. No funds are expected to be raised by the issue or exercise of ELP Rights.

(C) *Performance Period*

The ELP Rights performance hurdle will be measured over a four year Performance Period. The Performance Period for the 2019 ELP Rights is 1 July 2019 to 30 June 2023. At the end of this four year period the performance conditions, as outlined below, will be tested.

(D) *Performance Conditions*

The proportion of ELP Rights that vest will depend on the Company achieving exceptional performance as determined by the Board. In order for any ELP Rights to vest, the Company will be required to achieve a TSR CAGR over the Performance Period that exceeds a threshold set by the Board. Total shareholder return will be calculated based on movements in

the Company's share price and total dividends paid by the Company during the four year performance period.

In order for any 2019 ELP Rights to vest, the Company must achieve a TSR CAGR over the Performance Period equal to at least 15% annual return on a compound basis. Where this 15% threshold is achieved, 25% of ELP Rights will vest. Vesting will be calculated on a straight line basis with 100% of ELP Rights vesting where the TSR achieved over the Performance Period is equal to or exceeds 20% annual return on a compounded basis.

Any ELP Rights issued in consequence of this approval will vest subject to the achievement of challenging TSR CAGR performance targets to be set by the Board. In setting TSR CAGR targets for subsequent years' grants, the Board will have regard to prevailing market factors and recent Company performance at the time of grant. Any ELP Rights granted in consequence of this approval will require a minimum TSR growth of at least 10% per annum, on a compound basis, over the performance period before any ELP Rights may vest.

(E) *Performance Assessment*

For the 2019 ELP Rights, performance criteria will be assessed on or around 23 August 2023. The relevant proportion of the ELP Rights granted will vest on or around 25 September 2023, and will be exercisable between approximately 25 September 2023 and 25 September 2028. Any ELP Rights not vested on 25 September 2023 or which have vested but not exercised by 5.00pm (Sydney time) on 25 September 2028 will lapse.

In respect of the ELP Rights proposed to be granted in each year following 2019 (**Relevant Year**), achievement of the applicable vesting criteria will be assessed on or around 23 August of the fourth year after the Relevant Year (**Fourth Year**). The relevant proportion of the ELP Rights granted will vest on or around 25 September of the Fourth Year, and will be exercisable between approximately 25 September of the Fourth Year and 25 September of the ninth year after the Relevant Year (**Ninth Year**). Any ELP Rights not vested on or around 25 September of the Fourth Year, or which have vested but not exercised by 5.00pm (Sydney time) on or around 25 September of the Ninth Year will lapse.

(iii) **Conditions Applicable to the Vesting of Both HLP Rights and ELP Rights**

The Company's agreed arrangement with Mr. McAllister to issue him HLP Rights and ELP Rights in 2019 is subject to approval by the Company's shareholders (i.e. the passing of the resolution set out in Agenda Item 4).

Further:

- (A) The Company's agreed arrangement with Mr. McAllister to issue Rights to him in each year following 2019 is subject to the following conditions being satisfied:
  - (I) approval by the Board to the number of such Rights and the issue of such Rights to Mr. McAllister in each year after 2019;
  - (II) Mr. McAllister continuing to be the Managing Director of the Company;
  - (III) the passing of the resolution set out in Agenda Item 4; and
  - (IV) approval by the Company's shareholders of the grant of Rights to Mr. McAllister for the purposes of the ASX Listing Rules being "refreshed" every 3 years.
- (B) Each Right will entitle Mr. McAllister to subscribe for one ordinary share subject to the Plan Rules.
- (C) The Rights to be granted in 2019, 2020 and 2021 will be issued not more than 3 years after the date of the Company's 2019 Annual General Meeting.

