



HRL Holdings Limited
Level 12, 145 Eagle Street
Brisbane Queensland 4000, Australia
GPO Box 216
Brisbane Queensland 4001, Australia
Tel +61 7 3105 5960
Email admin@hrlholdings.com

ASX Announcement

18 October 2019

Long Term Incentive Plans and Appendix 3B

HRL Holdings Limited (ASX:HRL) wishes to advise that it has issued a total of 6,648,978 new performance rights to participants in accordance with the Company's 2020 incentive plans.

In addition the company advises that a total of 3,260,127 performance shares originally issued under the old 2016 plan have now lapsed and have been cancelled as the targets for their vesting were not achieved.

The details of the 2020 plans are included in the attached Appendix 3B.

For further information contact:

Mr Steven Dabelstein
CEO

Ph: +61 405 770 166
steven.dabelstein@hrlholdings.com

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

HRL HOLDINGS LTD

ABN

99 120 896 371

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Unlisted Performance Rights. |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Issued under 2020 scheme – 6,648,978 comprising
4,880,961 - 3 Year Plan
1,178,678 – 2 Year Plan
589,399 – 1 Year Plan

Lapsed under 2016 scheme - 3,260,127 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | See pages 9 to 13 below |

+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No</p> <p>Shares issued upon vesting will rank equally with existing fully paid ordinary shares in the Company.</p> <p>Unless and until they are exercised into shares the Rights do not carry any rights to dividends.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The Board of HRL believe that this plan helps align key management remuneration with shareholder returns and works towards appropriately aligning the outcomes of management's strategy with the financial interests of its' shareholders over the medium to long term.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	

+ See chapter 19 for defined terms.

6f	Number of securities issued under an exception in rule 7.2									
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.									
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements									
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements									
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	18 October 2019								
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>493,402,627</td> <td>Ordinary Shares fully paid (HRL)</td> </tr> </tbody> </table>	Number	+Class	493,402,627	Ordinary Shares fully paid (HRL)				
Number	+Class									
493,402,627	Ordinary Shares fully paid (HRL)									
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>4,880,961</td> <td>Unlisted Performance Rights – LTI Expiry 2022</td> </tr> <tr> <td>1,178,678</td> <td>Unlisted Performance Rights – LTI Expiry 2021</td> </tr> <tr> <td>589,339</td> <td>Unlisted Performance Rights – LTI Expiry 2020</td> </tr> </tbody> </table>	Number	+Class	4,880,961	Unlisted Performance Rights – LTI Expiry 2022	1,178,678	Unlisted Performance Rights – LTI Expiry 2021	589,339	Unlisted Performance Rights – LTI Expiry 2020
Number	+Class									
4,880,961	Unlisted Performance Rights – LTI Expiry 2022									
1,178,678	Unlisted Performance Rights – LTI Expiry 2021									
589,339	Unlisted Performance Rights – LTI Expiry 2020									
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A – the company has yet to pay a dividend.								

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|---------------------------------------|--|
| 11 | Is security holder approval required? | |
|----|---------------------------------------|--|
- | | | |
|----|--|--|
| 12 | Is the issue renounceable or non-renounceable? | |
|----|--|--|
- | | | |
|----|--|--|
| 13 | Ratio in which the +securities will be offered | |
|----|--|--|
- | | | |
|----|--|--|
| 14 | +Class of +securities to which the offer relates | |
|----|--|--|
- | | | |
|----|--|--|
| 15 | +Record date to determine entitlements | |
|----|--|--|
- | | | |
|----|--|--|
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
|----|--|--|
- | | | |
|----|---|--|
| 17 | Policy for deciding entitlements in relation to fractions | |
|----|---|--|
- | | | |
|----|---|--|
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents
<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
|----|---|--|
- | | | |
|----|--|--|
| 19 | Closing date for receipt of acceptances or renunciations | |
|----|--|--|
- | | | |
|----|---------------------------|--|
| 20 | Names of any underwriters | |
|----|---------------------------|--|
- | | | |
|----|--|--|
| 21 | Amount of any underwriting fee or commission | |
|----|--|--|
- | | | |
|----|-----------------------------------|--|
| 22 | Names of any brokers to the issue | |
|----|-----------------------------------|--|
- | | | |
|----|--|--|
| 23 | Fee or commission payable to the broker to the issue | |
|----|--|--|
- | | | |
|----|---|--|
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
|----|---|--|

+ See chapter 19 for defined terms.

- 25 If the issue is contingent on +security holders' approval, the date of the meeting
- 26 Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled
- 27 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders
- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do +security holders sell their entitlements *in full* through a broker?
- 31 How do +security holders sell *part* of their entitlements through a broker and accept for the balance?
- 32 How do +security holders dispose of their entitlements (except by sale through a broker)?
- 33 +Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 - 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought
- 39 Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

 - the date from which they do
 - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

+ See chapter 19 for defined terms.

41 Reason for request for quotation
 NOW Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)

--

42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)

Number	+Class

Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 
 (Company secretary)

Date: 18 October 2019

Print name: Paul Marshall

== == == == ==

+ See chapter 19 for defined terms.

HRL Holdings 2020 Key Management Long Term Incentive Plans

Terms and Conditions – 3 Year Plan

The principal goals of the LTI Plan are to:

- Focus senior management on long term outcomes required by the Board;
- Minimise risk by ensuring performance was measured across multiple factors important to shareholder value, rather than a single measure;
- Retain key, high performing management;
- Align senior management's reward with shareholders' interests by payment in equity;
- Encourage share ownership in HRL; and
- Encourage teamwork through Group wide performance measures.