#### 4.4 Company's Share Trading History

The trading history of the Company's shares on the ASX in the 12 months to 23 September 2019 is as follows:

	Price	Date
Highest closing price	\$2.260	16 September 2019
Lowest closing price	\$1.035	16 April 2019
Last closing price	\$2.210	23 September 2019

#### 4.5 Valuation of the Financial Benefit

The total indicative value of the Rights to be issued to Mr. McAllister at the date the offer of the Rights was made (25 September 2019) has been determined to be \$736,190 adopting a discounted cash flow methodology for the HLP Rights and a Monte-Carlo simulation based on the Black-Scholes methodology for the ELP Rights. In calculating the value of these Rights, the following inputs were used:

Valuation date	25 September 2019
Share price on the valuation date	\$2.45
Vesting date – HLP Rights	26 September 2022
Vesting date – ELP Rights	25 September 2023
Dividend yield per annum	6.0%
Risk free rate (applies to ELP Rights only)	0.7%
Volatility (applies to ELP Rights only)	38%
Indicative value per Right – HLP Rights	\$2.05
Indicative value per Right – ELP Rights	\$1.33
Total value of Rights to be issued	\$736,190

#### 4.6 Mr. McAllister's Current Interest in the Company's Securities

Mr. McAllister holds no interests in Shares in the capital of the Company.

Mr. McAllister has an interest in Rights issued to him in 2016, 2017 and 2018 in accordance with the approval of shareholders granted in November 2016 (**Previous Rights**). Details of Previous Rights held by Mr. McAllister at the date of this Notice of Annual General Meeting are as follows:

Date of Grant	Type of Rights	Number of Rights	Vesting Criteria	Term (Years)	Assessment Date	Exercise Period Earliest	Exercise Period Latest	Expiry Date	Current Status
21-Nov-16	Commencement	263,000	NA	1	NA	01-Nov-19	01-Nov-24	01-Nov-24	Vested
21-Nov-16	ELP Rights	590,000	TSR CAGR	4	24-Sep-20	24-Sep-20	25-Sep-25	25-Sep-25	Unvested
21-Sep-17	HLP Rights	235,000	EPS CAGR	3	25-Aug-20	25-Sep-20	25-Sep-25	25-Sep-25	Unvested
21-Sep-17	ELP Rights	436,000	TSR CAGR	4	24-Aug-21	25-Sep-21	25-Sep-26	25-Sep-26	Unvested
25-Sep-18	HLP Rights	214,000	EPS CAGR	3	17-Aug-21	25-Sep-21	25-Sep-26	25-Sep-26	Unvested
25-Sep-18	ELP Rights	398,000	TSR CAGR	4	16-Aug-22	25-Sep-22	25-Sep-27	25-Sep-27	Unvested
Total Previous Rights		<b>2,136,000</b>							

#### 4.7 Impact of Issue of Rights to Mr. McAllister

If Mr. McAllister's Previous Rights and 2019 Rights vest and are exercised, it is expected that such exercise will have a small dilutionary effect on existing shareholders' interests, as follows:

- (i) If all of the Previous Rights granted to Mr. McAllister should fully vest and were exercised, based on the current number of issued shares in the Company, he would hold an interest in approximately 1.96% of the issued shares in the Company on a fully diluted basis, as illustrated in the following table:

MCP ordinary shareholder	Before conversion of Previous Rights to be issued to Mr. McAllister <sup>2</sup>		After conversion of Previous Rights to be issued to Mr. McAllister <sup>2,3</sup>	
	Number of MCP ordinary shares	Percentage of total MCP ordinary shares <sup>1</sup>	Number of MCP ordinary shares	Percentage of total MCP ordinary shares <sup>1</sup>
Laurie McAllister and his associates	Nil	Nil %	2,136,000	1.96%
All MCP ordinary shareholders other than Laurie McAllister and his associates	106,841,557	100.0%	106,841,557	98.04%
<b>TOTAL</b>	106,841,557	100.0%	108,977,557	100.0%

Notes:

1. Approximate figures.

2. Assuming the Company does not issue any other equity securities, and assuming neither Mr. McAllister nor his associates acquire any other equity securities in the Company.

3. Assuming all the Previous Rights held by Mr. McAllister become fully vested and are exercised on a one-for-one basis.

- (ii) If all of the Previous Rights granted and the Rights proposed to be granted to Mr. McAllister in 2019 fully vest and were exercised, based on the current number of issued shares in the Company, he would hold an interest in approximately 2.37% of the issued shares in the Company on a fully diluted basis, as illustrated in the following table:

MCP ordinary shareholder	Before conversion of Previous Rights and 2019 Rights to be issued to Mr. McAllister <sup>5</sup>		After conversion of Previous Rights and 2019 Rights to be issued to Mr. McAllister <sup>5,6</sup>	
	Number of MCP ordinary shares	Percentage of total MCP ordinary shares <sup>4</sup>	Number of MCP ordinary shares	Percentage of total MCP ordinary shares <sup>4</sup>
Laurie McAllister and his associates	Nil	Nil %	2,591,000	2.37%
All MCP ordinary shareholders other than Laurie McAllister and his associates	106,841,557	100.0%	106,841,557	97.63%
<b>TOTAL</b>	106,841,557	100.0%	109,432,557	100.0%

Notes:

4. Approximate figures.

5. Assuming the Company does not issue any other equity securities, and assuming neither Mr. McAllister nor his associates acquire any other equity securities in the Company.

6. Assuming all the Previous Rights and the Rights referred to in this resolution are issued to Mr. McAllister, become fully vested and are exercised on a one-for-one basis.

- (iii) Given that the number of Rights that may be issued to Mr. McAllister in each year following 2019 is subject to certain conditions and is calculated based on the Company's VWAP, it is not possible to determine the exact percentage interest that Mr. McAllister would have (on a fully diluted basis) if those Rights are exercised. This may be determined by applying the following formula, assuming that Rights are exercisable on a one-for-one basis, and with all elements of the formula as at the same relevant date:

$$\text{Percentage shareholding} = \frac{\text{Number of Shares held by Mr. McAllister} + \text{Number of Rights held by Mr. McAllister}}{\text{Total number of Shares on issue} + \text{Number of Rights held by Mr. McAllister}}$$

#### 4.8 Additional Information

No loans are being provided by the Company to Mr. McAllister in relation to the issue of the Rights.

Details of any securities issued under the PR Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.

As at the date of this Notice of Meeting, none of the Directors (other than the Managing Director) is entitled to participate in the PR Plan.

Since the date when the Company last obtained approval for a Director's participation in the PR Plan for the purposes of ASX Listing Rule 10.14, up to the date of this Notice of Annual General Meeting, the Company has issued 2,454,000 Rights to Mr. McAllister at nil issue price (of which 318,000 Rights have subsequently lapsed) and no Shares have been allotted pursuant to any exercise of such Rights.

If any Director other than the Managing Director (or an associate of such Director) becomes entitled to participate in the PR Plan after this resolution 4 is approved and that person is not named in this Notice of Meeting, then that person will not participate in the PR Plan until the Company's shareholders approve such participation for the purposes of ASX Listing Rule 10.14.

#### **4.9 Board Recommendation**

Other than Mr. McAllister, none of the other Directors has an interest in the outcome of this resolution. However, as the Directors are KMP, a voting exclusion statement applies as set out below. For those reasons, the Directors will not be making recommendations as to voting on this resolution.

#### **4.10 Voting Exclusion**

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes cast in respect of Agenda Item 4 (Approval of Issue of Performance Rights to the Managing Director, Mr. Laurie McAllister, under the McPherson's Limited Performance Rights Plan) by:

- (i) Mr. Laurie McAllister and any Director of the Company who is eligible to participate in the PR Plan and any of their respective associates; and
- (ii) A proxy who is a member or a closely related party of any KMP of the Company.

However, the Company need not disregard a vote if:

- (i) It is cast by a person (including the KMP or their closely related parties) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) It is cast by a person chairing the meeting as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on the relevant Agenda Item but expressly authorises the person chairing the meeting to exercise the proxy even if the relevant Agenda Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company. The person chairing the meeting intends to vote all available proxies in favour of this Agenda Item 4.

### **Agenda Items 5 and 6: Approval of Potential Termination Benefits and Benefits on Transfer of Undertaking or Property**

#### **5.1 Benefit on Change in Control or Termination**

These Agenda Items seek shareholder approval of a potential benefit that may be provided to any current or future employee who holds a managerial or executive office in the Company or a related body corporate, and who has been or is issued Rights under the PR Plan in the future, where the Board exercises its discretion under the PR Plan in the event of:

- (i) A change of control of the Company or equivalent event as determined by the Board (**Event**); and / or
- (ii) that person ceasing employment with the Company due to redundancy, retirement, death, permanent incapacity or other circumstances determined by the Board,

subject to the requirements of the ASX Listing Rules.