Remuneration Structure

Remuneration under the LTI Plan is in the form of equity-settled performance rights. Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at nil exercise price; the amount payable per each vested cash-settled performance right is the VWAP of the Company's shares over the 20 trading days following the release of the Group's full year results for the final year of the performance period.

The number of performance rights granted to a participant is calculated by dividing the amount of the participant's LTI maximum potential payment (as determined by the Remuneration and Nomination Committee) by the volume weighted average price (VWAP) of the Company's shares over the 20 trading days following the date of announcement of the final full year results for the financial year preceding the period to which the grant of performance rights relate.

Vesting conditions are assessed at the end of the performance period and the performance rights become exercisable, in whole or in part, or lapse from 1 July following the end of the performance period.

Vesting Conditions - Performance

The following information provides a guide for the performance measures to be used for testing HRL performance.

Earnings per Share (EPS) Measure

EPS MEASUREMENT TABLE	
<i>Compound annual diluted EPS growth</i>	<i>Proportion of Performance Rights that may be exercised if the EPS Performance Hurdle is met</i>
Less than 10%	Nil
10% or higher	25% of total grant

25% of Performance Rights are subject to EPS measurement. The performance period is a period of three financial years commencing on 1 July each year, ending 30 June three years later.

The compound growth in EPS will be measured by comparing fully diluted EPS for the financial year ending 30 June 2022 with fully diluted EPS for the financial year ended 30 June 2018 (FY2019 has not been used as a base because of abnormally poor performance) which is the base year for these EPS calculations.

+ See chapter 19 for defined terms.

EBITDA Measure

EBITDA MEASUREMENT TABLE	
<i>EBITDA margin of HRL relative to EBITDA margin of comparator peer companies</i>	<i>Proportion of performance rights that may be exercised if EBITDA hurdle is met</i>
Less than average EBITDA margin of comparator peer companies	Nil
More than average EBITDA margin of comparator peer companies	25% of total grant
Comparator companies	Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), ALS (Australia), Exova (UK)

25% of Performance Rights are subject to EBITDA measurement. The performance period is a period of three financial years commencing on 1 July each year, ending 30 June three years later.

Based on HRL EBITDA margin over the performance period, the EBITDA Hurdle Rights will vest in accordance with the above table. The EBITDA margin measurement is contingent upon performance of the Company against a group of comparator peer companies.

Total Shareholder Return (TSR) Measure

TSR MEASUREMENT TABLE	
<i>TSR relative to TSRs of companies in the ASX Small Ordinaries Index over the performance period</i>	<i>Proportion of Performance Rights that may be exercised if the TSR Performance Hurdle is met</i>
Below the total TSR for ASX Small Ordinaries over the Performance Period	Nil
Above the TSR for ASX Small Ordinaries over the Performance Period	25% of total grant

25% of Performance Rights are subject to TSR measurement. The performance period is a minimum period of three financial years commencing on 1 July each year, ending 30 June three years later. TSR measures the growth in the price of shares plus dividends notionally reinvested in shares.

+ See chapter 19 for defined terms.

Return on Capital Employed (ROCE) Measure

ROCE MEASUREMENT TABLE	
ROCE Performance (3 year average)	Proportion of performance rights that may be exercised if ROCE hurdle is met
ROCE of less than WACC + 2%	Nil
ROCE of between WACC + 2% and +7%	Straight line vesting of between 0% and 25% of total grant
ROCE exceeds WACC + 7%	25% of total grant

25% of Performance Rights are subject to Return on Capital Employed (ROCE) measurement. The performance period is a minimum period of three financial years commencing on 1 July each year, ending 30 June three years later. In order to provide an incentive for superior performance, the respective ROCE hurdles will be set at 2% and 7% above the June 2019 WACC with straight line vesting in between the lower and upper hurdles below.

ROCE is calculated as Underlying Earnings before Interest and Tax (EBIT) over the three year performance period divided by Capital Employed expressed as a percentage.

*Capital Employed = Total Shareholders' Equity + Net Debt (the sum of the simple averages of the balances at the beginning and end of each year during the performance period *)*

*If material funding transactions (for example, significant additional borrowings, equity issuances or asset impairments) occur such that the simple average for any year during the performance period is not representative of capital actually employed, the average capital employed for the year may be adjusted for the effect of these transactions.

Vesting Conditions - Service

Should the participant leave or be terminated from HRL:

- During years 1 - 3 all unvested performance rights will be forfeited.
- The participant must be employed on the vesting date (subject to EPS, EBITDA, TSR and ROCE performance criteria being met) to be eligible for the shares.
- The exception to this is termination due to death or bona fide age or disability retirement with any further exceptions at the absolute discretion of the Board.

+ See chapter 19 for defined terms.

Modified Terms and Conditions – 1 and 2 Year Plans

All terms and conditions remain the same for the 3 year plan scheme, with the exception of the following:

1. The Earnings per Share (EPS) Measure is replaced by the following:

HRL BUDGETED EBITDA MEASUREMENT TABLE	
<i>HRL EBITDA vs BUDGET</i>	<i>Proportion of performance rights that may be exercised if hurdle is met</i>
EBTIDA is less than budget by 5%	Nil
EBTIDA vs budget is between -5% and +10%	Straight line vesting of between 0% and 25% of total grant
EBTIDA is greater than budget by 10%	25% of total grant

2. Service conditions are reduced to:
 - One year of service for the 1 year plan; and
 - Two years of service for the 2 year plan.

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	
Add the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	
“A”	

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.15] – “C”	<i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“E”	
Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.10] – “E”	<i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.