This potential benefit is:

- (a) the early vesting of Rights and the receipt of Shares upon exercise of the Rights; and / or
- (b) the adjustment of the vesting conditions; and / or

(c) the making of a cash payment in lieu of the Rights vesting,

subject to the requirements of the ASX Listing Rules and in each case if determined appropriate by the Board at that time. In making such a determination, the Board will have regard to shareholders' best interests, the relevant circumstances at the time and appropriate independent advice. As stated above, in any event, the PR Plan limits the number of Rights that the Company may issue, such that the sum of all Rights and options on issue and offered under all employee incentive schemes of the Company does not, if they are all exercised, equate to more than 5% of the ordinary shares on issue by the Company.

Under sections 200B and 200C of the Corporations Act, a company may only give a benefit in connection with:

- (i) A person ceasing to hold a managerial or executive office in the company or a related body corporate; or
- (ii) The transfer of the whole or any part of the undertaking or property of the company,

if the benefit is approved by shareholders or an exemption applies. The term "benefit" has a wide operation and could include the early vesting of Rights, adjustment to vesting conditions under the Plan Rules or the making of a cash payment in lieu of the Rights vesting.

Accordingly, shareholder approval is being sought for the purposes of sections 200B and 200E of the Corporations Act (pursuant to Agenda Item 5 in respect of the potential termination benefit) and sections 200C and 200E of the Corporations Act (pursuant to Agenda Item 6 in respect of the potential benefit on transfer of undertaking or property) for the potential benefit to such employees who hold a managerial or executive office in the Company or a related body corporate in relation to the Rights granted, or to be granted to them under the PR Plan in accordance with their employment contracts with the Company, which would be in addition to any employment, statutory or other benefits that may be available to them at the time.

## **5.2 Amount or Value of Benefit**

The amount or value of the potential benefit cannot presently be ascertained, but matters, events and circumstances that will, or are likely to, affect the calculation of that value include:

- (i) The number of Rights held by that person prior to cessation of that person's employment and / or the Event (as the case may be);
- (ii) the face value of the Rights issued to that person;
- (iii) The number of Rights that vest (which could be up to, but not more than, all of the Rights held by that person at the time). The Board's decision in that regard will depend on, among other things, the circumstances of that person's cessation of employment, the type of Event and its implications for the Company, the Board's assessment of that person's performance, the degree to which the vesting conditions have been met at the relevant time and the effect of any potential change in those vesting conditions, and the duration of that person's employment; and
- (iv) The market price of Shares on the ASX at the time and if applicable the value of the Shares implied by the Event or immediately following the Event.

## **5.3 Board Recommendation**

Other than Mr. McAllister (who is a current participant in the PR Plan), none of the other Directors has an interest in the outcome of this resolution. However, as the Directors are KMP, a voting exclusion statement applies as set out below. For those reasons, the Directors will not be making recommendations as to voting on these resolutions.

## **5.4 Voting Exclusions**

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes cast in respect of Agenda Item 5 by:

- (i) Mr. Laurie McAllister, all other persons who hold managerial or executive offices in the Company or its related bodies corporate and who are participants in the PR Plan, any Director of the Company who is eligible to participate in the PR Plan and any of their respective associates; and

- (ii) A proxy who is a member or a closely related party of any KMP of the Company.

However, the Company need not disregard a vote if:

- (i) It is cast by a person (including the KMP or their closely related parties) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) It is cast by a person chairing the meeting as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on the relevant Agenda Item but expressly authorises the person chairing the meeting to exercise the proxy even if the relevant Agenda Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company. The person chairing the meeting intends to vote all available proxies in favour of Agenda Item 5.

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes cast in respect of Agenda Item 6 by:

- (i) Mr. Laurie McAllister, all other persons who hold managerial or executive offices in the Company or its related bodies corporate and who are participants in the PR Plan, any Director of the Company who is eligible to participate in the PR Plan and any of their respective associates; and
- (ii) A proxy who is a member or a closely related party of any KMP of the Company.

However, the Company need not disregard a vote if:

- (i) It is cast by a person (including the KMP or their closely related parties) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) It is cast by a person chairing the meeting as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on the relevant Agenda Item but expressly authorises the person chairing the meeting to exercise the proxy even if the relevant Agenda Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company. The person chairing the meeting intends to vote all available proxies in favour of Agenda Item 6.

## **Agenda Item 7: General Approval of Issue of Securities (Being Performance Rights and Shares on the Exercise of Such Performance Rights) Under the McPherson's Limited Performance Rights Plan**

### **6.1 Background Information to the Resolution**

ASX Listing Rule 7.1 provides that a listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12-month period without the approval of shareholders (**15% Rule**). The ASX Listing Rules require that the approval of shareholders be sought where an issue of securities exceeds the 15% Rule.

As stated above, for employee incentive schemes, such as the PR Plan, ASX Listing Rule 7.2 (Exception 9) provides an exception to the requirement to obtain shareholder approval each time securities are issued under the PR Plan. For this exception to apply, the ASX Listing Rules require shareholder approval in respect of any issues under the PR Plan to be “refreshed” every 3 years.

A summary of the PR Plan is set out in section 4.2 above.

Since the PR Plan was approved in 2016 for the purposes of ASX Listing Rule 7.2 Exception 9, 3,690,000 Rights have been issued to eligible participants and no Shares have been allotted on exercise of vested Rights.

The proposed issue of Rights to Mr. McAllister as contemplated in Agenda Item 4 would not exceed the threshold set out in ASX Listing Rule 7.1. However, approval is sought under Exception 9 to ASX Listing Rule 7.2 so that any issue under the PR Plan in the next 3 years (including the Rights, and Shares on exercise of such Rights, proposed to be issued to Mr. McAllister and generally to other non-Director executives as contemplated in Agenda Item 7) is disregarded in determining in the future whether the Company has reached that threshold in accordance with the ASX Listing Rules.

Accordingly, shareholders of the Company are asked at this meeting to approve the issue of securities under the Company's PR Plan in accordance with Exception 9 of ASX Listing Rule 7.2.

## 6.2 Board Recommendation

Other than Mr. McAllister (who is a current participant in the PR Plan), no other Director has an interest in the outcome of this resolution. However, as the other Directors are "KMP, a voting exclusion statement applies as set out below. For those reasons, Mr. McAllister and the other Directors will not be making recommendations as to voting on this resolution.

## 6.3 Voting Exclusion

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes cast in respect of Agenda Item 7 by:

- (i) Mr. Laurie McAllister and any Director of the Company (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their respective associates; and
- (ii) a proxy who is a member or a closely related party of any KMP of the Company.

However, the Company need not disregard a vote if:

- (i) It is cast by a person (including the KMP or their closely related parties) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) It is cast by a person chairing the meeting as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on the relevant Agenda Item but expressly authorises the person chairing the meeting to exercise the proxy even if the relevant Agenda Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company. The person chairing the meeting intends to vote all available proxies in favour of Agenda Item 7.

## Agenda Item 8: Approval of 10% Placement Capacity

### 7.1 Background Information to the Resolution

ASX Listing Rule 7.1A enables "eligible entities" to issue "equity securities" up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An "eligible entity" for the purposes of ASX Listing Rule 7.1A is an entity that, at the date of the special resolution under ASX Listing Rule 7.1A, is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

"Equity securities" includes shares, units, options, convertible securities, rights to shares, units or options and other securities ASX classifies as equity securities (**Equity Securities**).

A key pillar of McPherson's group strategy is to explore new product growth platforms via acquisitions, joint ventures and partnerships and the Company continues to explore additional new business opportunities. The purpose of Agenda Item 8 is to authorise the Company to issue a further 10% of its issued share capital under ASX Listing Rule 7.1A in addition to and without using the Company's 15% placement capacity under ASX Listing Rule 7.1, which will provide the Company with additional flexibility to fund such an acquisition or investment.

Agenda Item 8 is a special resolution.

### 7.2 Information required by ASX Listing Rules 7.1A and 7.3A

#### (a) General

##### (i) Shareholder approval required

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting. Hence, at least 75% of votes cast by Shareholders present and eligible to vote at the Annual General Meeting must be in favour of Agenda Item 8 for it to be passed.

(ii) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice of Annual General Meeting, has on issue one class of quoted Equity Securities, namely ordinary shares.

(iii) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

**A** *is the number of shares on issue 12 months before the date of issue or agreement to issue:*

- *plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;*
- *plus the number of partly paid shares that became fully paid in the 12 months;*
- *plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;*
- *less the number of fully paid shares cancelled in the 12 months.*

*Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** *is 10%.*

**E** *is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.*

(iv) ASX Listing Rules 7.1 and 7.1A

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 6.2(a)(iii) above).

(b) **Specific**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

(i) Minimum Issue Price

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the volume weighted average market price of Equity Securities in the same class calculated over the 15 ASX trading days on which trades in that class of securities was recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 ASX trading days of the date in the paragraph above, the date on which the Equity Securities are issued,

**(Minimum Issue Price).**

(ii) Risk of economic and voting dilution

If Agenda Item 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted.

There is a risk that:

- the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice of Annual General Meeting.

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Shares on issue (Variable 'A' in ASX Listing Rule 7.1A.2)		Dilution		
		\$1.26 50% decrease in Current Issue Price	\$2.51 Current Issue Price	\$3.77 50% increase in Current Issue Price
Current Variable A 106,841,557 Shares	10% Voting Dilution	10,684,156 Shares	10,684,156 Shares	10,684,156 Shares
	Funds raised	\$13,462,037	\$26,817,232	\$40,279,268
50% increase in current Variable A 160,262,336 Shares	10% Voting Dilution	16,026,234 Shares	16,026,234 Shares	16,026,234 Shares
	Funds raised	\$20,193,055	\$40,225,847	\$60,418,902
100% increase in current Variable A 213,683,114 Shares	10% Voting Dilution	21,368,312 Shares	21,368,312 Shares	21,368,312 Shares
	Funds raised	\$26,924,073	\$53,634,463	\$80,558,536

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

- No performance rights are exercised into Shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- The current issue price is \$2.51, being the closing price of the Shares on ASX on 27 September 2019.

(iii) Expiry of approval

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by the ASX (**10% Placement Period**).

The Company will only issue and allot the Equity Securities during the 10% Placement Period.

(iv) Purpose of new issues

The Company may seek to issue the Equity Securities to fund potential acquisitions of new business opportunities and investments (including expenses associated with such acquisitions), continued expenditure on the Company's current business divisions and general working capital.

The Company may issue Equity Securities for non-cash consideration for potential acquisitions of new business opportunities and investments. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(v) Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the financial situation and solvency of the Company; and

- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Annual General Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

If the Company is successful in acquiring new businesses or investments, it may be that the allottees under the 10% Placement Facility will be the vendors of the new businesses or investments.

(vi) Detail of new issues under ASX Listing Rule 7.1A for previous year

Given the Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A, no such information is required to be provided.

(vii) Voting exclusion statement

A voting exclusion statement is included in section 7.4.

### **7.3 Board Recommendation**

The Directors recommend that shareholders vote in favour of the resolution in Agenda Item 8.

### **7.4 Voting Exclusion**

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in respect of Agenda Item 8 by a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) and any of their respective associates.

However, the Company need not disregard a vote if:

- (i) 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
- (ii) It is cast by a person chairing 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. The person chairing the meeting intends to vote all available proxies in favour of Agenda Item 8.

At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.



MCPHERSON'S

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MCP

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## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11.00 a.m. (AEDT) on Saturday, 16 November 2019**

# Proxy Form

## How to Vote on Items of Business

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

### APPOINTMENT OF PROXY

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

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

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

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

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

## ATTENDING THE MEETING

**If you are attending in person, please bring this form with you to assist registration.**

### Corporate Representative

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

## Lodge your Proxy Form:

**XX**

### Online:

Use your computer or smartphone to appoint your proxy and vote at [www.investorvote.com.au](http://www.investorvote.com.au) or scan your personalised QR code below using your smartphone.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

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

### By Mail:

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

### By Fax:

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



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

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

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



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

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

XX

I/We being a member/s of McPherson's Limited hereby appoint

the Chairman of the Meeting OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of McPherson's Limited to be held at the offices of Thomson Geer, Level 25, 1 O'Connell Street, Sydney, on Monday, 18 November 2019 at 11.00 a.m. (AEDT) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 4, 5, 6 and 7 (except where I/we have indicated a different voting intention in step 2) even though Items 2, 4, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 4, 5, 6 and 7 by marking the appropriate box in step 2.

## Step 2 Items of Business

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

	For	Against	Abstain
Item 2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of a Director – Mr. Graham Cubbin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of Issue of Performance Rights to the Managing Director, Mr. Laurie McAllister, under the McPherson's Limited Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval of Potential Termination Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Approval of Benefits on Transfer of Undertaking or Property	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 General Approval of Issue of Securities (Being Performance Rights and Shares on the Exercise of such Performance Rights) Under the McPherson's Limited Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

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

